

**WATER DISTRICT NO. 1  
OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

***Annual Financial Report***

***June 30, 2013 and 2012***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 20 2013

**WATER DISTRICT NO. 1**  
**Annual Financial Report**  
**June 30, 2013 and 2012**

**TABLE OF CONTENTS**

	<b>Page</b>
MANAGEMENT'S DISCUSSION & ANALYSIS	1
<i>Financial Section:</i>	
INDEPENDENT AUDITOR'S REPORT	9
BASIC FINANCIAL STATEMENTS – Water Enterprise Fund:	
Comparative Statement of Net Position	12
Comparative Statement of Revenues, Expenses, and Changes In Net Position	13
Comparative Statement of Cash Flows	14
Notes to Financial Statements	15
<i>Required Supplemental Information:</i>	
Schedule of Per Diem and Compensation of Board of Commissioners	40
<i>Other Supplemental Schedules:</i>	
Comparative Statement of Operating Expenses	41
Statements of Cash Receipts and Disbursements:	
Revenue Fund	42
Maintenance and Operating Fund	42
Renewal and Improvements Fund	43
Summary of Cash and Investments – Current Assets	43
Restricted Assets	44
Schedules of Maturities:	
\$7,330,000 Water Revenue Refunding Bonds, 2004 Series	45
\$10,000,000 Water Revenue Bonds, 2006 Series	46
\$6,450,000 Water Revenue Refunding Bonds, 2011 Series	47
\$3,660,000 Water Revenue Bonds, 2013 Series	48
Schedule of Metered Water Customers (Unaudited)	49
Schedule of Insurance in Force (Unaudited)	50

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
Annual Financial Report  
June 30, 2013 and 2012**

**TABLE OF CONTENTS, (CONTINUED)**

Page

***Reports Required by Government Auditing Standards:***

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Schedule of Findings and Questioned Costs	53

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

The District engages in various activities classified as "proprietary." These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions.

**FINANCIAL HIGHLIGHTS**

Our financial statements provide these insights into the results of this year's operations:

- Total assets increased by approximately \$500,000 while total liabilities decreased by close to \$1.4 million, resulting in total net position increasing by \$2.3 million or 3.5% from the prior year.
- Operating revenues increased by about 7.5% from the prior year and operating expenses also increased slightly from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of four parts: Management's Discussion and Analysis, the Financial Section, Required Supplementary Information, and Other Supplemental Schedules. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

**The Basic Financial Statements** - Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Net Position and the Comparative Statement of Cash Flows provide both long-term and short-term information about the overall financial status. The Comparative Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net assets and how they have changed. Net position – the difference between assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure financial health, or position. Over time, increases or decreases in net position are an indicator of whether its financial health is improving or deteriorating, respectively. This Statement also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility.

All of the current year's revenue and expenses are accounted for in the Comparative Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of operations over the past year and can be used to determine

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

whether operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Comparative Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting for operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the Independent Auditor's Report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

**FINANCIAL ANALYSIS**

To begin our analysis, a condensed summary of the Comparative Statement of Net Position is presented in the following table:

Condensed Statement of Net Assets (In millions of dollars)				
	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 15.2	\$ 14.2	\$ 1.0	7.0%
Restricted Assets	5.4	5.6	(0.2)	-3.6%
Capital Assets	<u>69.1</u>	<u>69.4</u>	<u>(0.3)</u>	<u>-0.4%</u>
<b>Total Assets</b>	<b>89.7</b>	<b>89.2</b>	<b>0.5</b>	<b>0.6%</b>
Deferred Outflows	0.4	0.8	(0.4)	-50.0%
Current Liabilities	3.8	3.8	(0.0)	-0%
Long Term Liabilities	<u>18.8</u>	<u>20.2</u>	<u>(1.4)</u>	<u>-6.9%</u>
<b>Total Liabilities</b>	<b>22.6</b>	<b>24.0</b>	<b>(1.4)</b>	<b>-6.9%</b>
Net Invested in Capital Assets	50.4	49.4	1.0	2.0%
Restricted	5.2	4.7	0.5	10.6%
Unrestricted	<u>11.9</u>	<u>11.1</u>	<u>0.8</u>	<u>7.2%</u>
<b>Total Net Position</b>	<b>\$ 67.5</b>	<b>\$ 65.2</b>	<b>\$ 2.3</b>	<b>3.5%</b>
Liabilities to assets ratio	25.1%	26.9%		

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

The liabilities to assets ratio, which indicates the degree to which the District's assets are financed through borrowing and other obligations, decreased slightly due to scheduled debt payments. Total net position increased \$2.3 million or 3.5%. Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) increased by 10%. Unrestricted Net Position decreased by approximately \$.8 million to \$11.9 million. The Net Assets invested in Capital increased slightly by \$1 million absorbing the remaining positive change in net Position.

The following denotes explanations for some of the major changes between fiscal years, as shown in the previous table:

- Current assets increased by 7% primarily due to an increase in unrestricted and cash and investments generated by the current year spending from operations. Restricted cash and investments decreased slightly.
- Capital assets decreased by \$.3 million primarily due to construction in progress assets being move to capital assets and fewer purchases of capital assets being added to the system and fewer construction projects being entered into during the fiscal year.
- Current liabilities decreased slightly due to slight increases in accounts payables, customer meter deposits, and bonds due within one year.
- Long term debt outstanding decreased due to payments made reducing the outstanding balances at the end of the year and the bond refunding.

A condensed summary of the Comparative Statement of Revenues, Expenses and Changes in Net Position is presented in the following table:

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

	FY 2013	FY 2012	Dollar Change	Percent Change
Operating Revenues	\$ 11.5	\$ 10.7	\$ 0.8	7.5%
Non-operating Revenues	2.7	3.8	(1.1)	-28.9%
<b>Total Revenues</b>	<b>14.2</b>	<b>14.5</b>	<b>(0.3)</b>	<b>-2.1%</b>
Depreciation/Amortization Expense	3.6	3.5	0.1	2.9%
Other Operating Expenses	7.5	7.2	0.3	4.2%
Non-operating Expenses	1.1	1.0	0.1	10.0%
<b>Total Expenses</b>	<b>12.2</b>	<b>11.7</b>	<b>0.5</b>	<b>4.3%</b>
<b>Income before Capital Contributions</b>	<b>2.0</b>	<b>2.8</b>	<b>(0.8)</b>	<b>-28.6%</b>
Capital Contributions	0.3	0.2	0.1	50.0%
<b>Change in Net Position</b>	<b>2.3</b>	<b>3.0</b>	<b>(0.7)</b>	<b>-23.3%</b>
<b>Beginning Net Position</b>	<b>65.2</b>	<b>62.2</b>	<b>3.0</b>	<b>4.8%</b>
<b>Ending Net Position</b>	<b>\$ 67.5</b>	<b>\$ 65.2</b>	<b>\$ 2.3</b>	<b>3.5%</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

Operating revenues increased by approximately \$800,000 and non-operating revenues decreased by \$1.1 million. Depreciation expense, other operating expenses and non-operating expenses remained relatively the same.

**BUDGETARY HIGHLIGHTS**

As required by its bond covenants, the District adopts an Operating and Capital Works Budget no later than June 30<sup>th</sup> of each year. The budget remains in effect the entire year unless it is revised.

A budget comparison and analysis is presented to the Board in monthly interim financial statements. The adopted budget was not revised. A comparison of budget and actual is presented in the following table:

Condensed Comparison of Budget and Actual  
(In millions of dollars)

	Budget	FY 2013	Dollar Variance	Percent Variance
Operating Revenues	\$ 10.9	\$ 11.5	\$ 0.6	5.5%
Non-operating Revenues	2.4	2.7	0.3	12.5%
<b>Total Revenues</b>	<b>13.3</b>	<b>14.2</b>	<b>0.9</b>	<b>6.8%</b>
Operating Expenses	7.2	7.5	(0.3)	-4.2%
Depreciation	3.1	3.6	(0.5)	-16.1%
Non-operating Expenses	0.9	1.1	(0.2)	-22.2%
<b>Total Expenses</b>	<b>11.2</b>	<b>12.2</b>	<b>(1.0)</b>	<b>-8.9%</b>
<b>Income before Capital Contributions</b>	<b>2.1</b>	<b>2.0</b>	<b>(0.1)</b>	<b>-4.8%</b>
Capital Contributions	-	0.3	0.3	100.0%
<b>Change in Net Position</b>	<b>2.1</b>	<b>2.3</b>	<b>0.2</b>	<b>9.5%</b>
<b>Beginning Net Position</b>	<b>65.2</b>	<b>65.2</b>	<b>-</b>	<b>0%</b>
<b>Ending Net Position</b>	<b>\$ 67.3</b>	<b>\$ 67.5</b>	<b>\$ .2</b>	<b>.3%</b>

Significant budget variance explanations:

- Operating revenues varied due to slight increases in customers and sales.
- .
- Depreciation and Amortization of capital assets varied due to additions of items that were capitalized.

**CAPITAL ASSETS**

The District had \$69 million invested in a broad range of capital assets as summarized in the table below. This amount represents a net decrease (including additions and deductions and less depreciation) of \$268,000 from last year.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

Summary of Capital Assets

	2011	2012	2013
Land and Right of Ways	\$ 952,582	\$ 952,582	\$ 952,582
Construction in Progress	1,285,707	1,433,568	2,544,500
Water Plant & Building	31,789,596	31,917,362	32,178,041
Transmission & Distribution	87,435,886	89,075,678	90,813,166
Distribution Equipment	753,461	743,790	792,179
Administration Buildings	542,167	542,167	542,167
Furniture & Equipment	255,206	262,768	266,504
Transportation Equipment	521,167	527,047	537,050
Intangible Assets	70,298	70,298	70,298
<b>Total Cost of Assets</b>	<b>123,606,070</b>	<b>125,525,260</b>	<b>128,696,487</b>
Accumulated Depreciation/ Amortization	(52,789,782)	(56,125,632)	(59,564,843)
<b>Total Capital Assets, Net</b>	<b>\$ 70,816,288</b>	<b>\$ 69,399,628</b>	<b>\$ 69,131,644</b>
<b>Depreciation/Amortization Expense</b>	<b>\$ 3,122,462</b>	<b>\$ 3,489,512</b>	<b>\$ 3,489,512</b>

During the fiscal year \$2.1 million assets were capitalized, including \$1.1 million of Construction in Progress and \$3.5 million of depreciation was recorded, reflecting a net decrease of \$268,000 in capital assets.

This year's major capital additions included:

- additions to the Water Plant and Building \$ 260,679
- additions to the Transmissions and Distribution \$ 1,737,488
- additions to Furniture & Equipment \$ 62,128

Additional detailed information about capital assets is presented in Note 6 to the financial statements.

**DEBT ADMINISTRATION**

The District had \$20.7 million in outstanding Water Revenue Bonds and \$159,960 in Net OPEB obligations outstanding at year end as shown in the table below:

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

Outstanding Debt	2011	2012	2013
Water Revenue Bonds:			
\$10,000,000 dated 1/1/2002	6,770,000	-	-
\$6,000,000 dated 5/1/2003	4,315,000	4,045,000	-
\$7,330,000 dated 10/28/04	4,605,000	3,910,000	3,185,000
\$10,000,000 dated 12/1/06	8,700,000	8,335,000	7,950,000
\$6,450,000 dated 11/22/11	-	6,450,000	5,900,000
\$3,660,000 dated 3/19/2013	-	-	3,660,000
Total Water Revenue Bonds	<u>\$24,390,000</u>	<u>\$22,740,000</u>	<u>\$20,695,000</u>
Net Postemployment Benefit Obligation	<u>110,940</u>	<u>133,176</u>	<u>159,960</u>
Total outstanding	<u><u>\$24,500,940</u></u>	<u><u>\$22,873,176</u></u>	<u><u>\$20,854,960</u></u>

The Water District adopted GASB 45 that requires the accrual of the Net Other Postemployment Benefit Obligation (OPEB) at the end of each year. For the year ended June 30, 2012 the Net OPEB liability is \$133,176 and for the year ended June 30, 2013 the Net OPEB liability is \$159,960. More detailed information about long-term debt is presented in Notes 7-9 to the financial statements.

***Bond Ratings***

Outstanding bonds carry the following ratings:

- 2004 bonds are AAA rated (insured) from XL Capital
- 2006 bonds are AAA rated (insured) from CIFG
- 2011 bonds are AA rated (stable) from Standard & Poor's
- 2013 bonds are AA rated (stable) from Standard & Poor's

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the fiscal year 2014, it is estimated that the District:

- Will serve an average of 31,610 customers; an increase of 63 over the average customers served for the twelve-month period ended March 31, 2013.
- Will generate water sales in the amount of 3,302,648 M gallons, an increase of 88,891 M gallons compared to the twelve-month period ending March 31, 2013.
- Resulting water service revenues are estimated to amount to \$11,178,544, which would be \$377,988 greater than the March 31<sup>st</sup> twelve-month period.
- It is estimated that the District will collect \$488,400 for connection charges and penalties for late payment of bills, or about \$176,516 less than the level of the comparison year, which will result in total revenues of \$11,666,944, up by \$302,473 or 1.76 percent.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013 and 2012**

June 30, 2014 Summary of Projected Budget

Gross Operating Revenue	\$ 11,666,944
Operating & Maintenance Expenses	<u>(7,234,972)</u>
Net Operating Revenue	4,431,972
Other Income	2,501,885
Other Expenses	<u>(770,340)</u>
Net Income before Depreciation	6,163,517
Depreciation	<u>(3,400,000)</u>
Net Income	<u><u>\$ 2,763,517</u></u>

Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied. By election on November 2, 2004 the voters approved to continue a tax of 3.81 mills per annum. For the fiscal year 2012, the Board of Commissioners approved a 3.57 mill levy on for operating and maintenance purposes, and such levy has been used for budget purposes for the 2014 fiscal year.

The District's capital expenditures has been expanded this year to include a new restricted equity expenditures account authorized by the District's Board. Restricted equity expenditures area to be funded by income received from unexpected sources not occurring every year such as construction claim settlements or other unusual events resulting in income. The expenditures in this category are for special District maintenance or improvement unexpected or emergency needs or for abnormal expenses. The Board authorized the restriction of \$1,120,000 to be used for maintenance and improvement expenditures.

The District's capital and restricted equity budget for fiscal year 2014 provides for total expenses of \$9,286,915, including \$5,597,885 of new construction projects. Some of the most significant capital projects are as follows:

- New Projects (Construction/Replacement 2011-2012) \$ 1,277,885
- New Projects (Construction/Replacement 2012-2013) \$ 2,100,000
- New Projects (Construction/Replacement 2013-2014) \$ 2,000,000

Significant Restricted Equity Projects:

- Cleaning & Painting of Fourchon Elevated Tank \$ 425,000
- Cleaning & Painting of East Golden Meadow Elevated Tank \$ 350,000
- Cleaning & Painting of East Gallinao Elevated Tank \$ 300,000

In summary, the proposed budget indicates that the District will not only meet cash requirements, but will also have fund balances as required by the outstanding bond resolutions.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
*For the Year Ended June 30, 2013 and 2012***

**CONTACTING MANAGEMENT**

This Annual Financial Report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of our finances and to demonstrate accountability for the money we receive. If you have questions about this report or need additional financial information, contact:

Pam Porche, Office Manager,  
P.O. Box 399, Lockport, LA 70374,  
1-800-344-1580

# ***FINANCIAL SECTION***



# STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Water District No. 1 of the Parish of Lafourche  
State of Louisiana

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which comprise the 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 basic 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 Statements*, 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 basic financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence supporting 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.

To the Commissioners of the  
Water District No. 1 of the Parish of Lafourche  
Page 2

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Water District No. 1 as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

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



***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the schedule of Metered Water Customers and the Schedule of Insurance in Force marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards 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 taken as a whole. The schedules marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2013, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting and compliance.

*Stagni & Company*

Thibodaux, Louisiana  
September 11, 2013



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Comparative Statement of Net Position  
Water Enterprise Fund  
June 30, 2013 and 2012

<b>ASSETS</b>	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,772,537	\$ 3,823,105
Investments	9,942,497	7,940,625
Receivables:		
Water sales	677,534	683,444
Unbilled water sales	845,609	821,025
Sewerage	56,352	47,731
Due from State of Louisiana	58,729	75,929
Other	3,127	739
Inventories	527,104	541,819
Prepaid Insurance	266,968	280,174
	<u>15,150,457</u>	<u>14,214,591</u>
<b>RESTRICTED ASSETS (cash and investments):</b>		
Water revenue bond current debt service cash with fiscal agent	320,434	402,046
Water revenue bond current debt service cash account	1,915,301	2,047,614
Water revenue bond future debt service reserve account	1,930,278	1,930,211
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	183,315	170,358
Customer meter deposits investments	850,000	850,000
	<u>5,399,328</u>	<u>5,600,229</u>
<b>CAPITAL ASSETS</b>		
at cost (net of accumulated depreciation/amortization of \$59,564,843 for 2013 and \$59,125,582 for 2012)	69,131,644	69,399,628
<b>TOTAL ASSETS</b>	<u>89,681,429</u>	<u>89,214,448</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	443,933	758,845
	<u>443,933</u>	<u>758,845</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES (payable from current assets):</b>		
Accounts payable and accrued expenses	133,382	238,715
Retainage payable	112,305	71,171
Due to other entities for water sale collections	132,505	123,555
<b>CURRENT LIABILITIES (payable from restricted assets):</b>		
Interest accrued	320,434	402,046
Customer meter deposits	1,033,280	1,020,324
	<u>1,731,906</u>	<u>1,855,811</u>
<b>LONG-TERM DEBT</b>		
Due within one year	2,055,000	1,945,000
Due after one year	18,640,000	20,795,000
Net Other Post Employment Benefits Obligation	159,960	133,176
	<u>20,854,960</u>	<u>22,873,176</u>
<b>TOTAL LIABILITIES</b>	<u>22,586,866</u>	<u>24,728,987</u>
<b>NET POSITION</b>		
Net Invested in capital assets	50,491,644	49,363,473
Restricted for:		
Customer Deposits	1,033,280	1,020,324
Capital Projects	1,396,271	1,645,000
Debt Service	2,713,856	2,032,825
Unrestricted	11,903,445	11,182,684
<b>TOTAL NET POSITION</b>	<u>\$ 67,538,496</u>	<u>\$ 65,244,306</u>

See Notes to Financial Statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**  
Comparative Statement of Revenues, Expenses and Changes in Net Position  
Water Enterprise Fund  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES:</b>		
Metered sales to regular customers	\$ 10,932,932	\$ 10,193,024
Metered sales to industrial and municipal customers	12,378	19,482
Connection charges and other revenues	565,852	526,093
	<u>11,511,162</u>	<u>10,738,599</u>
<b>OPERATING EXPENSES:</b>		
Water purchased for resale	39,065	42,382
Water treatment expenses	3,462,901	3,328,582
Transmission and distribution expenses	1,608,687	1,587,234
Customer accounts expenses	1,047,157	990,950
Administrative and general expenses	1,329,777	1,236,686
Depreciation and Amortization	3,568,793	3,489,512
	<u>11,056,380</u>	<u>10,675,346</u>
Operating Income (Loss)	<u>454,782</u>	<u>63,253</u>
<b>NON-OPERATING REVENUE:</b>		
Investment income	14,522	11,115
Ad Valorem taxes	2,415,466	2,300,810
Shared revenue	52,528	52,914
Lawsuit settlements	-	1,375,000
Other income	194,069	119
	<u>2,676,585</u>	<u>3,739,958</u>
<b>NON-OPERATING EXPENSES:</b>		
Interest on bonds	855,079	906,820
Amortization of debt discount and expense	198,218	109,396
Other post employment benefits	26,784	22,236
(Gain) loss on refunding of bonds	-	(73,980)
(Gain) loss on sale of fixed assts	8,279	8,467
(Gain) loss on investments	1,465	(1,129)
	<u>1,089,825</u>	<u>971,810</u>
Income (loss) before Capital Contributions	2,041,542	2,831,401
Capital contributions	252,648	210,413
Change in net position	<u>2,294,190</u>	<u>3,041,814</u>
<b>Net Position:</b>		
Beginning of year	65,244,306	62,202,492
End of year	<u>\$ 67,538,496</u>	<u>\$ 65,244,306</u>

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Comparative Statement of Cash Flows  
Water Enterprise Fund  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 11,430,129	\$ 10,861,956
Cash payments to suppliers for goods and services	(4,581,089)	(4,375,635)
Cash payments made to employees for services	(2,870,220)	(2,716,163)
Net cash provided (used) by operating activities	<u>3,978,820</u>	<u>3,770,158</u>
<b>Cash flows from noncapital financing activities:</b>		
Ad valorem taxes received	2,415,466	2,300,810
Revenue sharing grant	52,528	52,914
Other noncapital financing revenue	210,056	1,449,099
Net cash provided (used) by noncapital financing activities	<u>2,678,050</u>	<u>3,802,823</u>
<b>Cash flows from capital and related financing activities:</b>		
(Acquisition) sale of capital assets	(1,110,932)	(1,929,681)
Gain / (Loss) on sale/abandoned assets	(8,279)	(8,467)
Proceeds from bond issue	-	6,450,000
Bond issue costs paid/amortized	-	(230,463)
Principal paid on revenue bond maturities	(5,705,000)	(8,100,000)
Interest paid on revenue bonds	(855,079)	(991,703)
Net cash provided (used) for capital and related financing activities	<u>(7,679,290)</u>	<u>(4,810,314)</u>
<b>Cash flows from Investing activities:</b>		
Sales in excess of purchases and maturities/reclassification of investments	(181,425)	(1,502,280)
Gain (loss) on sale of investments	(1,465)	1,129
Interest and dividends on investments	14,522	11,115
Net cash provided (used) by investing activities	<u>(168,368)</u>	<u>(1,490,036)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,190,788)</b>	<b>1,272,831</b>
Cash and cash equivalents at the beginning of year	6,443,123	5,170,492
Cash and cash equivalents at the end of year	<u>\$ 5,252,335</u>	<u>\$ 6,443,123</u>
<b>Cash and cash equivalents are composed of:</b>		
Unrestricted Cash and Cash Equivalents	\$ 2,772,537	\$ 3,823,105
<b>Cash and cash equivalents from restricted cash:</b>		
Water revenue bond current debt service with fiscal agent	320,434	402,046
Water revenue bond current debt service account	1,915,301	2,047,614
Customer meter deposits	183,315	170,358
	<u>\$ 5,191,587</u>	<u>\$ 6,443,123</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 454,782	\$ 63,253
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	3,568,793	3,489,512
Changes in assets and liabilities:		
(Increase) decrease in receivables	(21,433)	102,368
(Increase) decrease in inventory	14,715	(4,924)
(Increase) decrease in prepaid insurance	13,206	12,571
Increase (decrease) in accounts payable	(105,333)	68,479
Increase (decrease) in contracts and retainage payable	41,134	17,910
Increase (decrease) in customer deposits	12,956	20,989
Total adjustments	<u>3,524,038</u>	<u>3,706,905</u>
Net cash provided (used) by operating activities	<u>\$ 3,978,820</u>	<u>\$ 3,770,158</u>
<b>Noncash investing and financing activities:</b>		
Acquisitions of fixed assets through capital contributions	\$ 252,648	\$ 210,413
Net Other Postemployment Benefits Obligation	\$ 26,784	\$ 22,236

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

**Notes to Financial Statements**

For the years ended June 30, 2013 and 2012

Water District No. 1 of the Parish of Lafourche, State of Louisiana, (the District) was created by the Police Jury of the Parish of Lafourche in accordance with the provisions of Act 343 of the Louisiana Legislature. The Board of Commissioners consists of 11 members who serve for an indefinite term, at the pleasure of the Lafourche Parish Council.

The District's boundaries encompass the entire Parish of Lafourche, except for the City of Thibodaux. The services provided include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

**Note 1      *Summary of Significant Accounting Policies***

***Reporting Entity***

Based on the following criteria the District is considered a component unit of the Lafourche Parish Council.

The financial statements include all accounts of the District's operations. The criteria for including organizations as component units as a reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Council holds the Corporate powers of the organization
- The Council appoints the voting majority of the Board of Commissioners
- The Council is able to impose its will on the organization
- The entity is able to impose a financial benefit/burden on the Council
- There is a fiscal dependency by the organization on the Council

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 1      Summary of Significant Accounting Policies (Continued)**

***Method of Accounting***

The financial statements of the District are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the District has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the District come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses include the cost of sales and services, administrative expenses, amortization of intangible assets and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

***Receivables***

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 1                      Summary of Significant Accounting Policies (Continued)**

***Inventories***

Materials and supplies inventory is valued at cost using the first-in/first-out method.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

***Encumbrances***

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets. Capital assets in service are depreciated using the straight-line method over the following useful lives:

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 1      Summary of Significant Accounting Policies (Continued)**

**Capital Assets (continued)**

<b>Type of Asset</b>	<b>Service Life</b>
Water Plant and Buildings	7 - 44 years
Transmission and Distribution System	3 - 44 years
Distribution and Maintenance	5 - 10 years
Administration and Office Buildings	25 - 30 years
Furniture and Equipment	3 - 8 years
Transportation Equipment	3 years
Intangible Assets	3 - 5 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**Compensated Absences**

The District's policy provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

**Note 1      Summary of Significant Accounting Policies (Continued)**

***Compensated Absences (continued)***

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31<sup>st</sup> of each year.

Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.

All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31<sup>st</sup> of each year shall be lost. The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$35,765 for 2013 and \$34,940 for 2012 is included in accounts payable and accrued expenses on the Comparative Statement of Net Position.

***Long term Obligations***

In the proprietary fund types financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

***Restricted Assets***

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Deposits from customers on their accounts are also classified as restricted assets.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 1      Summary of Significant Accounting Policies (Continued)**

***Net Position***

Net position in proprietary fund financial statements are classified as net invested in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. At year-end, restricted net position consisted of restricted cash and investments held for payment of future construction contracts.

***Contributed Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

***Risk Management***

The District has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, end to pollution, terrorism risk, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 1      *Summary of Significant Accounting Policies (Continued)***

***New Accounting Pronouncements***

GASB Statement No. 63—In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by GASB's Concepts Statement No. 4. It also amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net assets and by renaming it as net position, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation and their effects on a government's net position.

**Note 2      *Budget Information***

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 21, 2012 at the regular board meeting.

**Note 3      *Deposits with Financial Institutions and Investments***

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2013 and 2012, the carrying amounts of deposits were \$12,105,852 and \$11,143,463 and the bank balances were \$12,455,123 and \$11,591,725. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 3      Deposits with Financial Institutions and Investments (continued)**

Custodial Credit risk is the risk that in an event of a bank failure, deposits may not be returned to the entity. As of June 30, 2013 and 2012 and \$11,954,342 and \$11,077,746 of the bank balances was exposed to custodial credit risk. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

FDIC and pledged securities valued at \$14,425,976 for 2013 and \$12,026,020 for 2012, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, R.S. 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 entity that the fiscal agent has failed to pay deposited funds upon demand.

*Investments at June 30, 2013 consisted of:*

<b>Investment</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Maturities</b>
U.S. Treasury Obligations	\$1,915,301	\$1,915,301	Less than a year
U.S. Mortgage Backed	1,930,278	1,930,658	Less than a year
Certificates of Deposits	7,150,000	7,150,000	Less than a year
<b>TOTAL</b>	<b>10,995,579</b>	<b>10,995,959</b>	
LAMP	1,842,497	1,842,497	Avg. maturity 60 days or less
<b>TOTAL INVESTMENTS</b>	<b>\$12,838,076</b>	<b>\$12,838,456</b>	

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 3      Deposits with Financial Institutions and Investments (Continued)**

*Investments* at June 30, 2012 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$2,047,614	\$2,047,614	Less than a year
U.S. Mortgage Backed	1,930,211	1,930,480	Less than a year
Certificates of Deposits	7,150,000	7,150,000	Less than a year
<b>TOTAL</b>	<b>11,127,825</b>	<b>11,128,094</b>	
LAMP	1,840,625	1,840,625	Avg. maturity 60 days or less
<b>TOTAL INVESTMENTS</b>	<b>\$12,968,450</b>	<b>\$12,857,719</b>	

The District invests in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool, administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

*Interest Rate Risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Most of the investments are for the construction project and debt service obligation accounts and the district invests its moneys in short term maturity investments so as to have cash flows available to pay invoices on the construction projects and debt service as they become due and payable.

*Credit Risk and Custodial Credit Risk.* State law limits investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the District's policy to limit its investments in these investment types. As of June 30, 2013, the District's investment in LAMP was rated AAAM by Standard & Poor's.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2013 and 2012

**Note 3      Deposits with Financial Institutions and Investments (Continued)**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District invests in structured financial instruments, which are held by an agent in the District's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2013 and 2012, the District held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the District will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost.

Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Management's intent is to hold these investments to maturity. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk; therefore, the district does not have to disclose credit risk for the U.S. Treasury Obligations and U.S. agencies since they carry the explicit guarantee of the U.S. government.

**Note 4      Ad Valorem Taxes**

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage
Water District Operations	3.61	3.57

Each November based on the assessed value of property as of the prior January 1 the Parish Assessor of Lafourche sends ad valorem tax bills. Billed taxes become delinquent on January 1 of the following year.

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the parish as of January 1, 2012. The assessed value for the property on January 1, on which the 2013 and 2012 levy was based, was approximately \$727,992,324 and \$674,588,755 respectively.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2013 and 2012

**Note 4      *Ad Valorem Taxes (continued)***

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents. The millage levied for the year June 30, 2013 was 3.57 and June 30, 2012 was 3.61. Tax collected as of June 30, 2013 and 2012 on the 2012 and 2011 tax levy was 93% and 94% respectively.

**Note 5      *Deferred Compensation Plan***

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 100% of compensation, not to exceed \$17,000 for the 2012 calendar year and \$17,500 for the 2013 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional \$5,500 above the annual deferral limit.

During three years prior to normal retirement age as defined by the Plan, a participant may be eligible to contribute a "catch-up" amount if the participant did not contribute the maximum allowable amount during the years of eligibility in the Plan since January 1, 1979. This provision cannot be used during the calendar year if the Age 50+ provision is elected, nor may a catch-up contribution be made during the calendar year of the normal retirement age, nor may a catch-up contribution be made if the participant previously participated in catch-up under this or any other Section 457 plan. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship.

The District has the responsibility for withholding and remitting contributions from participants to the plan. Great-West Life is the plan administrator and provides communication, record keeping of the accounts, and investment of the plan assets. All amounts of compensation deferred all property rights and rights purchased and all income, property, or rights held in trust for the exclusive benefit of the participants or their beneficiaries. The assets of the plan are not considered District assets, nor subject to claims or creditors of the District.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 6 Capital Assets**

Capital assets and depreciation as of and for the years ended June 30, 2013 and June 30, 2012, respectively, is as follows:

Description	Balance June 30, 2011	Net Additions (Dispositions) Reclassifications	Balance June 30, 2012	Net Additions (Dispositions) Reclassifications	Balance June 30, 2013
<b>Capital assets, not being depreciated</b>					
Land and Right of Way	\$ 952,582	\$ -	\$ 952,582	\$ -	\$ 952,582
Construction Projects					
In Progress	1,285,707	147,861	1,433,568	1,110,932	2,544,500
<b>Total capital assets, not being depreciated</b>	<u>2,238,289</u>	<u>147,861</u>	<u>2,386,150</u>	<u>1,110,932</u>	<u>3,497,082</u>
<b>Capital assets, being depreciated</b>					
Water Plant and Building	31,789,596	127,766	31,917,362	260,679	32,178,041
Transmissions and Distribution System	87,435,886	1,639,792	89,075,678	1,737,488	90,813,166
Distribution and Maintenance Equipment	753,461	(9,671)	743,790	48,369	792,179
Administration and Office Buildings	542,167	-	542,167	-	542,167
Furniture and Equipment	255,206	7,562	262,768	3,736	266,504
Transportation Equipment	521,167	5,880	527,047	10,003	537,050
Intangible Assets	70,298	-	70,298	-	70,298
<b>Total capital assets, being depreciated</b>	<u>121,367,781</u>	<u>1,771,329</u>	<u>123,139,110</u>	<u>2,060,295</u>	<u>125,199,405</u>
<b>Accumulated Depreciation/Amortization</b>					
Water Plant and Building	(11,895,661)	(1,118,404)	(13,014,065)	(1,119,041)	(14,133,106)
Transmissions and Distribution System	(39,191,669)	(2,178,396)	(41,370,065)	(2,278,633)	(43,648,698)
Distribution and Maintenance Equipment	(641,107)	(7,838)	(648,945)	(18,519)	(667,464)
Administration and Office Buildings	(340,399)	(18,475)	(358,874)	(18,475)	(377,349)
Furniture and Equipment	(220,997)	(5,811)	(226,808)	(10,183)	(236,991)
Transportation Equipment	(434,330)	(5,303)	(439,633)	7,242	(432,391)
Intangible Assets	(65,619)	(1,623)	(67,242)	(1,602)	(68,844)
<b>Total accumulated depreciation/amortization</b>	<u>(52,789,782)</u>	<u>(3,335,850)</u>	<u>(56,125,632)</u>	<u>(3,439,211)</u>	<u>(59,564,843)</u>
<b>Total capital assets, being depreciated net</b>	<u>68,577,999</u>	<u>(1,564,521)</u>	<u>67,013,478</u>	<u>(1,378,916)</u>	<u>65,634,562</u>
<b>Total capital assets, net</b>	<u>\$ 70,816,288</u>	<u>-\$ 1,416,660</u>	<u>\$ 69,399,628</u>	<u>\$ (267,984)</u>	<u>\$ 69,131,644</u>
Depreciation/Amortization Expense	<u>\$ 3,122,462</u>		<u>\$ 3,489,512</u>		<u>\$ 3,489,512</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 6 Capital Assets (Continued)**

Fiscal Year Ended	30-Jun-12	30-Jun-13
Assets Capitalized	\$ 3,293,361	\$2,148,788
Assets Disposed	\$ 1,314,171	\$ 88,493
Total Depreciation	\$ 3,487,889	\$3,567,191
Total Amortization	\$ 1,623	\$ 1,602

**Note 7 Long-Term Debt**

Long-term debt for the year ended June 30, 2012 and 2013 is as follows:

Water Revenue Bonds	2012	2013
Consisted of the following:		
\$6,000,000 Water Revenue Bonds dated May 1, 2003 with a Final maturity on January 1, 2023 And with interest at 3.6%-4.6%	\$4,045,000	
\$7,330,000 Water Revenue Refunding Bonds dated October 28, 2004 with a Final maturity on January 1, 2017 And with interest at 1.8% to 3.85%	3,910,000	\$3,185,000
\$10,000,000 Water Revenue Bonds dated December 1, 2006 with a Final maturity on January 1, 2027 and with Interest at 4.0% to 4.5%	8,335,000	7,950,000
\$6,450,000 Water Revenue Refunding Bonds dated November 22, 2011 with a Final maturity on January 1, 2022 and with interest at 2.0% to 3.5%	6,450,000	5,900,000
\$3,660,000 Water Revenue Refunding Bonds dated March 19, 2013, with a Final maturity on March 1, 2023 and with interest at 2.0% to 2.5%		3,660,000
<b>TOTAL</b>	<b>\$22,740,000</b>	<b>\$20,695,000</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 7 Long-Term Debt (Continued)**

On March 19, 2013, the District issued \$3,660,000 million in advanced refunding water revenue bonds and defeased all of the outstanding \$3,760,000 Water Revenue Bonds, Series 2003 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the District's financial statements. The reacquisition price of the newly issued bonds exceeded the net carrying amount of the old debt by \$104,755. This amount was being amortized over the life of the new bonds but has been removed from the proprietary activities column of the statement of net assets with the refunding. The refinancing was undertaken to reduce total debt payments over the next 15 years and resulted in a savings of approximately \$336,000.

The annual requirements to amortize all bonds outstanding, including interest payments are as follows:

<b>Year Ended June 30, 2013</b>	<b>Amount</b>
2014	\$2,713,856
2015	2,724,370
2016	2,744,065
2017	2,766,383
2018	1,910,650
2019-2023	9,008,863
2024-2028	3,142,000
<b>TOTALS</b>	<b>\$25,010,186</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 7 Long-Term Debt (Continued)**

<b>Year Ended June 30, 2012</b>	<b>Amount</b>
2013	\$2,749,093
2014	2,765,080
2015	2,773,405
2016	2,793,260
2017	2,815,068
2018-2022	9,964,187
2023-2027	4,394,800
<b>TOTAL</b>	<b>\$28,254,893</b>

Long-term debt activity for the year ended June 30, 2012 and 2013 follows:

	<b>July 1, 2011</b>	<b>Additions/ (Retirements)</b>	<b>June 30, 2012</b>	<b>Additions/ (Retirements)</b>	<b>June 30, 2013</b>
Water Revenue Bonds Payable	\$24,390,000	\$(1,650,000)	\$22,740,000	\$(2,045,000)	\$20,695,000
Bond Issuance Costs	(229,178)	(31,217)	(260,395)	260,395	-
Deferral on Refunding	(343,420)	(155,030)	(498,450)	54,517	(443,933)
Net OPEB Obligation (See Note 9)	110,940	22,236	133,176	26,784	159,960
<b>TOTAL</b>	<b>\$23,928,342</b>	<b>\$(1,814,011)</b>	<b>\$22,114,331</b>	<b>\$(1,703,304)</b>	<b>\$20,411,027</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 8      *Flow of Funds; Restrictions on Use***

Under the terms of the bond indenture for each issue of Water Revenue Bonds, all income and revenues to be derived from the operation of the system are irrevocably and irreparably pledged in an amount sufficient for the payment of principal and interest on such bonds, and is set aside in the following manner:

- All revenue must be periodically deposited in the Revenue Fund to provide for payment of all reasonable and necessary expenses for administration, operation and maintenance.
- On or before the 20th day of each month, the District must set aside in a restricted bank account designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets - Water Revenue Bond Current Debt Service Account.
- For bonds issued October 28, 2004, December 1, 2006 and November 22, 2011 and March 19, 2013, the District established and must maintain the "Reserve Fund", by transferring from bond proceeds, the sum that will at least equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the bonds.
- On or before the 20th day of each month, the District must deposit into a restricted bank account designated as the Renewal and Replacement Fund, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for extensions, additions, improvements, renewals, and replacement necessary to properly operate. Money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. The balance in this fund shall never be reduced below a minimum of \$15,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.
- All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount of operating expenses, is to be considered surplus and transferred to the Renewal and Improvements Fund. Such funds are to be used for extensions, additions, improvements, renewals, and replacements to the water system.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9      Post Employment Benefits**

**Plan Description.** Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement, provided the employee has at least 30 years of service at retirement.

Employees with twenty-five (25) years of service or more are eligible for group health coverage as follows:

- Retirees with 25 of service, but less than 30 years of service will be responsible for the total premium for health insurance coverage. The insurance coverage will be available to the retiree for ten (10) years or until his/her 65<sup>th</sup> birthday or until such time as the retiree becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan. Since these retirees are paying 100% of the cost of their insurance; they are not considered in the net post employment benefit obligation calculation.
- Retirees with 30 years of service or more will be responsible for a percentage of the premium and the District will pay a percentage of the premium. The retiree's percentage of the premium will be determined annually by the Board. The insurance coverage will be available to the retiree for ten (10) years from retirement or until his/her 65<sup>th</sup> birthday or until such time as the employee becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan. These employees are those considered for the net post employment benefit obligation.

The coverage is available upon retirement only. Coverage for a retiree cannot be reinstated once it is dropped or a retiree is not considered eligible.

Retirees that wish to continue group coverage with the district shall be required to pay one month premium in advance upon retiring. Retiree's monthly premium payments (whether the retiree is responsible for all or a portion of the premium) must be received by the 10<sup>th</sup> of the month or coverage will terminate if premium is not received by the 30<sup>th</sup>.

While the District fully expects that the benefit will continue indefinitely, due to unforeseen future business contingencies, permanency of the plan is subject to the District's right to amend or terminate the plan at any time.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9**                      **Post Employment Benefits (Continued)**

Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after July 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. Complete plan provisions are included in the official plan documents.

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

**Fund Policy.** Until 2008, Lafourche Parish Water District recognized the cost of providing post-employment medical benefits (Lafourche Parish Water District's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. For the year ended June 30, 2013 and June 30, 2012, the District's portion of health care funding cost for retired employees totaled \$28,276 and \$24,500, respectively.

Effective with the Fiscal Year beginning July 1, 2008, Lafourche Parish Water District implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9 Post Employment Benefits (Continued)**

	Medical 2011-2012	Medical 2012-2013
Normal Cost	\$19,113	\$ 19,113
30-year UAL amortization amount	44,958	44,958
Annual required contribution (ARC)	\$64,071	\$ 64,071

**Net Post-employment Benefit Obligation (Asset).** The table below reflects the District's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal years ending June 30, 2012 and 2013, respectively:

	2011-2012	2012-2013
Beginning Net OPEB Obligation (Asset) 7/1	\$110,940	\$133,176
Plus the annual required contribution	64,071	64,071
Interest on Net OPEB obligation	4,438	4,438
ARC Adjustment	(6,416)	(6,416)
Gross OPEB Cost	62,093	62,093
Less the current year retiree premium	(39,857)	(35,309)
Change in Net OPEB Obligation	22,236	26,784
Ending Net OPEB Obligation (Asset) 6/30	\$133,176	\$159,960

The following table shows Lafourche Parish Water District's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	June 30, 2011	\$58,058	36.31%	\$110,940
Medical	June 30, 2012	\$62,093	64.19%	\$133,176
Medical	June 30, 2013	\$62,093	56.86%	\$159,960

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9      Post Employment Benefits (Continued)**

**Funded Status and Funding Progress.** In the fiscal year ending June 30, 2013 and 2012, Lafourche Parish Water District made no contributions to its post employment benefits plan. The plan was not funded nor has assets, and hence has a funded ratio of zero. Based on the of July 1, 2011 actuarial valuation, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2012 was \$777,382, which is defined as that portion, as determined by a particular actuarial cost method (the Lafourche Parish Water District uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded, the entire actuarial accrued liability of \$777,382 was considered unfunded.

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

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

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9      Post Employment Benefits (Continued)**

**Actuarial Value of Plan Assets.** There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

**Turnover Rate.** An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 7%.

**Eligibility Requirements.** Based on past experience, it has been assumed that entitlement to benefits will commence seven years after eligibility to enter the DROP, as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement. Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

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

**Health Care Cost Trend Rate.** The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in July, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9      *Post Employment Benefits (Continued)***

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

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 100% of the cost of the medical insurance for the retirees only (not dependents) and only until age 65 or 10 years after retirement, whichever occurs first. The rates provided applicable before age 65 are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates for retired before Medicare eligibility to be 130% of the blended rate.

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

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

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

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 9 Post Employment Benefits (Continued)**

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

	<b>OPEB Costs and Contributions</b>		
	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
OPEB Cost	\$ 58,058	\$ 62,093	\$ 62,093
Contribution	-	-	-
Retiree premium	21,078	39,857	35,309
Total contribution and premium	21,078	39,857	35,309
 Change in net OPEB obligation	 \$ 36,980	 \$ 22,236	 \$ 26,784
 % of contribution to cost	 0.00%	 0.00%	 0.00%
% of contribution plus premium to cost	36.31%	64.19%	56.86%

**Note 10 Retirement Plan**

**Plan Description and Provisions**

All full-time employees are members of the Parochial Employees Retirement System of Louisiana (PERS) a cost sharing multiple-employer defined benefit pension plan. The System provides retirement benefits to an employee of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and elect to become members of the System. All members of the Parochial Employees' Retirement System are participants in either Plan A or Plan B. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

The District participates in Plan A. The types of benefits provided under this plan include:

**Retirement Benefits**

Any members can retire providing he/she meets one of the following criteria, if they were hired prior to January 1, 2007:

- At any age with 30 or more years of creditable service.
- Age 55 with 25 years of creditable service.
- Age 60 with a minimum of 10 years of creditable service.
- Age 65 with a minimum of 7 years of creditable service

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 10**                      **Retirement Commitments (Continued)**

If members were hired after January 1, 2007, a member can retire providing he/she meets one of the following criteria:

- 7 years and age 67
- 10 years and age 62
- 30 years and age 55

**Survivor Benefits**

Upon the death of any member of the plan with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

**Deferred Retirement Option Plan Benefits**

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan for up to three years and defer the receipt of benefits.

**Disability Benefits**

A member hired prior to January 1, 2007 shall be eligible to retire and to receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. If a member was hired after January 1, 2007, shall be eligible to retire and to receive disability benefit if he/she has at least seven years of creditable service.

The Parochial Employees' Retirement System of Louisiana was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. A Board of Trustees, an Administrative Director, an Actuary and Legal Council operate the System. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2025, specifically, and other general laws of the United States.

The Parochial Employees' Retirement System issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619. (phone 225.928.1361).

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2013 and 2012

**Note 10                      Retirement Plan (Continued)**

**Funding Policy**

State Statute establishes member contributions. Employer contributions are actuarially determined every year determined by statutory process.

For the current year the required contribution rate for active plan members is 9.50% of payroll. The actuarially required net direct employer contributions as a percentage of payrolls were determined to be 15.75% for 2011 and through December 31, 2012, and 16.75% for 2013. Member and employer contributions for the year ending:

June 30, 2013 were \$242,797 and \$415,025,  
June 30, 2012 were \$227,222 and \$416,614,  
June 30, 2011 were \$227,246 and \$409,152, respectively.

In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax collected by the tax roll of each respective parish excepting Orleans parish and East Baton Rouge Parish and remits the money to the System on an annual basis.

**Note 11                      Construction Commitments**

Construction commitments at June 30, 2013 are as follows:

Project	Total Estimated Cost (1)	Costs Incurred to 6/30/13
Waterline Replacement along Killarney Place	\$157,840	\$84,404
Waterline Replacement along West 59 <sup>th</sup> Street	459,271	378,019
Waterline Replacement along East 7 <sup>th</sup> Street	462,378	-
Waterline Replacement along East 109 <sup>th</sup> Street	392,885	-
Waterline Replacement along Mille Street	382,696	-
Waterline Replacement along St. Patrick Street	211,460	-
<b>Totals</b>	<b>\$2,066,530</b>	<b>\$462,423</b>

(1) Approved budget

***REQUIRED SUPPLEMENTAL  
INFORMATION***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA  
Schedule of Per Diem and Compensation of Board of  
Commissioners  
June 30, 2013**

During the year the Board of Commissioners held twelve meetings. Board members were compensated as follows:

• Mr. Sidney Triche, President	\$ -0-
• Mr. Numa Breaux, Commissioner	\$ -0-
• Mrs. Doris Chauvin, Vice-President	\$ -0-
• Mr. Nolan Cressionie, Commissioner	\$ -0-
• Mr. James Dantin, Commissioner	\$ -0-
• Mr. Manuel Delatte, Commissioner	\$ -0-
• Mr. Morris Guidry, Commissioner	\$ -0-
• Mr. Robert Pontif, Jr., Secretary/Treasurer	\$1,800
• Mr. Eric Roundtree, Commissioner	\$ -0-
• Mr. Louis Thibodaux, Commissioner	\$ -0-
• Mr. Barry Uzee, Commissioner	\$ -0-

***OTHER SUPPLEMENTAL  
SCHEDULES***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Comparative Statement of Operating Expenses  
Water Enterprise Fund  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Water Purchased for Resale</b>	<u>\$ 39,065</u>	<u>\$ 42,382</u>
<b>Water Treatment Expenses:</b>		
Pumping Operations	704,577	724,902
Pumping Maintenance	51,025	44,276
Purification Operations	1,663,751	1,630,030
Purification Maintenance	<u>1,043,548</u>	<u>929,374</u>
<b>Total Water Treatment Expenses</b>	<u>3,462,901</u>	<u>3,328,582</u>
<b>Transmission and Distribution Expenses:</b>		
Distributions Operations	870,399	852,133
Distribution Maintenance	<u>738,288</u>	<u>735,101</u>
<b>Total Transmission and Distribution Expenses</b>	<u>1,608,687</u>	<u>1,587,234</u>
<b>Customer Accounts Expenses:</b>		
Customer Operations Expense	<u>1,047,157</u>	<u>990,950</u>
<b>Total Customer Accounts Expense</b>	<u>1,047,157</u>	<u>990,950</u>
<b>Administrative and General Expenses:</b>		
General Operating & Office Expense	760,048	1,030,680
Maintenance - General Property and Equipment	<u>569,729</u>	<u>206,006</u>
<b>Total Administrative and General Expenses</b>	<u>1,329,777</u>	<u>1,236,686</u>
<b>Depreciation and Amortization</b>	<u>3,568,793</u>	<u>3,489,512</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 11,056,380</u>	<u>\$ 10,675,346</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements  
For the years ended June 30, 2013 and 2012

	<b>Revenue Fund</b>	
	<u>2013</u>	<u>2012</u>
Cash Balance, July 1	\$ 1,809,801	\$ 1,887,404
<b>Receipts:</b>		
From Customers	11,296,540	10,979,970
Interest Earned	11,873	30,277
Transfers from Other Accounts	2,463,352	2,550,506
Others	1,399,829	2,319,649
	<u>15,171,594</u>	<u>15,880,402</u>
<b>Disbursements:</b>		
Operating Expense	12,644,619	15,914,383
Transfers to Other Accounts	2,467,985	43,622
	<u>15,112,604</u>	<u>15,958,005</u>
Cash Balance, June 30	<u>\$ 1,868,791</u>	<u>\$ 1,809,801</u>
	<b>Maintenance and Operating Fund</b>	
Cash Balance, July 1	\$ 9	\$ 8
<b>Receipts:</b>		
Ad Valorem Taxes (Net)	2,415,465	2,300,810
Revenue Sharing	52,518	52,914
	<u>2,467,983</u>	<u>2,353,724</u>
<b>Disbursements:</b>		
Transferred to Revenue Fund for Operating Expenses	2,467,985	2,353,723
Cash Balance, June 30	<u>\$ 7</u>	<u>\$ 9</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements  
For the years ended June 30, 2013 and 2012

<b>Renewal and Improvements Fund</b>		
	<u>2013</u>	<u>2012</u>
Cash Balance, July 1	\$9,952,820	\$7,977,478
<b>Revenues:</b>		
Interest Earned	1,884	3,406
Transfer from:		
Revenue Fund	2,315,205	4,071,925
Renewal & Improvements Investments	4,085,274	1,500,000
	<u>6,402,363</u>	<u>5,575,331</u>
<b>Disbursements:</b>		
Transfer to:		
Additions to System and Utility Plant Assets	5,510,047	3,599,989
Cash Balance, June 30	<u>\$10,845,136</u>	<u>\$9,952,820</u>

**Summary of Cash and Investments - Current Assets**

Revenue Fund	\$1,868,791	\$1,809,801
Maintenance and Operation Fund	7	9
Renewal and Improvements Fund	10,845,136	9,952,820
Payroll Clearing	100	100
Cash on Hand	700	700
Cash on Deposit -		
Collection Agent Accounts	300	300
Cash and Temporary Cash Investments - Current Assets	<u>\$12,715,034</u>	<u>\$11,763,730</u>
Unrestricted Cash and Cash Equivalents	\$ 2,772,537	\$ 3,823,105
Unrestricted Investments	9,942,497	7,940,625
	<u>\$ 12,715,034</u>	<u>\$ 11,763,730</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements - Restricted Assets  
For the years ended June 30, 2013 and 2012

	<u>Current Debt Service Accounts</u>	<u>Future Debt Service Accounts</u>	<u>Water Revenue Bond Contingency</u>	<u>Customer Meter Deposits</u>	<u>2013 Total</u>	<u>2012 Total</u>
	<u>Bond Fund</u>	<u>Bond Reserve</u>				
Cash and investments July 1	\$ 2,449,660	\$ 1,930,211	\$ 200,000	\$ 1,020,358	\$ 5,600,229	\$ 4,722,996
<b>Receipts:</b>						
Interest earned	125	-	-	178	303	309
Customer deposits	-	-	-	135,989	135,989	133,564
Transfers from:						
Bond Fund	1,685,720	3,860,601	-	-	5,546,321	3,860,933
Bond Reserve	3,656,475	-	-	-	3,656,475	3,656,475
Total receipts	<u>5,342,320</u>	<u>3,860,601</u>	<u>-</u>	<u>136,167</u>	<u>9,339,088</u>	<u>7,651,281</u>
<b>Disbursements:</b>						
Principal	2,777,200	-	-	-	2,777,200	1,795,000
Interest	2,667,480	-	-	177	2,667,657	969,635
Miscellaneous fees	111,565	-	-	3,799	115,364	35,868
Refund of customer deposits	-	-	-	7,700	7,700	8,630
Transfers to:						
Bond Fund	-	3,860,534	-	-	3,860,534	3,860,871
Water Revenue Fund	-	-	-	111,534	111,534	104,044
Total disbursements	<u>5,556,245</u>	<u>3,860,534</u>	<u>-</u>	<u>123,210</u>	<u>9,539,989</u>	<u>6,774,048</u>
Cash and investments June 30	\$ 2,235,735	\$ 1,930,278	\$ 200,000	\$ 1,033,315	\$ 5,399,328	\$ 5,600,229

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Schedule of Maturities  
\$7,330,000 Water Revenue Refunding Bonds, 2004 Series  
Dated: October 28, 2004

<b>Date of Maturity</b>	<b>Amount</b>	<b>Date of Maturity</b>	<b>Amount</b>
01/01/2006	\$65,000	01/01/2012	\$695,000
01/01/2007	105,000	01/01/2013	725,000
01/01/2008	605,000	01/01/2014	750,000
01/01/2009	630,000	01/01/2015	780,000
01/01/2010	650,000	01/01/2016	810,000
01/01/2011	670,000	01/01/2017	845,000
		<b>TOTAL</b>	<b>\$7,330,000</b>

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity.

The Bonds are not callable for redemption by the Issuer prior to their stated maturities.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

**Schedule of Maturities**

**\$10,000,000 Water Revenue Bonds, 2006 Series**

**Dated: December 1, 2006**

<b>Date of Maturity</b>	<b>Amount</b>	<b>Date of Maturity</b>	<b>Amount</b>
01/01/2008	\$300,000	01/01/2018	\$495,000
01/01/2009	315,000	01/01/2019	515,000
01/01/2010	335,000	01/01/2020	545,000
01/01/2011	350,000	01/01/2021	570,000
01/01/2012	365,000	01/01/2022	600,000
01/01/2013	385,000	01/01/2023	630,000
01/01/2014	405,000	01/01/2024	660,000
01/01/2015	425,000	01/01/2025	695,000
01/01/2016	445,000	01/01/2026	730,000
01/01/2017	470,000	01/01/2027	765,000
		<b>TOTAL</b>	<b>\$10,000,000</b>

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity, in fully registered form.

The Bonds maturing January 1, 2018, and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after January 1, 2017 (but if in part, in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity), at the principal amount thereof, plus accrued interest from the most recent Interest Payment Date to which interest has been paid for duly provided for to the date fixed for redemption, plus a redemption premium of 1% if redeemed during the period from January 1, 2017 to December 31, 2022 or ½% if redeemed January 1, 2023 and thereafter.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

**Schedule of Maturities  
\$6,450,000 Water Revenue Refunding Bonds, 2011 Series  
Dated: November 22, 2011**

<b>Date of Maturity</b>	<b>Amount</b>	<b>Date of Maturity</b>	<b>Amount</b>
01/01/2013	\$550,000	01/01/2018	\$645,000
01/01/2014	570,000	01/01/2019	675,000
01/01/2015	580,000	01/01/2020	705,000
01/01/2016	605,000	01/01/2021	730,000
01/01/2017	625,000	01/01/2022	765,000
		<b>TOTAL</b>	<b>\$6,450,000</b>

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity.

The Bonds are not callable for redemption by the Issuer prior to their stated maturities.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**  
Schedule of Maturities  
\$3,660,000 Water Revenue Bonds, 2013 Series  
Dated: March 19, 2013

<b>Date of Maturity</b>	<b>Amount</b>
01/01/2014	\$330,000
01/01/2015	325,000
01/01/2016	335,000
01/01/2017	345,000
01/01/2018	360,000
01/01/2019	365,000
01/01/2020	380,000
01/01/2021	390,000
01/01/2022	405,000
01/01/2023	425,000
<b>TOTAL</b>	<b>\$3,660,000</b>

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2014, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2013, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2013, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA  
Schedule of Metered Water Customers  
June 30, 2013  
(Unaudited)**

All sales of water are metered. At June 30, 2013, there were 31,682 active metered customers.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE**  
**STATE OF LOUISIANA**  
Schedule of Insurance in Force  
June 30, 2013

Description	Company	Coverage	Deductible
General Liability w/TRIA 03/01/13 to 03/01/14 Full failure to supply, not limited to tangible property	Arch Insurance Company	\$1,000,000 per occ \$3,000,000 gen aggr \$3,000,000 products/completed operations aggr	None
Auto w/TRIA 03/01/13 to 03/01/14	Arch Insurance Company	\$1,000,000 per occ \$1,000,000 (UM) \$1,000,000 (hired & nonowned auto)	None
Umbrella 03/01/13 to 03/01/14	Arch Insurance Company	\$10,000,000 per occ \$10,000,000 annual aggr Excess of GL, Auto, Employer's Liab., Wrongful Acts, EPLI & Professional Liab.	None
Crime 03/01/13 to 03/01/14	Arch Insurance Company	\$25,000 inside loss \$25,000 outside loss \$50,000 computer fraud \$100,000 employee theft \$250,000 forgery	\$ 500 ea
Wrongful Acts & Professional Liability 03/01/13 to 03/01/14	Arch Insurance Company occurrence form retroactive date 3-1-03	\$1,000,000 per claim \$3,000,000 aggr	\$ 1,000
Employment Practices Liability 03/01/13 to 03/01/14	Arch Insurance Company retroactive date 3-1-03	\$1,000,000 per person \$3,000,000 aggr	\$ 1,000
Terrorism Inclusion Endowment & Policy Fee 03/01/13 to 03/01/14	Arch Insurance Company	\$1,000,000 aggr Auto & Gen Liab Package	None
Commerical Property w/TRIA 03/01/13 to 03/01/14	ACE American Insurance Company	\$31,891,234 (per schedule)  \$15,000,000 named  windstorm coverage	\$10,000 (A.O.L.) \$10,000 (A.O.P.) 5% Named windstorm or subject to \$25,000 min. N & S Plants, \$10,000 min. all other locations
Fidelity/Crime 03/01/13 to 03/01/14	Western Surety Co.	\$250,000	None
Boiler & Machinery 03/01/13 to 03/01/14	Travelers Property Insurance Co.	\$50,000,000	\$1,000
Public Officials Oath Bond 03/01/13 to 03/01/14	Western Surety Co.	\$50,000	None
Worker's Compensation 03/01/13 to 03/01/14	LUBA	\$1,000,000	None
Pollution 5/17/11 to 5/17/14	Steadfast Insurance Company	\$33,329.10 for 3 years Paid in the 1st year	

***REPORTS REQUIRED BY  
GOVERNMENT AUDITING  
STANDARDS***



# STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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**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  
Water District No. 1 of the Parish of Lafourche,  
State of 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 business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated September 11, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

*Stagni & Company*

September 11, 2013  
Thibodaux, Louisiana



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2013 and have issued our report thereon dated September 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit of the financial statements resulted in an unqualified opinion.

***Section I - Summary of Auditor's Reports***

- The auditor's report expresses an unqualified opinion on the basic financial statements.
- No deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
- No instances of noncompliance or other matters under *Government Auditing Standards* were disclosed during the audit of the financial statements.
- No instances of noncompliance under the provisions of Louisiana Governmental Audit Guide were disclosed during the audit of the basic financial statements.
- The District did not expend federal awards on this audit.

***Section II - Financial Statement Findings***

- There were no financial statement findings during the audit of the basic financial statements.

***Section III - Federal Award Findings and Questioned Costs***

- There were no federal award findings during the audit of the basic financial statements.

