

Financial Report
Consolidated Waterworks District No. 1
of the Parish of Terrebonne,
State of Louisiana
For the year ended June 30, 2017

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Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Consolidated Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, Louisiana.

We have audited the accompanying financial statements of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, as of June 30, 2017, and the respective changes in financial position and cash flows, thereof for the year 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 Management's Discussion and Analysis, the Schedule of Funding Progress for the OPEB Plan, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions on pages 4 through 9, 42, 43 and 44 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 with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The information contained in Schedules 1 through 12 on pages 45 through 61 for the year ended June 30, 2017 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. That information, except for Schedules 6, 7, 8 and 9 on pages 55 through 58 marked "unaudited", 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 financial statements and to the financial statements themselves, and other additional procedures in accordance with auditing

procedures generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2017, as a whole. Schedules 6, 7, 8 and 9 marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, 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, the statement of net position of Consolidated Waterworks District No. 1 as of June 30, 2016, 2015, 2014 and 2013, and the related statement of revenues, expenses and changes in net position for each of the four years in the periods ended June 30, 2016 (none of which is represented herein), and have issued our reports thereon dated December 15, 2016, November 23, 2015, October 27, 2014, and December 16, 2013, respectively, which contained an unmodified opinion on those financial statements. The information contained in Schedules 10 through 12 on pages 59 through 61 for the years ended June 30, 2016, 2015, 2014 and 2013 is also presented for additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the accounting and other records used to prepare the financial statements as of and for the years ended June 30, 2016, 2015, 2014 and 2013. The information for the years ended June 30, 2016, 2015, 2014 and 2013 in Schedules 10 through 12 on pages 59 through 61 has been subjected to auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the information presented in Schedules 10 through 12 on pages 59 through 61 for the years ended June 30, 2016, 2015, 2014 and 2013 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2017 on our consideration of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana'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 the 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.

Bourgeois Bennett, L.L.C.
Certified Public Accountants.

Houma, Louisiana,
October 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

This section of the District's financial report presents our analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$1.6 million or 1.77%.
- During the year the District's operating revenues decreased by \$0.5 million or 2.86%, while other operating expenses increased by \$0.6 million or 5.45%.
- Non-operating revenues remained the same as last year at \$0.2 million.
- Non-operating expenses increased \$0.2 million or 25.00% due to increases in interest expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of six parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, Supplementary Information and Special Reports by Certified Public Accountants and management and Agreed-upon Procedures. The Financial Statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

REQUIRED BASIC FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by private sector businesses. These statements offer short and long-term financial information about the District's activities. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the year and can be used to determine whether the District has successfully recovered all its costs through its fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments throughout the year. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the District is in a better financial position as a result of the year's activities. These statements report the net position of the District and changes in it. The net position (difference between assets deferred outflows of resources, liabilities and deferred inflows of resources) can be used to measure financial health or financial position. Over time, increases and decreases in the District's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, population growth and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Position
(In millions of dollars)

	June 30,			
	2017	2016	Dollar Change	Total Percent Change
Current and Other Assets	\$ 25.7	\$ 25.0	\$ 0.7	2.80%
Capital Assets	98.4	98.2	0.2	0.20%
Deferred Outflows of Resources	0.7	0.9	(0.2)	-22.22%
Total Assets and Deferred Outflows of Resources	<u>\$ 124.8</u>	<u>\$ 124.1</u>	<u>\$ 0.7</u>	0.56%
Long-term Debt and Obligations				
Outstanding	\$ 28.3	\$ 29.3	\$ (1.0)	-3.41%
Current and Other Liabilities	4.5	4.4	0.1	2.27%
Deferred Inflows of Resources	0.2	0.2	-	100.00%
Total Liabilities and Deferred Inflows of Resources	<u>33.0</u>	<u>33.9</u>	<u>(0.9)</u>	-2.65%
Investment in Capital Assets	72.4	71.3	1.1	1.54%
Restricted	6.7	6.2	0.5	8.06%
Unrestricted	12.7	12.7	-	0.00%
Total Net Position	<u>91.8</u>	<u>90.2</u>	<u>1.6</u>	1.77%
Total Liabilities and Net Position	<u>\$ 124.8</u>	<u>\$ 124.1</u>	<u>\$ 0.7</u>	0.56%

As can be seen from the table, net position increased \$1.6 million to \$91.8 million for the year ended June 30, 2017. This increase reflects capital projects financed with federal and state grants, unrestricted net position (those that can be used to finance day-to-day operations) and restricted net position. Long-term debt and obligations decreased by \$1.0 million as a result of the payments of principal on Water Revenue Bonds of \$1.1 million during the year netted with a net increase of \$.1 million in other postemployment benefits and net pension liability.

Table A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position
(In millions of dollars)

	For the year ended June 30,			Total Percent Change
	2017	2016	Dollar Change	
Operating Revenues	\$ 17.0	\$ 17.5	\$ (0.5)	-2.86%
Non-Operating Revenues	0.2	0.2	-	0.00%
Total Revenues	<u>17.2</u>	<u>17.7</u>	<u>(0.5)</u>	-2.82%
Depreciation	3.6	3.6	-	0.00%
Other Operating Expenses	11.6	11.0	0.6	5.45%
Non-Operating Expenses	<u>1.0</u>	<u>0.8</u>	<u>0.2</u>	25.00%
Total Expenses	<u>16.2</u>	<u>15.4</u>	<u>0.8</u>	5.19%
Change in Net Position Before Capital Contributions	1.0	2.3	(1.3)	-56.52%
Capital Contributions	<u>0.6</u>	<u>0.6</u>	<u>-</u>	0.00%
Change in Net Position	1.6	2.9	(1.3)	-44.83%
Beginning Net Position	<u>90.2</u>	<u>87.3</u>	<u>2.9</u>	3.32%
Ending Net Position	<u>\$ 91.8</u>	<u>\$ 90.2</u>	<u>\$ 1.6</u>	1.77%

The Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of changes in net position. The District's operating revenues decreased by \$0.5 million to \$17.0 million or 2.86%. Non-operating revenues and depreciation expense, each, remained the same as last year. The District's other operating expenses increased \$.6 million primarily due to increase personal services. Non-operating expenses increased \$.2 million primarily due to increases in interest expense. The District has capitalized \$.6 million of newly completed waterlines donated to the District by developers. These capitalized costs are reported as capital contributions and is in the same amount as reported in the prior fiscal year.

BUDGETARY HIGHLIGHTS

As required by revenue bond resolutions, the District adopts a line item budget no later than 30 days prior to the start of the following year. The budget is reviewed and amended as needed. During the year ended June 30, 2017, the budget was amended in the third and fourth quarters. The amendments reflected a net increase in operating income of \$157,950 associated with lower insurance premiums and decreases in personal services expenses.

A more detailed analysis of the District's budget is presented in the supplemental information section of this report.

CAPITAL ASSETS

At June 30, 2017, the District had invested \$170.2 million in a broad range of infrastructure including water plants at Schriever and Houma, distribution system, warehouse and administration facilities, vehicles, furniture and equipment as shown in Table A-3. This amount represents an increase of \$2.3 million, or 1.4 %, over last year.

Table A-3
Capital Assets
(In millions of dollars)

	June 30,		Dollar	Total
	2017	2016	Change	Percent
				Change
Land	\$ 0.6	\$ 0.6	\$ -	0.0%
Water plant	42.9	40.8	2.1	5.1%
Distribution system	114.6	106.7	7.9	7.4%
Administrative building	2.3	2.1	0.2	9.5%
Plant equipment	0.5	0.5	-	0.0%
Furniture and equipment	0.9	0.8	0.1	12.5%
Automobiles and trucks	1.1	0.9	0.2	22.2%
Construction in progress	7.3	15.5	(8.2)	-52.9%
Subtotal	170.2	167.9	2.3	1.4%
Less accumulated depreciation	71.8	69.7	2.1	3.0%
Net book value	<u>\$ 98.4</u>	<u>\$ 98.2</u>	<u>\$ 0.2</u>	0.2%

This year's capital improvements included:

- Completion of a 36" transmission main along US Hwy 90.
- Completion of 2 million gallon ground storage tanks.
- Waterlines donated by developers.
- Warehouse renovations and purchases of various furniture and fixtures.
- Purchases of various trucks and trailers.

As of June 30, 2017, the District currently has \$7.3 million in construction projects in progress. This is primarily made up of one large project being funded by the 2012A Bond Issue, specifically a 30" transmission main along US Hwy 90. The District's fiscal year 2018 capital budget projects spending \$2.5 million for capital projects, principally for improvements to the distribution system and treatment plants. Also budgeted are replacements for vehicles, granular activated carbon, plant improvements and electronic meter reading equipment. The District believes these projects can be financed from available resources based on projected cash flows. The District is currently funding several projects to enhance the City of Houma system and several other distribution areas through the State's Drinking Water Revolving Loan Fund program. More information about the District's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT AND OBLIGATIONS

As of June 30, 2017, the District had \$25.0 million in long-term debt (water revenue bonds) down from \$26.0 million at June 30, 2016 for a net decrease of \$1.0 million, due to principal payments on outstanding debt. The District's unamortized bond premium at June 30, 2017 amounted to \$.9 million, which was a decrease of \$.1 million compared to the prior year. Current and other liabilities at June 30, 2017 and 2016 include \$1.2 million of the District's long-term debt. More detailed information about the District's long-term debt is presented in Note 7 to the financial statements.

The District's water revenue bonds maintain an AA-/Stable rating from Standard and Poor's Rating Service.

Bond covenants allow for the issuance of additional debt, on a parity basis, subject to certain conditions. The major criterion is that annual net revenues must be at least 1.2 times the highest combined annual principal and interest requirements. The District currently carries a coverage ratio of 1.79 down from last year's ratio of 2.12.

As of June 30, 2017, the District's obligation for postemployment health care was \$3.1 million, which reflects an increase of \$.3 million for the year end June 30, 2017. More information on the District's postemployment health care obligation is presented in the Note 8 to the financial statements.

As of June 30, 2017, the District's proportional share of the net pension liability amounted to \$.5 million or a decrease of \$.2 million for the year ended June 30, 2017. More information on the District's proportional share of the net pension liability of the Parochial Employees Retirement System is presented in the Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2018 budget. One of those factors is the economy of Terrebonne Parish. The District's customer base, both commercially and residentially, has decreased as a result of downturns in offshore oil and gas drilling and exploration.

Revenues from water sales and services available for recovering operating expenses are projected to be \$16.8 million, a decrease of \$.2 million from actual operating revenues in fiscal year 2017. Budgeted operating expenses, including depreciation and amortization, are expected to be higher than actual for the fiscal year 2017 actual by approximately 5.2% to \$16.1 million. Budgeted employment costs are affected by a 2% merit increase in employee salaries, a 20% increase in group insurance costs and a 2% increase in property and liability insurance premiums.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have questions about this report or need additional financial information, contact Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, Office Manager, P. O. Box 630, Houma, LA 70361.

STATEMENT OF NET POSITION

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

June 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current

Cash and cash equivalents	\$ 13,229,087
Accounts receivable:	
Customers	1,123,341
Unbilled water sales	1,178,114
Allowance for uncollectible accounts	(386,323)
Interest receivable	14,815
Due from State of Louisiana:	
Office of Homeland Security and Emergency Preparedness	590,243
Department of Health and Hospitals	19,191
Inventory of materials and supplies	666,458
Prepaid insurance	41,747
	<hr/>
Total current assets	16,476,673

Restricted Cash and Cash Equivalents

Meter Deposit Fund	2,494,288
Revenue Bond Sinking Fund	975,788
Bond Reserve Fund	2,120,242
Depreciation and Contingencies Fund	3,620,014
Construction 2012 Fund	4,421
	<hr/>
Total restricted cash and cash equivalents	9,214,753

Capital Assets

Non-depreciable	7,866,556
Depreciable, net	90,514,299
	<hr/>
Total capital assets	98,380,855
	<hr/>
Total assets	124,072,281

Deferred Outflows of Resources

	694,310
	<hr/>
Total assets and deferred outflows of resources	\$ 124,766,591

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**Current**

Payable from current assets:	
Accounts payable and accrued expenses	\$ 636,063
Payable from restricted assets:	
Accrued interest on bonds	164,074
Revenue bonds:	
Bonds payable	1,119,000
Unamortized bond premium	97,934
Meter deposits	2,494,288
Total current liabilities payable from restricted assets	3,875,296
Total current liabilities	4,511,359

Long-term

Revenue bonds:	
Bonds payable	23,870,118
Unamortized bond premium	900,461
Total revenue bonds	24,770,579
Net pension liability	476,214
Other postemployment benefit obligation	3,076,509
Total long term liabilities	28,323,302
Total liabilities	32,834,661

Deferred Inflows of Resources

	191,964
Total liabilities and deferred inflows of resources	33,026,625

NET POSITION**Net Position**

Net investment in capital assets	72,397,762
Restricted for:	
Debt service	3,096,030
Renewal and replacement	3,620,014
Unrestricted	12,626,160
Net position	91,739,966
Total liabilities, deferred inflows of resources and net position	\$ 124,766,591

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

OPERATING REVENUES

Revenues from water sales and services	\$ 16,194,941
Other operating revenues	<u>805,916</u>
Total operating revenues	<u>17,000,857</u>

OPERATING EXPENSES

Personal services	6,185,096
Supplies and materials	1,758,752
Other services and charges	3,791,750
Depreciation	<u>3,612,806</u>
Total operating expenses	<u>15,348,404</u>
Operating income	<u>1,652,453</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	103,505
Amortization of bond premium	104,888
Bond interest	<u>(964,938)</u>
Net non-operating expenses	<u>(756,545)</u>
Change in net position before capital contributions	895,908

CAPITAL CONTRIBUTIONS

	<u>655,551</u>
Change in net position	1,551,459

NET POSITION

Beginning of year	<u>90,188,507</u>
End of year	<u><u>\$ 91,739,966</u></u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 17,190,246
Cash payments to suppliers for goods and services	(5,154,390)
Cash payments to employees for services and benefits	<u>(6,023,500)</u>
Net cash provided by operating activities	<u>6,012,356</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(3,030,684)
Intergovernmental capital project grants	174,857
Principal paid on outstanding debt	(999,000)
Interest paid on outstanding debt	<u>(979,928)</u>
Net cash used by capital and related financing activities	<u>(4,834,755)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>94,256</u>
Net decrease in cash and cash equivalents	1,271,857

CASH AND CASH EQUIVALENTS

Beginning of year	<u>21,171,983</u>
End of year	<u><u>\$ 22,443,840</u></u>

CLASSIFIED AS

Current assets	\$ 13,229,087
Restricted assets	<u>9,214,753</u>
Total cash and cash equivalents	<u><u>\$ 22,443,840</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 1,652,453
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,612,806
Bad debts	251,361
Pension and other post employment benefit obligations	433,014
(Increase) decrease in assets:	
Accounts receivable	(72,517)
Inventory of material and supplies	21,739
Prepaid insurance	197,826
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(94,871)
Meter deposits	10,545
Total adjustments	4,359,903
Net cash provided by operating activities	\$ 6,012,356

**NON CASH OPERATING, CAPITAL AND RELATED FINANCING
ACTIVITIES AND INVESTING:**

Amortization of bond premium and deferred outflows and inflows of resources was \$104,888.
Capital assets received in noncash capital contributions was \$655,551.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

June 30, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the District's accounting policies are described below:

a) Reporting Entity

Following Louisiana legislation passed in the 1992 session, the Terrebonne Parish Consolidated Government passed an ordinance creating the Consolidated Waterworks District No. 1 of the Parish of Terrebonne (the District) for the purpose of providing water services to the citizens of Terrebonne Parish. On July 1, 1994 Waterworks District Nos. 1, 2, 3 of Terrebonne Parish and the City of Houma water system transferred cash, investments and other net assets to the District.

GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, GASB Statement No. 61, *The Financial Reporting Entity: omnibus and amendment of GASB Statement No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirement for Certain Component Units*, established the criterion for determining which component units should be considered part of the District for financial reporting purposes. The basic criteria are as follows:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (continued)

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

It has been determined based upon the above criteria that the District is a component unit of the Terrebonne Parish Consolidated Government and will be included in its comprehensive financial report for the year ending December 31, 2017.

b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements provide information about the District's business activities. The financial statements for business-type activities are also often referred to as enterprise fund financial statements.

"Measurement Focus" is an accounting term used to describe *which* transactions and types of balances are recorded within the various financial statements. The expression, "Basis of Accounting", refers to when transactions or events are recorded regardless of the measurement focus applied.

The District utilizes a single stand-alone enterprise fund for its business-type activities. The Fund is used to account for water intake, purification, distribution and sales activities, and the related administrative functions.

Because of the "businesslike" characteristics of operations, the accompanying financial statements report using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

As the means for delivering services to its customers, the District utilizes water production plants and water distribution systems. To provide the resources that are necessary to pay for these utility services and the related support functions, the District charges its customers monthly user fees which are based on the specific level of services that they are receiving. Because the operations of the District closely mirror those of a typical, commercial company, its accounting records reflect a similar approach for measuring its business activity.

The District's various bond indentures require the establishment of certain accounts which are referred to as "funds". These required accounts are maintained as part of the accounting records of the District. They include the Revenue Bond Sinking Fund, Bond Reserve Fund, and Depreciation and Contingencies Fund. These are not "funds" as the term is used in generally accepted accounting principles, but are separate "accounts" used to delineate the accounting and reporting for bond-related money and repayment security requirements.

The balances and activity that occur in these various accounts represent specific segments of the District as reported in the District's basic financial statements. Additional compliance information about these accounts is presented in Note 7 and a separate supplemental schedule that follow the basic financial statements.

The enterprise fund used by the District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues are charges to customers for sales and services that are provided to them. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. 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.

c) Use of Estimates

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash and cash equivalents to include amounts in checking accounts and investments in certificates of deposits with maturities of four months or less when purchased and the Louisiana Asset Management Pool (LAMP).

LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met.

e) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances are considered past due 30 days from the invoice date. Management provides an allowance for probable uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

f) Inventory of Material and Supplies

Inventory of materials and supplies are valued at cost, using the first-in first-out (FIFO) method, which approximates the average cost method.

g) Restricted Assets

Specific assets are required to be segregated as to use and are therefore identified as restricted assets. Certain assets are restricted pursuant to restrictions arising from various bond indenture agreements (See Note 7).

h) Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are valued at historical costs or estimated cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects. The District also capitalizes a portion of interest expense as part of the historical cost of constructing expansions to the system.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Capital Assets (continued)

Depreciation of all capital assets, excluding land, is calculated over the estimated useful lives using the straight-line method as follows:

<u>Type of Capital Asset</u>	<u>Depreciation Rate</u>
Water plant	2%
Water plant – filters	20%
Distribution system	2% - 4%
Distribution system – tank painting and improvements	33%
Administrative building	5%
Plant equipment	10%
Furniture and equipment	10%
Automobiles and trucks	20%

i) Capitalization of Interest

The District capitalizes interest costs net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During the fiscal year ended June 30, 2017, \$18,275 of interest costs, without offset for interest earned, were capitalized as part of the costs of construction various projects. Total interest costs incurred and interest earned in fiscal year ended June 30, 2017 amounted to \$994,463 and \$103,504 respectively.

j) Long-Term Debt

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond payable balances are reported net of applicable bond premium and discount.

k) Accumulated Unpaid Vacation and Sick Leave

The District accrues benefits in the period earned. Full-time employees of the District shall be entitled to vacation with pay and shall accrue vacation time in the following manner:

After first year	Five days (40 hours)
After second year through ninth year	Ten days (80 hours)
Ten years or more	Fifteen days (120 hours)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Accumulated Unpaid Vacation and Sick Leave (continued)

Employees may not accumulate and carry forward vacation time beyond the year earned, which is January 1 through December 15. Accumulated vacation leave is due to the employee at the time of termination of employment. Although sick leave accumulates and is available for employees when needed, it does not vest nor is it payable at termination of employment.

l) Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting as deferred outflows of resources and deferred inflows of resources: bond premium and bond discount on refundings and pension related deferred outflows and inflows of resources. A bond premium or discount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized by the interest method over the shorter of the life of the refunded or refunding debt. See Note 7 for additional information regarding bond premium and bond discount and Note 9 for information regarding deferred outflows and inflows of resources related to pensions.

m) Contracts Payable

Liability for work performed on contracts is recognized as the work is incurred.

n) Revenues and Expenses

Operating revenue and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted net position.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) 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 (the 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.

p) Net Position

Net position comprised the various net earnings from operating income, nonoperating revenues, expenses and capital contributions. Net position is classified into the following three components:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed 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 - This component of net assets consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements

During the year ending June 30, 2017, the District implemented the following GASB Statements:

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*." The Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria and follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments and also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement did not affect the District's financial statements.

Statement No. 77, "*Tax Abatement Disclosures*" defines tax abatements as reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This Statement requires disclosures of the government's own tax abatement agreements and those tax abatement agreements of other governments that reduce the government's revenue. This Statement did not affect the District's financial statements.

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement did not affect the District's financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (continued)

Statement No. 79, "*Certain External Investment Pools and Pool Participants*" establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Statement No. 80, "*Blending Requirement for Certain Component Units*" improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This requirement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the District's financial statements.

Statement No. 82, "*Pension Issues*" addresses several issues raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans*," No. 68, "*Accounting and Financial Reporting for Pensions*," and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement did not affect the District's financial statements.

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

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*," replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (continued)

criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 81, *"Irrevocable Split Interest Agreements"* provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. Management has not yet determined the effect of this statement on the financial statements.

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

Statement No. 84, *"Fiduciary Activities"* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (continued)

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 85, "*Omnibus 2017*," covers four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. "*Omnibus 2017*" is effective for fiscal years beginning after June 15, 2017. However, due to the nature of topic covered, GASB is allowing the option of early implementation for single topics. Management has not yet determined the effect of this Statement on the financial statements.

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

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New GASB Statements (continued)

reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Note 2 - BUDGET

The Board is required by revenue bond resolutions to adopt a line item budget for the District within thirty days of the end of its fiscal year for the following year. The Board adopted a line item budget for the year ended June 30, 2017. The budget was amended twice during the year. All revisions to the budget must be approved by the Board. The budget lapses at year-end.

Note 3 - DEPOSITS AND INVESTMENTS

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

Bank Deposits:

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

The year end balances of deposits are as follows:

	Bank Balances	Reported Amount
Cash	\$ 7,124,263	\$ 6,345,540
Certificates of deposit	<u>2,995,000</u>	<u>2,995,000</u>
Totals	<u>\$ 10,119,263</u>	<u>\$ 9,340,540</u>

Note 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk. As of June 30, 2017, \$7,676,600 of the District's bank balance of \$10,119,263 was exposed to credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent and are deemed to be held in the District's name by state statutes.

At June 30, 2017, cash and certificates of deposits were adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

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

As a means of limiting its exposure to fair value losses arising from interest rates, interest rate risk, the District's investment policy limits investments to securities with less than six months from the date of purchase unless the investment is matched to a specific cash flow. Due to this policy we are showing all investments with maturity dates less than four months from the date of purchase as cash and cash equivalents.

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 or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

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 requires the application of the prudent-person rule. The policy states, *investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable*

Note 3 - DEPOSITS AND INVESTMENTS (Continued)

income to be derived. Primary emphasis shall be placed upon the safety of such funds in an effort to minimize risk while earning maximum returns. The District's investment policy limits investments to those discussed earlier in this note. LAMP has a Standard & Poor's Rating of AAAm.

The District places no limit on the amount the District may invest with anyone issuer. Investments issued by or explicitly guaranteed by the U.S. Government, and external investment pools are exempt from concentration of credit risk exposures.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. 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. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in LAMP at June 30, 2017 amounted to \$13,103,000 and are classified on the Statement of Net Assets as unrestricted and restricted "Cash and Cash Equivalents".

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

Cash on hand	\$ 300
Reported amount of deposits	9,340,540
Reported amount of investments	<u>13,103,000</u>
 Total	 <u>\$ 22,443,840</u>
 Classified as:	
Current assets	\$ 13,229,087
Restricted assets	<u>9,214,753</u>
 Total	 <u>\$ 22,443,840</u>

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Adjustments & Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 581,471	\$ -	\$ -	\$ 581,471
Construction in progress	15,488,136	1,928,607	(10,131,658)	7,285,085
Total capital assets not being depreciated	16,069,607	1,928,607	(10,131,658)	7,866,556
Capital assets being depreciated:				
Water plant	39,892,966	2,195,721	-	42,088,687
Water plant - water filters	860,511	197,340	(224,216)	833,635
Distribution system	104,826,189	9,132,536	-	113,958,725
Distribution system - tank painting and improvements	1,850,741	-	(1,233,918)	616,823
Administrative building	2,068,079	214,267	-	2,282,346
Plant equipment	545,209	-	-	545,209
Furniture and equipment	839,353	62,884	-	902,237
Automobiles and trucks	888,982	234,914	(71,599)	1,052,297
Total capital assets being depreciated	151,772,030	12,037,662	(1,529,733)	162,279,959
Less accumulated depreciation for:				
Water plant	(18,032,169)	(775,388)	-	(18,807,557)
Water plant - water filters	(371,855)	(342,338)	224,216	(489,977)
Distribution system	(46,904,517)	(2,053,380)	-	(48,957,897)
Distribution system - tank painting and improvements	(1,271,236)	(250,350)	1,233,918	(287,668)
Administrative building	(1,309,041)	(63,388)	-	(1,372,429)
Plant equipment	(447,822)	(17,151)	-	(464,973)
Furniture and equipment	(509,828)	(62,135)	-	(571,963)
Automobiles and trucks	(836,119)	(48,676)	71,599	(813,196)
Total accumulated depreciation	(69,682,587)	(3,612,806)	1,529,733	(71,765,660)
Total capital assets being depreciated, net	82,089,443	8,424,856	-	90,514,299
Total capital assets, net	\$ 98,159,050	\$ 10,353,463	\$ (10,131,658)	\$ 98,380,855

Additions to the distribution system include the estimated fair value of newly completed waterlines donated to the District by developers. The donated waterlines amount to \$655,551 for the year ended June 30, 2017.

Adjustments

Reported as adjustments, \$10,131,658, are the completion and reclassification of capital projects to their functional asset groupings, which had been previously accounted for as construction in progress. Other adjustments are due to physical inventory of capital assets and a reconciliation to the asset listing.

Note 4 - CAPITAL ASSETS (Continued)

The District has active construction projects in the engineering and planning phases as of June 30, 2017. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Incurred to Date</u>	<u>Remaining Commitment</u>
12" Near Gabasse St. 12" Tunnel Blvd extension, 12" Dunn St., 8" near Smith Lane	\$ 219,060	\$ 363,226
30" Water Transmission Line Hwy 90 from Bayou Blue to LA Hwy 311	<u>5,445,425</u>	<u>367,293</u>
Total Commitments	<u>\$ 5,664,485</u>	<u>\$ 730,519</u>

Note 5 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Activity in deferred outflows and inflows of resources for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Deferred outflows on resources				
Amounts on Revenue Refund Bonds, Series 2012B, See Note 7	\$ 30,019	\$ -	\$ (22,421)	\$ 7,598
Amounts related to pensions See Note 9	<u>912,775</u>	<u>-</u>	<u>(226,063)</u>	<u>686,712</u>
Total deferred outflows	<u>\$ 942,794</u>	<u>\$ -</u>	<u>\$ (248,484)</u>	<u>\$ 694,310</u>
Deferred inflows of resources				
Amounts on Revenue Refund Bonds, Series 2014, See Note 7	\$ 70,202	\$ -	\$ (14,850)	\$ 55,352
Amounts related to pensions See Note 9	<u>119,234</u>	<u>17,378</u>	<u>-</u>	<u>136,612</u>
Total deferred inflows	<u>\$ 189,436</u>	<u>\$ 17,378</u>	<u>\$ (14,850)</u>	<u>\$ 191,964</u>

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2017 consisted of the following:

Vendors	\$ 431,116
Salaries and benefits	<u>204,947</u>
Total	<u><u>\$ 636,063</u></u>

Note 7 - REVENUE BONDS

Revenue bonds as of June 30, 2016 consists of the following:

Taxable Water Revenue Bonds, Series 2014A payable in the amount of \$4,200,000, issued December 23, 2014, with a yield of 2.95% (plus a 5% annual administrative fee) for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system. The bonds were purchased by the Louisiana Department of Health and Hospitals and bond proceeds are distributed from time to time as construction progresses. The terms of the Loan and Pledge Agreement accompanying the bonds contain a 30% principal forgiveness provision on each draw down limited to \$1,125,000. Additional borrowings of \$2,205,882 are available as of June 30, 2015, after application of unreimbursed costs. The bonds are scheduled to mature November 1, 2035.	\$ 838,118
Revenue Refund Bonds, Series 2014 payable in the amount of \$5,995,000, issued May 6, 2014, with a premium of \$195,243 and a yield of 2.92%, to refund \$6,610,000 of outstanding Water Revenue Refunding Bonds, Series 2003A and are scheduled to mature November 1, 2023.	5,995,000
Revenue Bonds, Series 2012A payable in the amount of \$17,300,000, issued October 30, 2012 with a premium of \$1,240,525 for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system, with a yield of 4.64 %, and final maturity November 1, 2037.	16,315,000
Revenue Refund Bonds, Series 2012B payable in the amount of \$1,890,000, issued October 30, 2012, with a premium of \$67,335 and a yield of 2.83%, to refund \$4,125,000 of outstanding Water Revenue Refunding Bonds, Series 2009 and are scheduled to mature November 1, 2017.	410,000
December 29, 2010, with a yield of 2.95% (plus a 5% annual administrative fee) for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system. The bonds were purchased by the Louisiana Department of Health and Hospitals and are scheduled to mature November 1, 2030.	<u>1,431,000</u>
Total	<u><u>\$ 24,989,118</u></u>

Note 7 - REVENUE BONDS (Continued)

The following is a summary of bond transactions of the District for the year ended June 30, 2017:

	Water Revenue Bonds
Bonds payable at July 1, 2016	\$ 25,988,118
Bonds retired	<u>(999,000)</u>
Bonds payable at June 30, 2017	24,989,118
Plus:	
Unamortized bond premium	<u>998,395</u>
Net bonds payable at June 30, 2017	<u>\$ 25,987,513</u>
Classified as:	
Long-term	\$ 24,770,579
Current	<u>1,216,934</u>
Total	<u>\$ 25,987,513</u>

The annual requirements to amortize debt outstanding for water revenue bonds, assuming full issuance of the Taxable Water Revenue Bonds, Series 2014A, as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,119,000	\$ 1,026,090	\$ 2,145,090
2019	1,661,000	988,726	2,649,726
2020	1,703,000	941,229	2,644,229
2021	1,765,000	884,684	2,649,684
2022	1,828,000	824,666	2,652,666
2023 - 2027	6,623,000	3,344,227	9,967,227
2028 - 2032	5,336,000	2,307,727	7,643,727
2033 -2037	5,902,000	1,006,452	6,908,452
2038	<u>1,180,000</u>	<u>29,500</u>	<u>1,209,500</u>
Total	<u>\$ 27,117,000</u>	<u>\$ 11,353,301</u>	<u>\$ 38,470,301</u>

Under the terms of the bond indentures for outstanding Water Revenue Bonds, principal and interest is secured and payable solely from a pledge of the income and revenues to be derived from the operations of the District. All revenues must be deposited in the District and required transfers made to the following accounts (funds) on a monthly basis after the payment of operating expenses:

Note 7 - REVENUE BONDS (Continued)

a) Revenue Bond Sinking Fund

Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

b) Bond Reserve Fund

The Reserve Fund is required to be funded in an amount equal to the lesser of (i) 10% of the proceeds of the bonds, (ii) the highest combined principal and interest requirements for any succeeding year or (iii) 125% of the average aggregate amount of principal and interest becoming due.

Monies in the amount of \$2,120,242 have been deposited into this fund. This amount is equal to 125% of the average aggregate amount of principal and interest becoming due in any future year on the District's outstanding water revenue bonds. The Fund is restricted to the payment of principal and interest in case of default.

c) Depreciation and Contingencies Fund

Monthly transfers of 5% of gross revenues of the District for the preceding month are required. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the District. It will also be used to pay principal and interest if there are not sufficient funds in the Revenue Bond Sinking Fund and Bond Reserve Fund.

d) Bond Requirements

The accounting requirements of the bond resolution for Water Revenue Bonds, as stated in a) through c) above, have been complied with for the year ended June 30, 2017.

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District administers a single employer defined benefit healthcare plan (the Plan). The Plan provides for the payment of medical, dental, long-term care, life insurance and medicare supplement premiums for eligible employees, retirees and their dependants as allowed by policy set by the Board of Commissioners. The District funds 85% premium for all active employees and 100% premium for retirees with at least twenty years of service upon retiring from the Parochial Employees' Retirement System, see Note 9. The District does not issue a publicly available financial report on the Plan.

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy

The District fully funds required premiums based on pay-as-you-go financing requirements. For fiscal year 2017 the District paid \$216,104 for the retirees' current year premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information for the Plan are as follows:

Contribution rates:	Actuarially determined
District	85%
Plan Members	15%
Annual required contribution (ARC)	\$ 612,650
Interest on net OPEB obligation	83,525
Adjustment to ARC	<u>(85,259)</u>
Annual OPEB cost	610,916
Contributions made	<u>(265,876)</u>
Increase in net OPEB obligation	345,040
Net OPEB obligation beginning of year	<u>2,731,469</u>
Net OPEB obligation end of year	<u><u>\$ 3,076,509</u></u>

The District's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of June 30, 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/2015	\$ 462,744	41.74%	\$ 2,386,429
6/30/2016	610,916	43.52%	2,731,469
6/30/2017	610,916	43.52%	3,076,509

Note 8 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$9,407,902. Covered payroll for eligible employees was \$3,282,791 and the total UAAL represents 286.6% of covered payroll.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and eligible employees and retirees) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between the employer and eligible employees and retirees to that point. The actuarial calculations reflect a long-term perspective.

In the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual medical cost trend rate of 9.5 % initially, fluctuating by 1.5% after year one and increments of .5% to an ultimate rate of 5 % after eight years. The annual medicare supplemental cost trend was 5% through all years in effect. Dental cost trend rate was 5.0% initially, decreased to 3.8% in year two fluctuating to an ultimate rate of 3% after 5 years. Payroll is assumed to increase at a rate of 3% per annum. As of the valuation date, the District only pays required insurance premiums directly from District resources, accordingly there are no plan assets, hence no need for an actuarial value of assets. The UAAL is being amortized as a level percent of payroll over 30 years on an open period basis.

Note 9 - PENSION PLAN

Plan Description. The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social

Note 9 - PENSION PLAN (Continued)

Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically and other general laws of the State of Louisiana.

Benefits Provided. The System provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.0% of the member's final average compensation multiplied by the years of creditable service. For members hired prior to January 1, 2007 they may retire with full benefits at age 55 upon completing 30 years of service, retire at age 60 after completing 10 years of service or retire at age 65 after completing 7 years of service. For members hired after January 1, 2007 they may retire with full benefits at age 55 after completing 30 years of service, retire at age 62 after completing 10 years of service or retire at age 67 after completing 7 years of service. Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. During the three year period, employer contributions continue but employee contributions cease. The election to participate in DROP is irrevocable once participation begins. The monthly retirement benefits are paid into the DROP Fund. Upon termination of employment a participant in DROP may receive a lump sum equal to payments into the participant's account, an annuity or a roll over to an Individual Retirement Account. Members hired before January 1, 2007 with 5 or more years of service who becomes disabled may receive retirement benefits determined in the same manner as retirement benefits. Members hired after January 1, 2007 with 7 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's years of creditable service and compensation and the dependent's relationship to the deceased member. The System provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State Legislature.

Contributions. According to state statute, contributions for all employers are actuarially determined each year. For the year ending December 31, 2016, the actuarial employer contribution rate was 7.20% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2016 was 9.00%.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Note 9 - PENSION PLAN (Continued)

Contributions to the System from the District were \$311,261 for the year ended June 30, 2017.

Pension Liabilities. At June 30, 2017, the District reported a liability of \$476,214 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District's proportion was 3.665801%, which was a increase of .117920% from its proportion measured as of December 31, 2015.

Pension Expense. For the year ended June 30, 2017, the District recognized pension expense of \$401,089.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (135,926)
Net difference between projected and actual earnings on pension plan investments	475,435	-
Changes in assumptions	56,798	-
Changes in proportion	1,578	(686)
Contributions subsequent to the measurement date	152,901	-
	<u>\$ 686,712</u>	<u>\$ (136,612)</u>

The District reported \$152,901 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 9 - PENSION PLAN (Continued)

	For the year ended June 30th,	Amount
	<u>30th,</u>	
2018		\$ 132,628
2019		164,197
2020		113,769
2021		<u>(13,395)</u>
Total		<u>\$ 397,199</u>

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining	
Service Lives	4 years
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.25% (2.75% merit, 2.50% inflation)
Mortality Rates	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (CAPM) (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and 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 7.66% for the year ended December 31, 2016.

Note 9 - PENSION PLAN (Continued)

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, 2016 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35.00%	1.24%
Equity	52.00%	3.63%
Alternatives	11.00%	0.67%
Real assets	2.00%	0.12%
Totals	100.00%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

Discount Rate. The discount rate used to measure the collective 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 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 the total pension liability.

Sensitivity of the District's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the collective net pension liability using the discount rate of 7.00%, as well as what the Office's proportionate share of the 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 %) than the current rate:

	<u>1.0% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.0% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$1,810,444	\$ 476,214	\$ (650,061)

Pension Plan Fiduciary Net Position. The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on their financial statements for the year ended December 31, 2016. Access to the audit report can be found on the System's website, www.persla.org or on the Louisiana Legislative Auditor's website, www.la.la.gov.

Note 10 - LITIGATION

The District is involved in disputes in the normal course of business. Management believes the resolution of these matters will not have a material effect on the District's financial position or the results of operations. Accordingly, no obligations for claims or litigation have been recognized in the financial statements.

Note 11 - BOARD MEMBERSHIP AND COMPENSATION OF BOARD COMMISSIONERS

Included in administrative expenses is the per diem payments and mileage reimbursement to members of the Board of Commissioners. In accordance with the State of Louisiana Statutes commissioners receive \$60 per meeting attended, limited to 24 regularly scheduled meetings and 12 special meetings each year.

Board members	Number of Meetings Attended	Payments for		Total Amount
		Meetings Attended	Mileage	
Al Badeaux, Jr.	23	\$ 1,380	\$ 99	\$ 1,479
Vincent Celestin	24	1,440	178	1,618
Bobby Cockerham	23	1,380	141	1,521
Stephen Hornsby	22	1,320	165	1,485
David Mosely	19	1,140	286	1,426
Kenneth Pitre	21	1,260	338	1,598
John Pizzolatto	23	1,380	71	1,451
Clifton Stoufflet	22	1,320	50	1,370
Chester Voisin	23	1,380	520	1,900
Totals		<u>\$ 12,000</u>	<u>\$ 1,848</u>	<u>\$ 13,848</u>

Note 12 - CONCENTRATIONS

In May 2013, voters in Terrebonne Parish approved a 2.11 mill parish-wide ad valorem tax dedicated to the Bayou Lafourche Freshwater District. The tax, which was assessed November 1, 2013, provides for voting membership by representatives of Terrebonne Parish on the Bayou Lafourche Freshwater District Board. The District purchases its raw water supply from the Bayou Lafourche Freshwater District. The cost of raw water to the District is based upon the amount of water drawn from Bayou Lafourche and has been established \$.03 per 1,000 gallons. For the year ended June 30, 2017, the District recognized \$125,035 as raw water expenses for purchases from the Bayou Lafourche Freshwater District.

Note 13 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through October 31, 2017 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

June 30, 2017

Actuarial Valuation Date	Actuarial Value of Actuarial Accrued Unfunded AAL			Funded Ratio (a/b)	Covered payroll (c)	UAAL as a Percentage of
	Assets (a)	Liability (AAL) (b)	(UAAL) (b-a)			Covered Payrol ((b-a)/c)
7/1/2011	-	\$ 6,862,428	\$6,862,428	0.00%	\$ 2,881,424	238.2%
7/1/2013	-	7,346,977	7,346,977	0.00%	3,094,675	237.4%
7/1/2015	-	9,407,902	9,407,902	0.00%	3,282,791	286.6%

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

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the three years ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	3.66580%	3.54788%	3.73299%
District's proportionate share of the net pension liability	\$ 476,214	\$ 631,681	\$ 115,769
District's covered-employee payroll	\$ 3,651,837	\$ 3,410,054	\$ 3,529,280
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.040%	18.524%	3.289%
Plan fiduciary net position as a percentage of the total pension liability	95.50%	93.48%	99.89%

SCHEDULE OF DISTRICT CONTRIBUTIONS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the three years ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 313,116	\$ 299,993	\$ 311,261
Contributions in relation to the contractually required contribution	<u>(313,116)</u>	<u>(299,993)</u>	<u>(311,261)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's's covered-employee payroll	<u>\$ 3,913,945</u>	<u>\$ 3,516,491</u>	<u>\$ 3,405,678</u>
Contributions as a percentage of covered- employee payroll	<u>8.00%</u>	<u>8.53%</u>	<u>914.00%</u>

SUPPLEMENTARY INFORMATION SECTION

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

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

Agency Head Name: Michael Sobert

Purpose	Amount
Salary	\$ 123,049
Benefits - insurance	12,308
Benefits - retirement	9,844
Benefits - other	-
Car allowance	-
Vehicle provided by government	750
Per diem	-
Reimbursements	420
Travel	99
Registration fees	870
Conference travel	-
Continuing professional education fees	10
Housing	-
Unvouchered expenses	-
Meals	-
	<hr/>
	\$ 147,350

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION (BUDGET AND ACTUAL)**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Revenues from water sales and services	\$ 16,700,000	\$ 16,358,000	\$ 16,194,941	\$ (163,059)
Other operating revenues	428,000	523,000	805,916	282,916
Total operating revenues	<u>17,128,000</u>	<u>16,881,000</u>	<u>17,000,857</u>	<u>119,857</u>
OPERATING EXPENSES				
Personal services	6,249,476	6,176,426	6,185,096	(8,670)
Supplies and materials	1,780,750	1,793,250	1,758,752	34,498
Other services and charges	3,926,600	3,582,200	3,791,750	(209,550)
Depreciation and amortization	3,612,806	3,612,806	3,612,806	-
Total operating expenses	<u>15,569,632</u>	<u>15,164,682</u>	<u>15,348,404</u>	<u>(183,722)</u>
Operating income	<u>1,558,368</u>	<u>1,716,318</u>	<u>1,652,453</u>	<u>(63,865)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	7,500	25,000	103,505	78,505
Amortization of bond premium and discount, net	104,888	104,888	104,888	-
Bond interest	(964,938)	(964,938)	(964,938)	-
Total non-operating revenues (expenses)	<u>(852,550)</u>	<u>(835,050)</u>	<u>(756,545)</u>	<u>78,505</u>
Change in net position before capital contributions	705,818	881,268	895,908	14,640
CAPITAL CONTRIBUTIONS	<u>655,551</u>	<u>655,551</u>	<u>655,551</u>	<u>-</u>
Change in net position	<u>\$ 1,361,369</u>	<u>\$ 1,536,819</u>	1,551,459	<u>\$ 14,640</u>
NET POSITION				
Beginning of year			<u>90,188,507</u>	
End of year			<u>\$ 91,739,966</u>	

SCHEDULE OF OPERATING REVENUES (BUDGET AND ACTUAL)**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE FROM WATER SALES AND SERVICE CHARGES				
Customers	\$ 16,250,000	\$ 15,900,000	\$ 15,720,382	\$ (179,618)
Parish of Lafourche	33,000	33,000	32,384	(616)
Service connection fees	210,000	150,000	160,052	10,052
Meter installation fees	135,000	135,000	139,918	4,918
Penalties - reconnections	72,000	140,000	142,205	2,205
Total revenue from water sales and services	<u>16,700,000</u>	<u>16,358,000</u>	<u>16,194,941</u>	<u>(163,059)</u>
OTHER OPERATING REVENUES				
Service agreements:				
Sewerage Districts	220,000	220,000	207,280	(12,720)
Garbage Collections	130,000	130,000	120,886	(9,114)
LA Act 125	13,000	18,000	18,337	337
Miscellaneous:				
Intergovernmental	-	-	291,444	291,444
Other	65,000	155,000	167,969	12,969
Total other operating revenues	<u>428,000</u>	<u>523,000</u>	<u>805,916</u>	<u>282,916</u>
Total operating revenues	<u>\$ 17,128,000</u>	<u>\$ 16,881,000</u>	<u>\$ 17,000,857</u>	<u>\$ 119,857</u>

SCHEDULE OF DEPARTMENTAL EXPENSES (BUDGET AND ACTUAL)**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
ADMINISTRATIVE				
Personal services:				
Salaries	\$ 425,000	\$ 425,000	\$ 412,577	\$ 12,423
Other postemployment benefit costs	28,897	28,897	11,243	17,654
Employee group insurance	107,000	97,000	90,282	6,718
Payroll taxes	43,150	44,000	42,045	1,955
Retirement	34,000	34,000	43,805	(9,805)
Total personal services	638,047	628,897	599,952	28,945
Supplies and materials:				
Office supplies and expense	40,000	40,000	41,471	(1,471)
Gasoline and oil	1,500	1,500	1,555	(55)
Total supplies and materials	41,500	41,500	43,026	(1,526)
Other services and charges:				
Accounting and consulting	50,000	50,000	51,400	(1,400)
Attorney	125,000	90,000	88,875	1,125
Board meetings	17,000	17,000	13,848	3,152
Bond agent fees	5,000	5,000	2,600	2,400
Consulting engineer	15,000	15,000	18,500	(3,500)
Insurance and bonds	35,000	35,000	33,358	1,642
Janitorial services	20,000	20,000	18,000	2,000
Publish proceedings	5,000	5,000	3,092	1,908
Radio communications	10,000	10,000	8,578	1,422
Repairs and maintenance:				
Equipment and building repairs	25,000	38,000	36,262	1,738
Truck and auto repairs	1,000	1,000	239	761
Seminars and schools	19,000	9,000	5,001	3,999
Utilities - office	23,000	25,000	27,627	(2,627)
Total other services and charges	350,000	320,000	307,380	12,620
Total administrative	1,029,547	990,397	950,358	40,039
BILLING AND COLLECTIONS				
Personal services:				
Salaries	323,500	335,100	336,567	(1,467)
Other postemployment benefit costs	34,007	34,007	51,201	(17,194)
Employee group insurance	94,850	100,850	98,393	2,457
Payroll taxes	32,000	32,000	31,272	728
Retirement	26,000	28,000	35,282	(7,282)
Total personal services	510,357	529,957	552,715	(22,758)

**Schedule 4
(Continued)**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
BILLING AND COLLECTIONS (Continued)				
Supplies and materials:				
Gasoline and oil	1,500	1,500	1,536	(36)
Office supplies and expense	60,000	60,000	57,808	2,192
Total supplies and materials	61,500	61,500	59,344	2,156
Other services and charges:				
Collection agency	15,000	15,000	10,397	4,603
Data processing	220,000	219,000	218,524	476
Equipment maintenance/lease	40,000	44,000	46,196	(2,196)
Insurance and bonds	30,500	30,500	26,786	3,714
Postage	247,000	242,000	240,614	1,386
Radio communications	2,500	2,500	1,707	793
Repairs and maintenance:				
Truck and auto repairs	1,000	1,000	318	682
Seminars and schools	1,000	1,500	1,365	135
Telephone	6,200	6,200	6,232	(32)
Total other services and charges	563,200	561,700	552,139	9,561
Total billing and collections	1,135,057	1,153,157	1,164,198	(11,041)
METER READING				
Personal services:				
Salaries	362,000	366,000	365,445	555
Other postemployment benefit costs	50,126	50,126	50,518	(392)
Employee group insurance	147,000	147,000	142,845	4,155
Payroll taxes	35,750	35,750	35,197	553
Retirement	29,000	30,500	38,720	(8,220)
Total personal services	623,876	629,376	632,725	(3,349)
Supplies and materials:				
Gasoline and oil	18,000	20,000	20,743	(743)
Office supplies and expense	3,500	500	235	265
Small tools	2,500	1,500	965	535
Total supplies and materials	24,000	22,000	21,943	57
Other services and charges:				
Insurance and bonds	42,000	42,000	38,533	3,467
Radio communications	15,000	10,500	9,805	695
Repairs and maintenance:				
Equipment and building repairs	7,500	2,500	1,884	616
Meter parts and repair	2,500	-	-	-
Truck and auto repairs	12,000	7,500	6,790	710
Seminars and schools	1,000	1,000	662	338
Total other services and charges	80,000	63,500	57,674	5,826
Total meter reading	727,876	714,876	712,342	2,534

Schedule 4
(Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
WAREHOUSE AND METER SHOP				
Personal services:				
Salaries	157,500	148,000	146,279	1,721
Other postemployment benefit costs	22,659	22,659	9,692	12,967
Employee group insurance	46,500	52,000	48,227	3,773
Payroll taxes	15,750	15,750	14,507	1,243
Retirement	9,200	9,200	11,284	(2,084)
Total personal services	251,609	247,609	229,989	17,620
Supplies and materials:				
Gasoline and oil	1,000	2,000	1,391	609
Office supplies and expenses	2,500	3,500	3,488	12
Small tools	2,000	2,000	930	1,070
Warehouse supplies	20,000	20,000	18,040	1,960
Total supplies and materials	25,500	27,500	23,849	3,651
Other services and charges:				
Freight	1,000	1,000	341	659
Insurance and bonds	12,000	8,500	10,327	(1,827)
Radio communication	-	1,000	960	40
Repairs and maintenance:				
Equipment and building repairs	8,000	11,500	16,069	(4,569)
Meter repair parts	12,000	1,000	155	845
Seminars and schools	500	1,500	1,227	273
Total other services and charges	33,500	24,500	29,079	(4,579)
Total warehouse and meter shop	310,609	299,609	282,917	16,692
ENGINEERING				
Personal services:				
Salaries	661,500	670,500	674,717	(4,217)
Other postemployment benefit costs	26,222	26,222	60,855	(34,633)
Employee group insurance	166,500	150,500	144,554	5,946
Payroll taxes	64,750	64,750	64,949	(199)
Retirement	52,350	47,350	59,373	(12,023)
Total personal services	971,322	959,322	1,004,448	(45,126)
Supplies and materials:				
Computer supplies	6,000	6,000	4,982	1,018
Gasoline and oil	9,500	10,500	10,763	(263)
Office supplies and expenses	6,500	12,000	11,383	617
Total supplies and materials	22,000	28,500	27,128	1,372
Other services and charges:				
GIS network	50,000	35,000	39,160	(4,160)
Insurance and bonds	51,000	51,000	45,712	5,288
Radio communications	22,000	17,500	16,227	1,273

**Schedule 4
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
ENGINEERING (Continued)				
Other services and charges: (Continued)				
Repairs and maintenance:				
Truck and auto repairs	6,000	9,000	9,205	(205)
Seminars and schools	16,000	16,000	9,779	6,221
Total other services and charges	145,000	128,500	120,083	8,417
Total engineering	1,138,322	1,116,322	1,151,659	(35,337)
OPERATIONS				
Other services and charges:				
Utilities	150,000	135,000	126,270	8,730
MAINTENANCE AND FIELD CREWS				
Personal services:				
Salaries	884,000	833,000	822,676	10,324
Other postemployment benefit costs	89,713	89,713	83,576	6,137
Employee group insurance	267,000	243,000	237,987	5,013
Payroll taxes	87,500	82,500	80,748	1,752
Retirement	70,750	68,750	85,986	(17,236)
Total personal services	1,398,963	1,316,963	1,310,973	5,990
Supplies and materials:				
Chemicals	35,000	28,000	25,659	2,341
Gasoline and oil	26,000	30,000	30,620	(620)
Office supplies and expenses	5,000	5,000	1,758	3,242
Small tools	12,000	12,000	9,457	2,543
Total supplies and materials	78,000	75,000	67,494	7,506
Other services and charges:				
Backflow prevention program	25,000	-	-	-
DHH Emergency Rule	5,000	-	-	-
Freight	500	500	-	500
Insurance and bonds	175,500	120,000	141,882	(21,882)
Radio communications	35,000	30,000	26,464	3,536
Repairs and maintenance:				
Equipment repairs - field	150,000	150,000	123,621	26,379
Truck and auto repairs	17,000	27,000	27,292	(292)
Watertower maintenance	125,000	10,000	5,756	4,244
Waterline maintenance	775,000	775,000	894,428	(119,428)
Seminars and schools	15,000	7,000	5,668	1,332
Uniforms	4,000	4,000	4,081	(81)
Total other services and charges	1,327,000	1,123,500	1,229,192	(105,692)
Total maintenance and field crews	2,803,963	2,515,463	2,607,659	(92,196)

Schedule 4
(Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
WATER PLANT				
Personal services:				
Salaries	1,013,000	1,030,000	1,027,338	2,662
Other postemployment benefit costs	96,902	96,902	65,889	31,013
Employee group insurance	280,000	274,000	268,121	5,879
Payroll taxes	100,000	100,000	100,137	(137)
Retirement	81,000	81,000	108,130	(27,130)
Total personal services	1,570,902	1,581,902	1,569,615	12,287
Supplies and materials:				
Chemicals	1,300,000	1,300,000	1,301,942	(1,942)
Computer supplies	1,500	1,500	100	1,400
Generator fuel	15,000	15,000	12,165	2,835
Gasoline and oil	9,500	14,000	13,348	652
Office supplies and expense	12,000	12,000	15,383	(3,383)
Raw water	145,000	145,000	125,035	19,965
Small tools	2,000	2,000	1,559	441
Plant supplies	9,000	9,000	7,871	1,129
Total supplies and materials	1,494,000	1,498,500	1,477,403	21,097
Other services and charges:				
Freight	500	2,500	2,390	110
Insurance and bonds	300,000	110,000	258,724	(148,724)
Lab analysis	3,000	3,000	-	3,000
Radio communications	15,000	9,000	8,787	213
Repairs and maintenance:				
Bayou Black reservoir maintenance	7,500	7,500	6,962	538
Plant maintenance	250,000	400,000	397,595	2,405
Tractor repairs	3,000	3,000	4,199	(1,199)
Truck and auto repairs	6,000	6,000	3,456	2,544
Seminars and schools	8,000	1,500	4,931	(3,431)
Telephone	7,000	13,000	12,642	358
Uniforms	900	900	642	258
Utilities	565,000	565,000	571,294	(6,294)
Total other services and charges	1,165,900	1,121,400	1,271,622	(150,222)
Total water plant	4,230,802	4,201,802	4,318,640	(116,838)
BAC-T-LAB				
Personal services:				
Salaries	177,500	175,500	175,896	(396)
Other postemployment benefit costs	11,200	11,200	12,066	(866)
Employee group insurance	64,000	64,000	61,274	2,726
Payroll taxes	17,500	17,500	16,934	566
Retirement	14,200	14,200	18,509	(4,309)
Total personal services	284,400	282,400	284,679	(2,279)

Schedule 4
(Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
BAC-T-LAB (Continued)				
Supplies and materials:				
Computer supplies	750	750	-	750
Gasoline and oil	9,000	9,000	7,726	1,274
Lab supplies	17,000	23,000	25,073	(2,073)
Office supplies and expense	7,500	6,000	5,766	234
Total supplies and materials	34,250	38,750	38,565	185
Other services and charges:				
Freight	7,000	7,000	7,577	(577)
Insurance and bonds	20,000	16,000	17,532	(1,532)
Janitorial services	8,000	8,000	7,742	258
Lab analysis	42,000	42,000	37,379	4,621
Radio communications	6,500	5,100	4,969	131
Repairs and maintenance:				
Equipment and building repairs	7,000	11,000	10,131	869
Truck and auto repairs	4,000	2,000	1,444	556
Seminars and schools	7,000	2,500	2,201	299
Telephone	2,000	2,000	1,009	991
Utilities	8,500	8,500	8,327	173
Total other services and charges	112,000	104,100	98,311	5,789
Total Bac-T-Lab	430,650	425,250	421,555	3,695
Totals	\$ 11,956,826	\$ 11,551,876	\$ 11,735,598	\$ (183,722)
OPERATING EXPENSES				
Personal services	\$ 6,249,476	\$ 6,176,426	\$ 6,185,096	\$ (8,670)
Supplies and materials	1,780,750	1,793,250	1,758,752	34,498
Other services and charges	3,926,600	3,582,200	3,791,750	(209,550)
Totals	\$ 11,956,826	\$ 11,551,876	\$ 11,735,598	\$ (183,722)

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
RESTRICTED ACCOUNTS REQUIRED BY REVENUE BOND ORDINANCES

**Consolidated Waterworks District No.1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

	<u>Total</u>	<u>Revenue Bond Sinking Fund</u>	<u>Bond Reserve Fund</u>	<u>Depreciation and Contingencies Fund</u>
Cash and cash equivalents July 1, 2016	\$ 6,246,820	\$ 981,090	\$ 2,120,242	\$ 3,145,488
Receipts:				
Transfers from the District	3,062,024	2,173,910	-	888,114
Other deposits	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total assets available	<u>9,348,844</u>	<u>3,155,000</u>	<u>2,120,242</u>	<u>4,073,602</u>
Disbursements:				
Retirement of matured bonds	999,000	999,000	-	-
Payment of matured interest coupons	979,928	979,928	-	-
Capital improvements	453,588	-	-	453,588
Transfers to the District	<u>200,284</u>	<u>200,284</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>2,632,800</u>	<u>2,179,212</u>	<u>-</u>	<u>453,588</u>
Cash and cash equivalents June 30, 2017	<u>\$ 6,716,044</u>	<u>\$ 975,788</u>	<u>\$ 2,120,242</u>	<u>\$ 3,620,014</u>

SCHEDULE OF INSURANCE IN FORCE**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

June 30, 2017

(Unaudited)

<u>Insurer</u>	<u>Type of Coverage</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
Arch Insurance Company	Automobile liability	\$ 1,000,000	July 1, 2017
Arch Insurance Company	General liability	\$ 3,000,000	July 1, 2017
Louisiana United Businesses' Association	Workers' compensation	\$ 1,000,000	July 1, 2017
Continental Casualty Company	Combined building & personal property	\$ 30,000,000	July 1, 2017
Arch Insurance Company	Public employee dishonesty, forgery or alteration, theft, disappearance & destruction	\$ 100,000	July 1, 2017
Firemans Fund Insurance Companies/ Allianz Global Corporate & Specialty	Computer equipment	\$ 409,000	July 1, 2017
American Bankers Insurance	Flood	\$ 850,000	August 1, 2017
Indian Harbor Insurance Company	Pollution Liability	\$ 2,000,000	July 1, 2019

WATER CUSTOMERS

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

June 30, 2017

(Unaudited)

Records maintained by the District indicated 43,296 water customers at June 30, 2017.

There were no unmetered customers.

SCHEDULE OF COST PER SERVICE INSTALLATION**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the year ended June 30, 2017

(Unaudited)

Field Crew Overhead

Chemicals	\$ 25,659
Depreciation expense	29,149
Employee group insurance	237,987
Equipment repairs	123,621
Gasoline and oil	30,620
Insurance and bonds	141,882
Other post employment benefit costs	83,576
Office supplies and expenses	1,758
Payroll taxes	80,748
Radio communications	26,464
Retirement	67,126
Seminars and schools	5,668
Small tools	9,457
Truck and auto repairs	27,292
Uniforms	4,081
Watertower maintenance	5,756

Total field crew overhead	900,844
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Service installation salaries as a percentage of total field crew salaries (\$17,438/\$822,676)	2.12%
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Field crew overhead applicable to service installations	19,095
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Administrative Overhead

Total administrative costs	940,750
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Service installation salaries/Total salaries excluding administrative salaries (\$17,438/3,548,918)	0.49%
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Administrative overhead applicable to service installations	4,622
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Total service installation overhead costs	\$ 23,717
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Calculation of Average Cost per Service Installation

Service installation work order costs	\$ 84,738
Labor and equipment contractor for service installation	3,184
Total service installation overhead costs	23,717

Total service installation costs	\$ 111,639
Number of service installations	201

Average cost per service installation	\$ 555
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SCHEDULE OF COST OF WATER PRODUCED
AND CONTRACT PRICE OF WATER TO BE SOLD TO
LAFOURCHE PARISH WATER DISTRICT NO. 1

Schedule 9

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the Year Ended June 30, 2017
(Unaudited)

Costs (From Annual Report)

Water plant expense	\$ 4,318,640
Administrative (25% of total)	237,590
Engineering (25% of total)	287,915
Bac-T-Lab (25% of total)	105,389
Depreciation - water filter	342,338
Depreciation - plant	<u>792,539</u>

Total costs	<u><u>\$ 6,084,410</u></u>
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Water Produced (Thousand Gallons)

Net production per Waterworks District No. 1's records	5,348,155
Less 10% per terms of contract	<u>(534,816)</u>

Net production (thousand gallons)- Unaudited	<u><u>4,813,339</u></u>
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Cost Per Thousand Gallons	\$ 1.26407
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Additions to Cost

Greater of 40% of cost or five cents per thousand gallons	<u>0.50563</u>
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Total Contract Price Per Thousand Gallons	<u><u>\$ 1.76970</u></u>
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SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

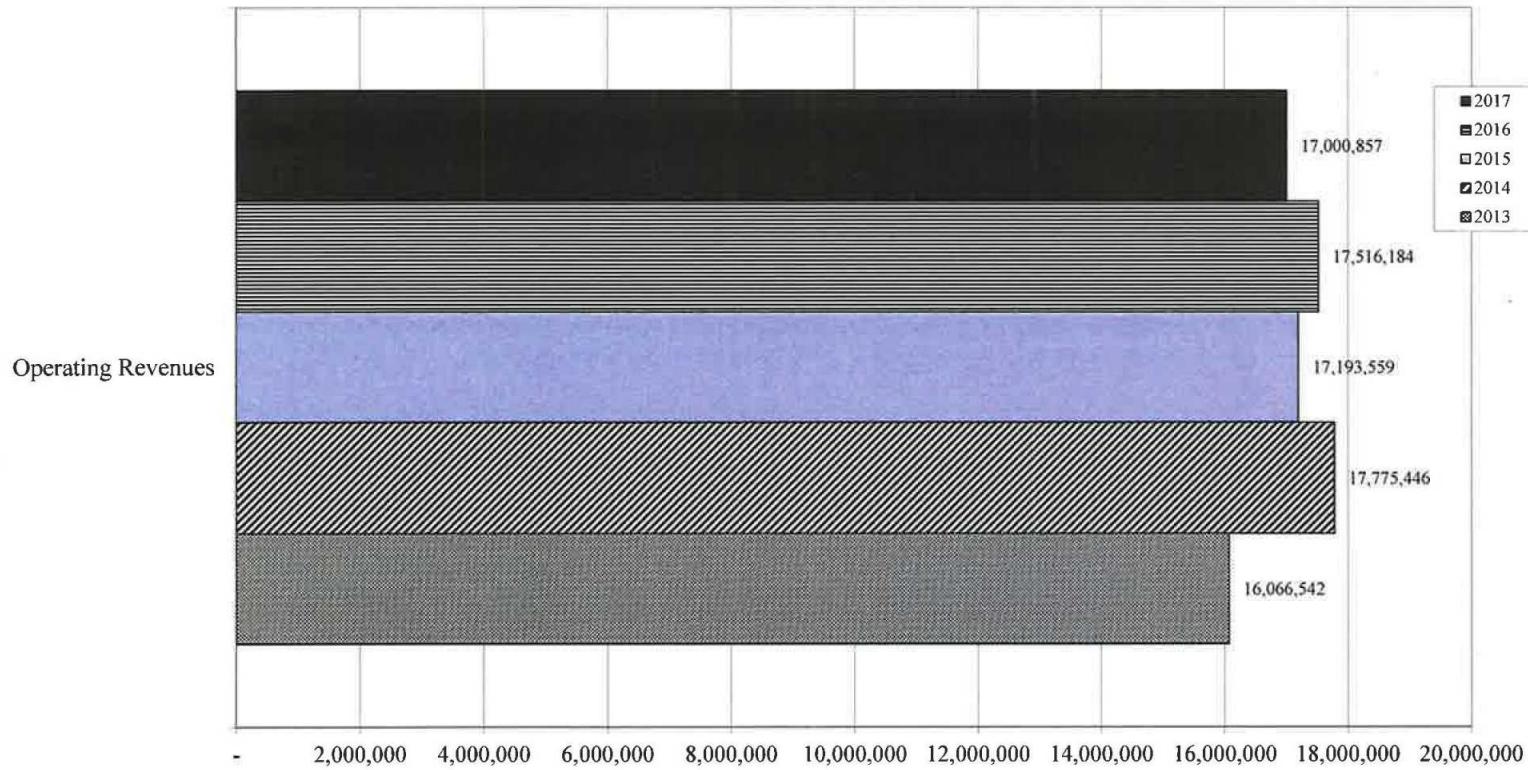
For the years ended June 30, 2017, 2016, 2015, 2014, and 2013

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	<u>\$ 17,000,857</u>	<u>\$ 17,516,184</u>	<u>\$ 17,193,559</u>	<u>\$ 17,775,446</u>	<u>\$ 16,066,542</u>
OPERATING EXPENSES					
Personal services	\$ 6,185,096	\$ 5,575,566	\$ 5,247,841	\$ 5,208,068	\$ 5,051,222
Supplies and materials	1,758,752	1,792,831	1,727,220	1,837,400	1,709,523
Other services and charges	3,791,750	3,640,434	4,013,070	3,760,330	3,478,832
Depreciation	<u>3,612,806</u>	<u>3,631,042</u>	<u>3,503,221</u>	<u>3,812,072</u>	<u>3,474,321</u>
Totals	<u>\$ 15,348,404</u>	<u>\$ 14,639,873</u>	<u>\$ 14,491,352</u>	<u>\$ 14,617,870</u>	<u>\$ 13,713,898</u>

OPERATING REVENUES

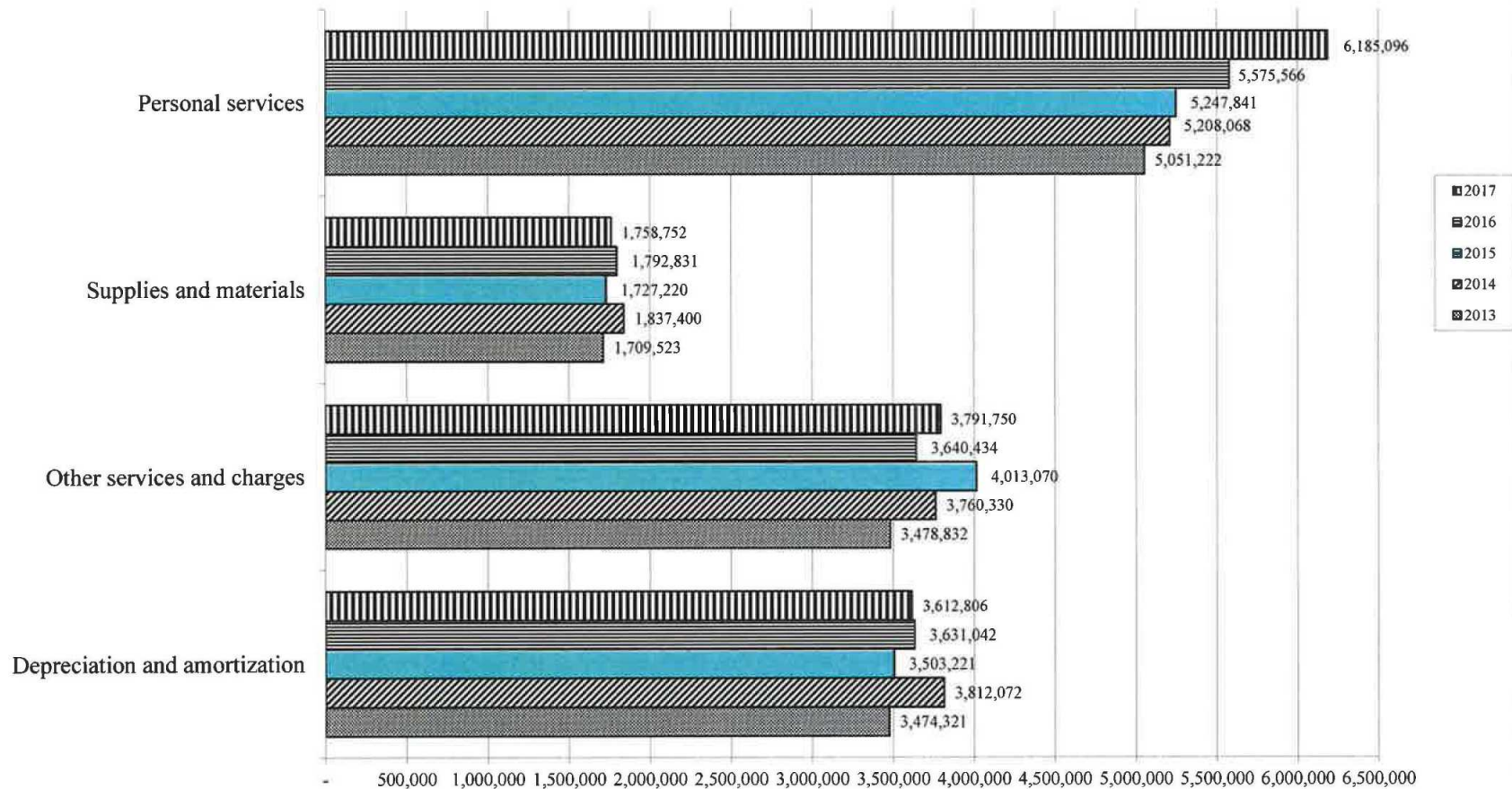
**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the years ended June 30, 2017, 2016, 2015, 2014, and 2013



OPERATING EXPENSES**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana**

For the years ended June 30, 2017, 2016, 2015, 2014, and 2013



SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners,
Consolidated Waterworks District No. 1 of the
Parish of Terrebonne, State of Louisiana,
Houma, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.

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 of 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. Accordingly, this communication is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.
Certified Public Accountants.

Houma, Louisiana,
October 31, 2017.

SCHEDULE OF FINDINGS AND RESPONSES

Consolidated Waterworks District No.1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2017

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

b) Federal Awards

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$750,000 during the year ended June 30, 2017 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended June 30, 2017.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2017

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

Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 2016.
No significant deficiencies were reported during the audit for the year ended June 30, 2016.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2016.

Section II Internal Control and Compliance Material to Federal Awards

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$750,000 during the year ended June 30, 2016 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2016.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana

For the year ended June 30, 2017

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

Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 2017.
No significant deficiencies were reported during the audit for the year ended June 30, 2017.

Compliance

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

Section II Internal Control and Compliance Material to Federal Awards

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$750,000 during the year ended June 30, 2017 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Section III Management Letter

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

AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Consolidated Waterworks District No. 1
P.O. Box 630
Houma, LA 70361

We have performed the procedures described in Schedule 13, which were agreed to by the Consolidated Waterworks District No. 1 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the Association of International Certified Professional Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 13.

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

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
October 31, 2017.

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,
State of Louisiana
Statewide Agreed-upon Procedures
For the year ended June 30, 2017**

The required procedures and our findings are as follows:

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

1. Obtain the District's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the District does not have any written policies and procedures), as applicable:

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget

Performance: Obtained and read the written policy for budgeting.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Performance: Obtained and read the written policy for purchasing, and found it to contain the requirements included above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Disbursements, including processing, reviewing, and approving

Performance: Obtained and read the written policy for disbursements, and found it to contain the requirements included above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Receipts, including receiving, recording, and preparing deposits

Performance: Obtained and read the written policy for receipts, and found it to contain the requirements listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

Performance: Inspected written policy for payroll and personnel, and all listed requirements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected written policy for contracting, and all listed requirements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Obtained and read the written policy for credit cards, and all requirements listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected travel and expense reimbursement policy, and all requirements.

Exceptions: The policy does not state dollar thresholds, but the Commission reimburses actual expenses and reserves the right to deny reimbursement of exorbitant or frivolous expenditures.

Management's response: Not applicable.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Performance: Inquired of management as to an ethics policy.

Exceptions: Management confirmed there is no policy for ethics.

Management's response: Management has subsequently implemented an ethics policy for the District's employees.

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

- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Performance: Inspected debt service policy and all requirements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's board:

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Performance: Obtained and read the written meeting minutes of the board meetings, as well as advertising for board meetings in the local newspaper.

Exceptions: The Commission's board meets twice a month, in accordance with their charter, no exceptions.

Management's response: Not applicable.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Performance: Not Applicable - Waterworks is an enterprise fund and not required to follow state budget laws, but budget-to-actual financial statements are made available.

Exceptions: Not applicable.

Management's response: Not applicable.

- 1) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Performance: Not Applicable - Waterworks is an enterprise fund and not required to follow state budget laws, but budget-to-actual financial statements are made available.

Exceptions: Not applicable.

Management's response: Not applicable.

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

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Performance: Inspected the board's meeting minutes for the fiscal year and noted non-budgetary financial information in the form of approvals of contracts, and disbursements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable

Procedures performed on the District's bank reconciliations:

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

4. Using the listing provided by management, select all of the Commission's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Performance: Selected six bank accounts out of a total of eighteen accounts. Inspected management's documentation for accuracy of bank reconciliations.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Performance: Inspected documentation for management approvals of each bank reconciliation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Performance: Inspected documents for items outstanding for more than 6 months.

Exceptions: In our observation, we noted 24 checks that were outstanding for longer than 6 months.

Management's response: Management is currently working on researching these checks. They were sent to the state for unclaimed property.

Procedures performed on the District's cash and cash accounts:

Steps 5 through 13 were performed by request of the Commission.

5. Trace beginning cash balances in the general ledger to our workpapers of the last engagement.

Performance: Traced beginning cash balances in the District's general ledger to the ending balance of our workpapers of the last engagement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

6. Foot one cash account in the general ledger.

Performance: Footed the Surplus Fund in the general ledger.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

7. Foot the cash receipts and cash disbursements registers for one month and for one fund.

Performance: Footed cash receipts and cash disbursements for the month of April 2017 in the D&C Fund.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

8. Trace the cash receipts and cash disbursements to the general ledger for the one month and fund chosen in procedure seven.

Performance: Traced the cash receipts and cash disbursements for the month of April 2017 in the D&C Fund.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

9. Count cash in all registers and reconcile it to the daily recap.

Performance: Counted cash in all registers as of the close of business on March 2, 2017 and August 9, 2017 and reconciled the total to the daily cash recap.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

10. Count petty cash and agree it to the general ledger.

Performance: Counted petty cash on March 3, 2017 and August 10, 2017 and agreed it to the general ledger.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

11. Acquire receipts for the purchase and sales of certificates of deposits and deposits into the redemption from Louisiana Asset Management Pool, schedule activity for the period and compare activity to bank statements and agreed the information to the general ledger.

Performance: Acquired receipts for the purchase and sales of certificates of deposits and deposits into the redemption from Louisiana Asset Management Pool, scheduled activity and compared activity to the bank statements and agreed the information to the general ledger.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

12. Agree savings account balances to the bank statements and general ledgers as well as examine transfers from checking to savings accounts.

Performance: Agreed savings account balances to the bank statements and general ledgers as well as examined transfers from checking to savings accounts.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's collections:

13. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Performance: Observed the listing of cash/check/money order (cash) collection locations from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's collections (Continued)

14. Using the listing provided by management, select all of the District's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations).

For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Performance: Inspected policy manuals, and inquired of client as to compliance with the requirements.

Exceptions: Each employee that is responsible for collecting cash is not bonded. However, the District has an insurance policy in place for public employee dishonesty, forgery or alteration, theft and disappearance and destruction.

Management's response: Management will consider adding the cash receiving employees to the list of bonded employees.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Performance: Inspected policy manual, as well as inquiries of management to ensure separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- 1) Using Commission collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Performance: Highest week of cash collections was tested for July 1, 2016 through December 31, 2016 and then for January 1, 2017 through June 30, 2017 due to previous agreed upon procedure testing.

Procedures performed on the District's collections (Continued)

Exceptions: Due to the high volume of checks collected each day, the banks require Waterworks to drop the checks in night deposit causing a one day delay in the deposit.

Management's response: Management has a self scanner to deposit checks. They will use the scanner when time permits.

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Performance: Agreed cash receipt totals and other deposits to the totals from the daily reports produced from teller collections, online payments, and payments made by phone.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

15. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the District has a process specifically defined (identified as such by the District) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Performance: Inspected policy and inquired of management as to separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

16. We will review cash receipts procedures by performing the following:

- a.) Select one day of receipts per month.
- b.) Foot one teller recap for one day.
- c.) Trace teller transaction recap to daily cash recap then trace to recap by service.
- d.) Trace to cash receipts' register and daily cash reports.
- e.) Foot the daily cash reports.

Performance: We footed one teller recap on March 2, 2017. Steps b) through e) were performed on the days selected in procedure 15c. We traced teller transaction recap to daily cash recap then traced to recap by service, traced to cash receipts' register and daily cash reports, and footed the daily cash reports.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the District's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments):

17. Obtain a listing of District disbursements from management or, alternately, obtain the general ledger and sort/filter for District disbursements. Obtain management's representation that the listing or general ledger population is complete.

Performance: Obtained the completed general ledger for the fiscal period and obtained management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

18. Using the disbursement population from #17 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Performance: Twenty items were systematically chosen and tested for July 1, 2016 through December 31, 2016 and then for January 1, 2017 through June 30, 2017 due to previous agreed upon procedure testing, making the sample a total of 40 disbursements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Performance: Inspected purchase requisitions for each purchase.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Performance: Inspected purchase requisitions, inquired of management and observed approved invoices.

Exceptions: Management does not use receiving reports, but supervisors receiving items will review the packing slip for accuracy, and initial the invoice for approvals.

Management's response: Not applicable.

Procedures performed on the District's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments) (Continued)

19. Using District documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Commission's purchasing/disbursement system.

Performance: Inspected policy and inquired of management as to separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

20. Using District documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Performance: Inspected policy as well as confirmed with documentation who is responsible for signing checks and making the final authorization. The persons who are responsible for signing checks have no responsibility for initiating or recording purchases.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

21. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Commission documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Performance: Inquired of management, as well as observed where the supply of unused checks is held. The administrator, as well as the board members with signatory authority, do not have system access to print checks.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

22. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Performance: Inquired of management as to whether there is a signature stamp or machine. Per management, Only the Water Systems Fund checks are printed with signatures. All checks from other funds require manual signature.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

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

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

24. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

Performance: Obtained all monthly statements for their one credit card and observed for supporting documentation, as well as approvals.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Performance: Traced all credit card payments and balances on the credit card statements in order to note if any fees were applied to balances.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

25. Using the monthly statements or combined statements selected under #24 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

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

- 1) An original itemized receipt (i.e., identifies precisely what was purchased)

Performance: Traced each transaction to an original itemized receipt.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

- 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Performance: Observed documentation of the purpose of each transaction. Confirmed that all business purposes were included.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Performance: Observed written approvals of credit card transactions. Management reviews all transactions, and then traces each transaction to the back up that is provided by the person incurring charge.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Commission's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Performance: Compared the transaction detail to the written disbursement policy and Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) For each transaction, compare the Commission's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Performance: Inspected all detail transactions and compared them to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Commission's travel and expense reimbursements:

27. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Performance: Obtained a list of all travel and related expense reimbursements.

Management's representation of the listing was confirmed in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

28. Obtain the Commission's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Performance: Inspected travel and expense policies and all requirements.

Exceptions: We noted on the expense reports reviewed that management reimburses the actual expenses incurred. We compared the lodging and meals to the GSA rates and the actual expenses did not exceed the GSA rates for the applicable destination.

Management's response: Not applicable.

29. Using the listing or general ledger from #27 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the District does not have written policies, compare to the GSA rates (#28 above) and report each reimbursement that exceeded those rates.

Performance: Selected the three employees who incurred the most travel costs during the period to further select the highest travel expenditure reimbursed.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Report whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

**Procedures performed on the Commission's travel and expense reimbursements:
(Continued)**

Performance: Traced expense to the original itemized receipt with detail of purchase.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Performance: Traced expense to the original itemized receipt.
Exceptions: If multiple employees ate a meal and one employee paid for the entire meal, the additional employees names were not written on the ticket.
Management's response: Management will consider writing all of the employees attending the meal on the receipt.

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Performance: Inspected all documents provided for all travel reimbursements selected.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- c) Compare the Commission's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Performance: Inspected the business/public purpose of all travel reimbursements selected and compared them to Article 7, Section 14 of the Louisiana Constitution.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Performance: Inspected documentation to find all approvals by supervisors and/or the Chief Administrator Officer.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the Commission's contracts:

30. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Performance: Observed the listing of contracts in effect during the fiscal year from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

31. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the auditor). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Performance: Obtained the listing of contract vendors, selected the five vendors that were paid the most money. Inspected the written contract that supports the services arrangement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Commission complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Performance: Reviewed each contract to determine if Louisiana Public Bid Law should be applied. All contracts met the Louisiana Public Bid Law requirements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 2) If no, obtain supporting contract documentation and report whether the Commission solicited quotes as a best practice.

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

Procedures performed on the Commission's contracts: (Continued)

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Performance: Inspected contracts to agree to the actual expenditures. For contracts that were amended, contract terms were reviewed for scope and dollar amount compliance.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Performance: Inspected the invoices and compared to the written contract information for each vendor. The invoices and related payments complied with the terms of the contract.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Performance: Inspected board meeting minutes and confirmed the board approved the contracts and the work performed.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Commission's payroll and personnel:

32. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Performance: Observed the listing of employees with their related salaries from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Performance: Compared compensation in the salary schedules with payments made to employees during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Performance: Traced hourly rate changes during the period to personnel files, where they were approved in writing.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

33. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Performance: Randomly selected one pay period to test leave taken during that period. Inspected all daily attendance and leave records for proper documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Performance: Confirmed that attendance and leave records were reviewed and approved by supervisors.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

- c) Report whether there is written documentation that the Commission maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Performance: Inquired and confirmed that the Commission maintains written leave records for each employee eligible for paid leave.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

34. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Performance: Inquired and inspected list of employees that terminated during the period. Management's representation of completeness was completed in a separate letter. Obtained the personnel files for the two largest termination payments, and traced to the employees' final written leave records and daily attendance records. All termination payments were approved by the administrator and were made in strict accordance with the personnel policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

35. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Performance: Inspected payroll reporting forms, as well as cancelled checks to confirm that all payments were submitted to the applicable agencies by the required deadlines.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Commission's ethics:

36. Using the five randomly selected employees/officials from procedure #32 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Commission maintained documentation to demonstrate that required ethics training was completed.

Performance: Observed the ethics course completion certificates for the five employees tested.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

37. Inquire of management whether any alleged ethics violations were reported to the Commission during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Commission's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Performance: Inquired of management of any ethics violations, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Commission's debt service:

38. If debt was issued during the fiscal period, obtain supporting documentation from the Commission, and report whether State Bond Commission approval was obtained.

Performance: No debt was issued during the fiscal period.

Exceptions: Not applicable.

Management's response: Not applicable.

39. If the Commission had outstanding debt during the fiscal period, obtain supporting documentation from the Commission and report whether the Commission made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Performance: Reviewed combined debt service requirements and traced payments to source documents. The District's Bond Reserve Fund balance was tested for compliance with debt covenants.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Commission's debt service: (Continued)

40. If the Commission had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

Other procedures performed on the Commission:

41. Perform sales trend analyses.

Performance: Reviewed sales trend analysis and concluded it was consistent with prior periods.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

42. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Commission reported the misappropriation to the legislative auditor and the commission attorney of the parish in which the Commission is domiciled.

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

Exceptions: Not applicable.

Management's response: Not applicable.

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

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

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

44. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Other procedures performed on the Commission (Continued)

Performance: Inspected all procedures, and the results of such procedures and compared them to management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.