

DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2016
ISSUED MARCH 29, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 16, 2017

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
New Orleans, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund (DWRLF), an enterprise fund of the State of Louisiana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the fund's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements,

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DWRLF as of June 30, 2016, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in note 1, the accompanying financial statements present only the DWRLF, and do not purport to, and do not, present fairly the financial position of the State of Louisiana, the Louisiana Department of Health, or the Office of Public Health and their changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on DWRLF's financial statements. The accompanying supplemental information schedules, including the Schedule of Net Position, by Account; the Schedule of Revenues, Expenses, and Changes in Fund Net Position, by Account; and the Schedule of Cash Flows, by Account, on pages 26 through 29, are

presented for the purpose of additional analysis and are not a required part of the financial statements of the DWRLF.

The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the DWRLF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 DWRLF's internal control over financial reporting and compliance.

In addition, we have issued a report dated March 16, 2017, on our consideration of DWRLF's internal control over compliance with certain laws and regulations, and our tests of its compliance with those laws and regulations, in accordance with the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*.

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

BAP:CST:WDG:EFS:aa

DWRLF 2016

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

Statement of Net Position, June 30, 2016

ASSETS

Current assets:

| | |
|---------------------------------|--------------------|
| Cash in State Treasury (note 2) | \$104,944,412 |
| Receivables (note 3) | 8,314,034 |
| Total current assets | <u>113,258,446</u> |

| | |
|---|---------------------------|
| Noncurrent assets - loans receivable (note 4) | <u>132,455,656</u> |
| Total assets | <u><u>245,714,102</u></u> |

LIABILITIES

| | |
|------------------------------|----------------|
| Current liabilities (note 6) | <u>243,789</u> |
|------------------------------|----------------|

| | |
|------------------------------------|-----------------------------|
| NET POSITION - Unrestricted | <u><u>\$245,470,313</u></u> |
|------------------------------------|-----------------------------|

The accompanying notes are an integral part of this statement.

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses,
and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016**

OPERATING REVENUES

| | |
|---|------------------|
| Federal funds - set-aside programs | \$2,099,532 |
| Interest earned on loans receivable | 4,099,527 |
| Interest earned on cash in State Treasury | 246,702 |
| Administrative fees | 673,402 |
| Total operating revenues | <u>7,119,163</u> |

OPERATING EXPENSES

| | |
|---|------------------|
| Set-aside expenses (note 5) | 2,099,532 |
| Bond issuance costs (note 7) | 34,422 |
| Bond interest expense | 418 |
| Bond commitment and authorization fees | 12,700 |
| Principal forgiveness - Environmental Protection Agency | 6,437,171 |
| Total operating expenses | <u>8,584,243</u> |

OPERATING LOSS

(1,465,080)

Capital contributions

19,805,272

CHANGE IN NET POSITION

18,340,192

NET POSITION AT BEGINNING OF YEAR

227,130,121

NET POSITION AT END OF YEAR

\$245,470,313

The accompanying notes are an integral part of this statement.

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016**

| | |
|--|-----------------------------|
| Cash flows from operating activities | |
| Cash received from interest on loans | \$4,069,130 |
| Cash received from interest on cash in State Treasury | 220,732 |
| Cash received from administrative fees | 668,214 |
| Cash received from repayment of loan principal | 9,343,889 |
| Cash received from allocations for set-aside programs | 2,187,470 |
| Cash payments for set-aside programs | (2,187,470) |
| Cash payments to borrowers | (24,670,184) |
| Net cash used by operating activities | <u>(10,368,219)</u> |
| Cash flows from noncapital financing activities | |
| Contributed capital | 19,805,272 |
| Proceeds from issuance of bonds | 6,465,578 |
| Principal paid on bonds | (6,500,000) |
| Bond interest expense | (418) |
| Bond commitment and authorization fees | (25,400) |
| Net cash provided by noncapital financing activities | <u>19,745,032</u> |
| Net increase in cash | 9,376,813 |
| Cash at beginning of year | <u>95,567,599</u> |
| Cash at end of year | <u><u>\$104,944,412</u></u> |

(Continued)

The accompanying notes are an integral part of this statement.

**DRINKING WATER REVOLVING LOAN FUND
 LOUISIANA DEPARTMENT OF HEALTH,
 OFFICE OF PUBLIC HEALTH
 STATE OF LOUISIANA
 PROPRIETARY FUND - ENTERPRISE FUND
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2016**

**Reconciliation of operating loss to net cash used
 by operating activities**

| | |
|--|------------------------------|
| Operating loss | (\$1,465,080) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Bond issuance costs | 34,422 |
| Bond interest expense | 418 |
| Bond commitment and authorization fees | 12,700 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 52,353 |
| (Increase) in due from others | (25,970) |
| (Increase) in loans receivable | (8,889,124) |
| Decrease in accounts payable and accrued expenses | <u>(87,938)</u> |
| Net cash used by operating activities | <u><u>(\$10,368,219)</u></u> |
| Noncash investing, capital, and financing activities | |
| Principal forgiveness on loans - Environmental Protection Agency | <u><u>\$6,437,171</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana Department of Health, Office of Public Health (LDH-OPH) is a department of the State of Louisiana. LDH-OPH was created in accordance with Louisiana Revised Statutes (R.S.) 36:251(c) and 258(b) as a part of the executive branch of government. LDH-OPH is charged with protection of the public health of residents of the State of Louisiana.

The Drinking Water Revolving Loan Fund (DWRLF) program was established pursuant to the federal Safe Drinking Water Act Amendments of 1996 (SDWA). The DWRLF program provides financial assistance to both publicly- and privately-owned community water systems and nonprofit non-community water systems for projects eligible under the SDWA. The DWRLF program presently operates under R.S. 40:2821-2826. These statutes establish a DWRLF program capitalized by federal grants (Capitalization Grants for Drinking Water State Revolving Fund, CFDA 66.468), state funds when required or available, and by any other funds generated by the operation of the program. The DWRLF program provides assistance through loans for infrastructure projects and other assistance in the form of set-aside activities for program administration, technical assistance, state program management, local assistance, and other state programs. All efforts are directed toward improving drinking water quality by assisting systems in providing drinking water that meets established standards and that achieves the goals of the SDWA.

LDH-OPH is responsible for the operations and administration of the DWRLF program. LDH-OPH is authorized to apply for and accept capitalization grants from the United States Environmental Protection Agency (EPA), to establish assistance priorities, to perform oversight and other related activities, and to provide financial administration of the set-aside and loan accounts for the DWRLF program.

The DWRLF does not have any full-time employees. However, time spent on the DWRLF program by employees of LDH-OPH is captured, and the DWRLF subsequently reimburses LDH-OPH for salaries and benefits as well as other operating expenses of the fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB.

B. REPORTING ENTITY

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying financial statements represent activity of a fund of the State of Louisiana that is administered by LDH-OPH, a department within state government. The DWRLF is part of the primary government of the State of Louisiana.

Annually, the State of Louisiana issues a Comprehensive Annual Financial Report that includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

For the purposes of this report, the DWRLF uses a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the DWRLF are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the Statement of Net Position.

The DWRLF uses the accrual basis of accounting. Revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the DWRLF are federal funds and interest earnings. Operating expenses include the set-aside expenses.

E. BUDGETS AND BUDGETARY ACCOUNTING

The DWRLF is budgeted annually by the Louisiana Legislature. The set-aside activities are budgeted as part of the operations of LDH-OPH in the General Appropriations Act.

The Ancillary Appropriations Act (Act 46 of the 2015 Regular Session as amended) authorized expenditures of \$34,000,000 for the loan program. The fund is allowed to retain resources to fund future loans and eligible program activities. Because the fund is an enterprise fund, a budgetary comparison is neither required nor presented in the financial statements.

F. LOANS RECEIVABLE

The DWRLF is operated as a direct loan program. The program provides loans and other financial assistance to public water systems for the purpose of planning, constructing, and rehabilitating public water systems.

The program lends federal and state monies directly to public water systems. For every \$5 provided by the federal government, the state is required to provide a matching share of \$1. The effective match share reflects a federal rate of 83.33% and a state rate of 16.67%. Recycling of principal and interest repayments from borrowing water systems allows the program to operate in perpetuity, thereby benefiting other water systems wishing to borrow in the future. Borrowers pay principal and interest directly to the loan program, and all monies are deposited directly into the program. Principal repayments can only be used to make additional loans to water systems. Interest earnings on investments and loans can also be used to make additional loans. In addition, with EPA approval, interest earnings on investments and loans are used to pay off revenue bonds sold to capitalize the program by providing state matching funds.

The loans made by the DWRLF must be made at or below market interest rate with a repayment period not exceeding 20 years plus an interim construction-financing period. The current loan rate is 2.95% for new water construction/water system rehabilitation projects. In addition, water systems are charged an administrative fee of 0.5% on outstanding loan balances payable semiannually. Interest and administrative fees are calculated from the date that funds are advanced and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed.

As evidence of its obligations to pay principal and interest on the loans, each borrower must establish a dedicated source of revenue (or in the case of a privately-owned system, demonstrate that there is adequate security) for repayment of the loan [42 USC 300j-12(f)(1)(C)]. For substantially all of these loans, the loan recipient issues bonds that are purchased by LDH-OPH, as administrator of the DWRLF, to secure the repayment of the principal loaned. Principal and interest on the bonds are paid to the DWRLF and upon repayment of the loan, the bonds are returned to the loan recipient. Minimum required coverage ratios are established depending on the nature of the bonded indebtedness issued by the loan recipient as follows:

For limited tax bonds, the principal and interest due in any year on the amount borrowed shall not exceed 75% of the revenues estimated to be received from the

levy of the pledged millage in the year in which the indebtedness is issued (R.S. 39:742.2).

For sales tax bonds, the total amount of principal and interest falling due in any year, together with principal and interest falling due in such year on any previously issued sales tax bonds, shall never exceed 75% of the amount of sales tax revenues estimated by the governing authority of the issue to be received by it in the calendar year in which the bonds are issued (R.S. 39:698.4).

For revenue bonds, the requirements for coverage are established contractually in the loan documents (R.S. 39:1019). Expected coverage ratios might range from 110% to 130% or more. The DWRLF goal for collections of the dedicated revenues for repayment of the loan secured by revenue bonds is 125%; however, many factors can create deviation from this goal. It is customary to use the same minimum required coverage ratio as was previously established for outstanding debt of the loan recipient.

For general obligation bonds, the requirements for coverage are statutorily set. The governing authority of the issuer is required to impose and collect annually, in excess of all other taxes, a tax on all property subject to taxation by the issuer sufficient in amount to pay the interest and the principal falling due each year, or such amount as may be required for any sinking fund necessary to retire said bonds at maturity (R.S. 39:569). Typically, the bond millage is adjusted each year so as to generate enough revenues to pay debt service in the ensuing calendar year. No coverage requirements or debt service reserves exist because the tax can be adjusted each year *without any limitation whatsoever* to collect the appropriate amount each year.

In the case of sales tax bonds and revenue bonds, each loan recipient is also required to set up a debt service reserve fund equal to one half-year's principal and interest for the purpose of paying principal and interest should the dedicated revenues be insufficient for that purpose. The requirement to maintain a debt service reserve fund is not statutorily required, but is usual and customary for these kinds of indebtedness.

Because of the reserve requirements and the absence of any delinquent loans, there is no provision for uncollectible amounts.

G. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, and contributions of capital. Net position is classified in the following components as applicable:

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other

borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of resources subject to external constraints placed on the resources by creditors, grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net assets that are not included in the other categories previously mentioned.

H. CAPITAL CONTRIBUTIONS

The funds drawn for loans from the EPA capitalization grants authorized by the SDWA Amendments of 1996 are recorded as capital contributions.

I. COMPENSATED ABSENCES, PENSION BENEFITS AND POSTRETIREMENT BENEFITS

LDH-OPH provides employees to work on the DWRLF program. Compensated absences, pension benefits, and postretirement benefits are provided and recorded by LDH-OPH and allocated to the fund based on time worked. These allocated expenses are included in the fund financial statements; however, no liability for compensated absences, postemployment benefits, or pension benefits is recorded in the fund financial statements, and no disclosures for compensated absences, pension benefits, or postretirement benefits are included in the fund financial statements as the ultimate liability is with LDH-OPH rather than the fund.

J. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. ADOPTION OF NEW ACCOUNTING PRINCIPLES

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The implementation of Statement No. 72 will have no impact on the financial statements.

2. CASH IN STATE TREASURY

As reflected on Statement A, the DWRLF has cash totaling \$104,944,412 at June 30, 2016. All monies of the fund are deposited with the State Treasurer's office. Cash balances are held and controlled by the state treasurer and are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States are included within the State of Louisiana's financial statements.

3. RECEIVABLES - DUE FROM OTHERS

As shown on Statement A, the DWRLF has a total due from others of \$8,314,034. This total is comprised of the following:

| | |
|--|---------------------------|
| Due from the federal government - set-aside programs | \$243,789 |
| Due from water systems | 8,036,323 |
| Due from State Treasury - interest | <u>33,922</u> |
| Total | <u><u>\$8,314,034</u></u> |

Of the \$8,036,323 due from water systems, \$7,099,800 is the current portion of the principal due, \$798,992 is loan interest, and \$137,531 is administrative fees on loans.

4. NONCURRENT ASSETS - LOANS RECEIVABLE

The DWRLF makes loans to community water systems both privately- and publicly-owned and nonprofit non-community water systems for projects that meet the eligibility requirements of the program. Loans are financed by capitalization grants, state match, and revolving funds. The effective interest rate on loans is 3.45% to 3.95% and must be repaid over 20 years starting two years after the closing date of the loan or one year after the project is completed, whichever occurs first. As of June 30, 2016, 107 of the loans have been closed (completed drawing funds for construction), and the remaining loan commitment balance (loans authorized less loans disbursed) totals \$42,688,062. In addition, 42 of the loans are completely paid off. Loans mature at various intervals through December 1, 2036. The scheduled principal payments on loans maturing in subsequent years are as follows:

Year ending June 30:

| | |
|------------------------------|----------------------|
| 2017 | \$7,099,800 |
| 2018 | 7,535,800 |
| 2019 | 7,770,900 |
| 2020 | 8,019,600 |
| 2021 | 8,286,212 |
| 2022-2026 | 43,718,400 |
| 2027-2031 | 43,922,622 |
| 2032-2036 | 13,122,161 |
| 2037 | 79,961 |
| | <u>79,961</u> |
| Total loans receivable | <u>\$139,555,456</u> |
| Long-term receivable portion | <u>\$132,455,656</u> |

As of June 30, 2016, the DWRLF had made 141 loans to 79 water systems as follows:

| <u>Water System</u> | <u>Authorized Loan Amount</u> | <u>Loans Outstanding</u> |
|---|-----------------------------------|------------------------------|
| Ascension Consolidated Utilities District #1 1A | \$300,000 | |
| Ascension Consolidated Utilities District #1 1B | 700,000 | \$555,000 |
| Ascension Water Co. | 6,000,000 | |
| Ascension Water Co. #2 | 5,000,000 | |
| Avoyelles Ward One Water System | 1,329,365 | 819,000 |
| Avoyelles WWD #1 | 2,100,000 | 443,183 |
| Bayou Des Cannes Water System, Inc. Loan 1A | 666,700 | |
| Bayou Des Cannes Water System, Inc. Loan 1B | 1,555,820 | 1,220,820 |
| Beauregard Parish WWD #3 | 3,000,000 | 1,907,000 |
| Buckeye Water District #50 | 400,000 | 293,000 |
| Buckeye WD #50 Loan 2 - A | 684,000 | 263,000 |
| Buckeye WD #50 Loan 2 - B | 458,000 | 352,000 |
| Calcasieu WWD #8-1A | 384,000 | 146,000 |
| Calcasieu WWD #8-1B | 257,000 | 195,000 |
| Calcasieu WWD #8-1C | 209,000 | 147,000 |
| Calcasieu WWD #12 of Ward 3 | 2,000,000 | 1,350,000 |
| City of Alexandria #1A | 1,000,000 | |
| City of Alexandria #1B | 3,390,000 | 2,573,000 |
| City of Alexandria #2 | 7,610,000 | 5,062,416 |

| <u>Water System</u> | <u>Authorized Loan Amount</u> | <u>Loans Outstanding</u> |
|-------------------------------|-----------------------------------|------------------------------|
| City of Baker 1A | \$2,000,000 | \$828,000 |
| City of Baker 1B | 2,200,000 | 883,000 |
| City of Bogalusa 1A | 2,000,000 | 837,000 |
| City of Bogalusa 1B | 3,000,000 | 2,380,000 |
| City of Franklin - 1A | 811,000 | |
| City of Franklin - 1B | 1,894,000 | 1,423,000 |
| City of Leesville | 4,800,000 | 1,817,113 |
| City of Mansfield 1-A | 1,000,000 | |
| City of Mansfield 1-B | 3,120,000 | 2,496,000 |
| City of Mansfield #2 | 1,550,000 | 922,000 |
| City of Mansfield #3 | 3,280,000 | 2,206,756 |
| City of Monroe #1 | 3,000,000 | 2,040,000 |
| City of Morgan City 1A | 1,000,000 | |
| City of Morgan City 1B | 1,750,000 | 1,420,000 |
| City of Morgan City 1W | 1,234,000 | 998,000 |
| City of Natchitoches | 3,500,000 | |
| City of Natchitoches 2A | 2,000,000 | 829,000 |
| City of Natchitoches 2B | 3,000,000 | 2,477,000 |
| City of Natchitoches Loan #3 | 2,000,000 | 1,099,540 |
| City of Oakdale | 1,492,412 | 537,412 |
| City of Ruston 1A | 2,000,000 | 811,000 |
| City of Ruston 1B | 1,334,000 | 1,057,000 |
| City of Shreveport #1 | 7,000,000 | |
| City of Shreveport #2 | 7,000,000 | |
| City of Shreveport #3 | 5,540,000 | |
| City of Shreveport #4A | 2,000,000 | 794,000 |
| City of Shreveport #4B | 8,692,302 | 6,970,302 |
| City of Springhill | 7,456,558 | 5,460,558 |
| City of Thibodaux 1-A | 1,000,000 | |
| City of Thibodaux 1-B | 4,707,276 | 3,752,276 |
| City of Ville Platte, 1-A | 2,000,000 | 843,000 |
| City of Ville Platte, 1-B | 2,050,000 | 1,736,000 |
| City of Ville Platte, Loan #2 | 9,450,000 | 6,552,002 |

| <u>Water System</u> | <u>Authorized Loan Amount</u> | <u>Loans Outstanding</u> |
|---|-----------------------------------|------------------------------|
| City of Walker 1-A | \$156,000 | |
| City of Walker 1-B | 364,000 | \$283,000 |
| City of Westlake | 3,739,906 | |
| City of Westlake #2A | 870,000 | |
| City of Westlake #2B | 2,030,000 | 1,520,000 |
| City of Winnfield | 2,500,000 | 1,571,000 |
| Colyell Community WS | 948,600 | 467,300 |
| Colyell Community WS Loan 2 | 899,732 | 684,000 |
| Consolidated WWD #1, Jefferson Parish | 3,550,000 | 1,100,736 |
| Consolidated WWD #1, Terrebonne Parish | 1,880,809 | 1,509,000 |
| Consolidated WWD #1, Terrebonne Parish Loan | 4,200,000 | 869,118 |
| Culbertson Water System, Inc. | 598,226 | |
| DeSoto Water District #1 | 2,350,000 | 1,035,000 |
| DeSoto Water District #1, 2-A | 708,000 | |
| DeSoto Water District #1, 2-B | 1,652,000 | 1,310,000 |
| East Allen Parish Water District, 1-A | 381,959 | |
| East Allen Parish Water District, 1-B | 891,239 | 707,239 |
| East Central Vernon Water System, Inc. | 1,515,000 | 824,722 |
| French Settlement Water Co., Inc. | 770,067 | 565,000 |
| French Settlement Water Co., Inc., Loan #2 | 1,250,000 | 350,354 |
| Gardner Community Water Assoc., Inc. 1A | 400,184 | |
| Gardner Community Water Assoc., Inc. 1B | 933,762 | 755,762 |
| Iberville WWD #2 1A | 1,906,142 | |
| Iberville WWD #2 1B | 1,300,000 | |
| Iberville WWD #3 | 8,000,000 | 2,505,141 |
| Kolin-Raby Wise Water System, Inc. 1-A | 165,000 | |
| Kolin-Raby Wise Water System, Inc. 1-B | 385,000 | 292,000 |
| Lafayette WWD North | 2,738,586 | |
| Mount Hermon Water District | 658,699 | 414,000 |
| Natchitoches Parish WWD #2-1 | 3,500,000 | |
| Natchitoches Parish WWD #2-2 | 649,276 | |
| Louisiana Water Company - New Iberia | 6,000,000 | 3,860,000 |
| Louisiana Water Company - New Iberia #2 | 3,500,000 | 2,560,000 |

| <u>Water System</u> | <u>Authorized Loan Amount</u> | <u>Loans Outstanding</u> |
|---|-----------------------------------|------------------------------|
| New Orleans Sewerage & Water Board, 1-A | \$1,800,000 | |
| New Orleans Sewerage & Water Board, 1-B | 1,546,418 | |
| North Franklin Water Works, Inc. | 3,750,000 | \$1,999,267 |
| Point Wilhite | 925,000 | 685,000 |
| Point Wilhite Water System, Loan #2 | 1,610,000 | 349,342 |
| Rambin-Wallace Water System, Inc. | 234,311 | 158,500 |
| Rapides Parish WWD #3 | 5,000,000 | 668,947 |
| Sabine Parish WWD #1 | 1,000,000 | 620,950 |
| Saint Bernard Parish | 11,000,000 | 2,040,408 |
| Saint John the Baptist Parish | 5,500,000 | 2,011,052 |
| Savoy Swords Water System, Inc. | 907,238 | 627,202 |
| Savoy Swords Water System, Inc. 2A | 261,144 | |
| Savoy Swords Water System, Inc. 2B | 609,337 | 486,337 |
| Southeast Grant Water System, Inc. | 351,200 | 203,167 |
| South Vernon WWD #1 of Vernon Parish | 677,012 | 400,908 |
| Southwest Allen Parish WWD #2, 1-A | 298,500 | |
| Southwest Allen Parish WWD #2, 1-B | 696,500 | 539,500 |
| Town of Baldwin | 1,249,627 | 422,000 |
| Town of Bernice | 255,000 | 152,055 |
| Town of Blanchard Loan 1A | 1,000,000 | |
| Town of Blanchard Loan 1B | 2,657,000 | 1,989,000 |
| Town of Blanchard Loan 2 | 8,400,000 | 6,442,004 |
| Town of Blanchard Loan 3 | 4,930,000 | 4,797,924 |
| Town of Churchpoint | 2,500,000 | |
| Town of Delhi | 7,500,000 | 6,074,000 |
| Town of Delhi #2 | 1,870,000 | 1,014,000 |
| Town of Gramercy | 1,500,000 | 861,469 |
| Town of Greenwood | 5,250,000 | 2,224,348 |
| Town of Homer | 3,600,000 | 400,871 |
| Town of Jackson | 800,000 | 62,832 |
| Town of Lutcher | 1,570,000 | 1,019,000 |
| Town of Many #1 | 998,522 | |
| Town of Many #2 | 1,075,320 | |

| <u>Water System</u> | <u>Authorized Loan Amount</u> | <u>Loans Outstanding</u> |
|--|-----------------------------------|------------------------------|
| Town of Many #3 | \$1,470,192 | |
| Town of New Llano | 1,000,000 | \$231,636 |
| Town of Olla | 500,000 | 252,404 |
| Town of Pearl River | 1,800,000 | 1,116,000 |
| Town of Pollock, 1-A | 159,000 | |
| Town of Pollock, 1-B | 371,000 | |
| Town of Slaughter #1 | 1,355,000 | 1,093,490 |
| Town of Slaughter #2 | 640,523 | 445,000 |
| United Water System, Inc. | 360,333 | 264,000 |
| United Water System, Inc. 2-A | 282,269 | |
| United Water System, Inc. 2-B | 658,626 | 537,626 |
| Village of Estherwood | 990,000 | 629,463 |
| Village of Loreauville | 1,310,000 | 842,615 |
| Village of Mermentau | 1,000,000 | 625,378 |
| Village of Quitman | 480,000 | 213,000 |
| Ward 2 Water District of Livingston Parish | 9,000,000 | |
| Ward 2 Water District of Livingston Parish-2 | 5,984,678 | |
| Ward 2 Water District of Livingston Parish-3 | 4,000,000 | 3,115,000 |
| Ward 2 Water District of Livingston Parish-4 | 8,000,000 | 4,006,423 |
| Weston Water System, Inc. | 405,000 | 253,588 |
| West Winnsboro | 648,093 | |
| West Winnsboro #2 | 467,460 | |
| Total | <u>\$325,501,923</u> | <u>\$139,555,456</u> |

The DWRLF has been awarded 19 federal grants from the EPA. These grants are available through the EPA's Automated Clearing House Payment System and the Automated Standard Application for Payments System. Eighteen grants are authorized by the SDWA Amendments of 1996 and require matching funds from the state. One grant was funded under the American Recovery and Reinvestment Act of 2009 and required no matching funds from the state. As of June 30, 2016, the EPA has awarded grants of \$269,682,700 to the state, of which \$258,264,739 has been drawn; \$228,093,879 for loans; and \$30,170,860 for set-aside activities. The state has provided matching funds through the year ended June 30, 2016, of \$48,371,471. The following summarizes the grants awarded, amounts drawn of each grant as of the balance sheet date, and balances available for future loans and set-aside expenses:

| <u>Grant Source</u> | <u>Grant Amount</u> | <u>Cumulative Dollar Draws Set-Asides</u> | <u>Cumulative Dollar Draws Loans</u> | <u>Total Cumulative Dollars Drawn as of June 30, 2016</u> | <u>Remaining Grant Dollars Available as of June 30, 2016</u> |
|---------------------|----------------------|---|--|---|--|
| FS996968-01-2 | \$20,420,300 | \$4,307,056 | \$16,113,244 | \$20,420,300 | |
| FS996968-02-2 | 9,949,200 | 1,553,988 | 8,395,212 | 9,949,200 | |
| FS996968-03-0 | 10,427,700 | 1,642,927 | 8,784,773 | 10,427,700 | |
| FS996968-04-0 | 10,837,400 | 1,070,826 | 9,766,574 | 10,837,400 | |
| FS996968-05-0 | 18,934,800 | | 18,934,800 | 18,934,800 | |
| FS996968-06-0 | 8,004,100 | 1,311,487 | 6,692,613 | 8,004,100 | |
| FS996968-07-0 | 8,303,100 | 1,470,000 | 6,833,100 | 8,303,100 | |
| FS996968-08-0 | 8,285,500 | 1,165,000 | 7,120,500 | 8,285,500 | |
| FS996968-09-0 | 11,658,600 | 1,511,662 | 10,146,938 | 11,658,600 | |
| FS996968-10-0 | 11,659,000 | 236,662 | 11,422,338 | 11,659,000 | |
| FS996968-11-0 | 11,540,000 | 2,000,000 | 9,540,000 | 11,540,000 | |
| FS996968-12-0 | 11,540,000 | 1,900,000 | 9,640,000 | 11,540,000 | |
| FS996968-13-0 | 25,649,000 | 2,425,000 | 23,224,000 | 25,649,000 | |
| FS996968-14-0 | 17,798,000 | 2,565,000 | 15,233,000 | 17,798,000 | |
| FS996968-15-0 | 16,962,000 | 2,875,000 | 14,087,000 | 16,962,000 | |
| FS996968-16-1 | 15,914,000 | 2,639,152 | 13,235,822 | 15,874,974 | \$39,026 |
| FS996968-17-0 | 12,127,000 | 1,001,526 | 6,394,182 | 7,395,708 | 4,731,292 |
| FS996968-18-1 | 12,047,000 | 180,574 | 5,218,783 | 5,399,357 | 6,647,643 |
| 2F-96692001-0 | 27,626,000 | 315,000 | 27,311,000 | 27,626,000 | |
| | <u>\$269,682,700</u> | <u>\$30,170,860</u> | <u>\$228,093,879</u> | <u>\$258,264,739</u> | <u>\$11,417,961</u> |

The state has provided its required matching share of federal grant awards through General Fund appropriations and the sale of revenue bonds. Cash contributions from General Fund appropriations and sales of revenue bonds have totaled \$48,371,471. Matching contributions are as follows:

| | <u>Cumulative State Match as of June 30, 2015</u> | <u>2016 Contribution</u> | <u>Cumulative State Match as of June 30, 2016</u> |
|-------------------------|---|------------------------------|---|
| State cash contribution | <u>\$41,931,293</u> | <u>\$6,440,178</u> | <u>\$48,371,471</u> |

5. SET-ASIDE EXPENSES

A portion of the federal grant amounts awarded by the EPA can be specified to fund set-aside activities as follows:

- Up to 4% to provide administrative and technical assistance
- Up to 2% to provide technical assistance to small water systems
- Up to 10% to provide state program management
- Up to 15% to provide assistance in the development and implementation of local drinking water protection initiatives and other local assistance and state programs

Set-aside expenses are summarized as follows:

| | <u>2016</u> | <u>Prior Years</u> | <u>Total</u> |
|-------------------------------------|--------------------|---------------------|---------------------|
| Administration | \$424,780 | \$5,515,469 | \$5,940,249 |
| Small system technical assistance | 246,437 | 2,634,920 | 2,881,357 |
| State programs | 954,676 | 16,355,516 | 17,310,192 |
| Local assistance and state programs | 473,639 | 3,494,213 | 3,967,852 |
| ARRA Grant | NONE | 315,000 | 315,000 |
| Total | <u>\$2,099,532</u> | <u>\$28,315,118</u> | <u>\$30,414,650</u> |

The amount of 2016 set-aside expenses of \$2,099,532 includes accruals and payables of \$243,789.

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2016:

| | |
|-----------------|------------------|
| Vendor payables | \$188,548 |
| Payroll accrual | <u>55,241</u> |
| Total | <u>\$243,789</u> |

7. LONG-TERM LIABILITIES

The following is a summary of bonds and other long-term debt transactions of the fund for the year ended June 30, 2016:

| | Balance June 30, 2015 | Additions | Reductions | Balance June 30, 2016 | Portion Due Within One Year |
|---------------|--------------------------|--------------------|--------------------|--------------------------|-----------------------------------|
| Bonds payable | <u>NONE</u> | <u>\$6,500,000</u> | <u>\$6,500,000</u> | <u>NONE</u> | <u>NONE</u> |

The fund is allowed by CFR 35.3550(g)(3) to issue general obligation or revenue bonds to derive the state match. Furthermore, the secretary of LDH, through a Resolution by Executive Order pursuant to R.S. 30:2011 *et seq.*, was authorized, for state matching purposes, to borrow through the issuance of LDH's note to the Louisiana Public Facilities Authority (LPFA), a conduit issuer of serial bonds for LDH and the state.

The serial bond issues, LPFA Revenue Bonds (Drinking Water Revolving Loan Fund Match Project) Series 2002 and 2006, were issued during the fiscal year ending June 30, 2003, and June 30, 2006, in an amount up to \$8,000,000 and \$7,300,000, respectively. The 2006 series was subsequently amended several times to increase the maximum amount allowed to \$38,300,000. This Indenture of Trust was issued between the LPFA and Hancock Bank of Louisiana. This indebtedness was secured solely from the pledge of a portion of the revenues received by LDH from loans made by the program (interest earned on loans receivable and interest earned on cash in State Treasury). The LPFA is a public trust and public corporation organized and existing for the benefit of the State of Louisiana.

Following is a historical summary of both series including their amendments, issuance costs, and proceeds:

BONDS PAYABLE

| Bond Issuance Date | Bond Issuance Amount | Draw Number | Draw Date | Fiscal Year | Draw Amount | Bonds Cancelled | Issuance Costs | Bond Proceeds | Bond Available Balance | Date Defeased |
|----------------------|----------------------|-------------|------------|-------------|---------------------|--------------------|------------------|---------------------|------------------------|---------------|
| 12/23/2002 | \$8,000,000 | 1 | 12/23/2002 | 2003 | \$1,000,000 | | \$76,788 | \$923,212 | \$7,000,000 | 12/24/2002 |
| <i>Series 2002</i> | | | 10/29/2003 | 2004 | 0 | | (251) | 251 | 7,000,000 | |
| | | 2 | 12/12/2003 | | 1,000,000 | | 66,712 | 933,288 | 6,000,000 | 12/13/2003 |
| | | 3 | 3/18/2004 | | 500,000 | | 4,550 | 495,450 | 5,500,000 | 3/19/2004 |
| | | 4 | 5/26/2004 | | 1,000,000 | | 7,754 | 992,246 | 4,500,000 | 5/27/2004 |
| | | | 11/29/2004 | 2005 | 0 | | (674) | 674 | 4,500,000 | |
| | | 5 | 5/3/2005 | | 1,000,000 | | 7,754 | 992,246 | 3,500,000 | 5/4/2005 |
| | | 6 | 6/23/2005 | | 1,000,000 | | 7,201 | 992,799 | 2,500,000 | 8/16/2005 |
| | | Cancelled | 5/18/2006 | 2006 | | \$2,500,000 | | | 0 | |
| | \$8,000,000 | | | | \$5,500,000 | \$2,500,000 | \$169,834 | \$5,330,166 | None | |
| 5/18/2006 | \$7,300,000 | | | | | | | | | |
| <i>Series 2006</i> | | 1 | 5/18/2006 | 2006 | \$1,000,000 | | \$57,989 | \$942,011 | \$6,300,000 | 5/19/2006 |
| | | 2 | 11/29/2006 | 2007 | 1,500,000 | | 12,330 | 1,487,670 | 4,800,000 | 11/30/2006 |
| | | 3 | 9/6/2007 | 2008 | 1,250,000 | | 8,550 | 1,241,450 | 3,550,000 | 9/7/2007 |
| | | | 12/28/2007 | | | | 8,875 | (8,875) | 3,550,000 | |
| | | 4 | 3/31/2008 | | 1,000,000 | | 7,396 | 992,604 | 2,550,000 | 4/1/2008 |
| 8/28/2008 | 5,000,000 | | | | | | | 0 | 7,550,000 | |
| <i>(Amendment 1)</i> | | 5 | 9/9/2008 | 2009 | 1,250,000 | | 8,301 | 1,241,699 | 6,300,000 | 9/10/2008 |
| | | | 12/31/2008 | | | | 15,750 | (15,750) | 6,300,000 | |
| | | 6 | 1/13/2009 | | 1,000,000 | | 7,387 | 992,613 | 5,300,000 | 1/14/2009 |
| 3/10/2009 | 1,000,000 | | | | | | | 0 | 6,300,000 | |
| <i>(Amendment 2)</i> | | 7 | 11/12/2009 | 2010 | 2,000,000 | | 21,968 | 1,978,032 | 4,300,000 | 11/13/2009 |
| 5/20/2010 | 5,000,000 | 8 | 5/20/2010 | | 3,300,000 | | 22,177 | 3,277,823 | 6,000,000 | 5/21/2010 |
| <i>(Amendment 3)</i> | | | | | | | | 0 | 6,000,000 | |
| 9/1/2010 | 10,000,000 | 9 | 9/1/2010 | 2011 | 2,000,000 | | 14,150 | 1,985,850 | 14,000,000 | 1/7/2011 |
| <i>(Amendment 4)</i> | | 10 | 12/1/2010 | | 2,000,000 | | 29,381 | 1,970,619 | 12,000,000 | 6/17/2011 |
| | | 11 | 2/9/2011 | | 2,000,000 | | 10,746 | 1,989,254 | 10,000,000 | 12/29/2011 |
| | | | 6/10/2011 | | | | 12,700 | (12,700) | 10,000,000 | |
| | | 12 | 1/6/2012 | 2012 | 1,500,000 | | 10,395 | 1,489,605 | 8,500,000 | 5/8/2012 |
| | | | 5/8/2012 | | | | 12,700 | (12,700) | 8,500,000 | |
| | | 13 | 7/25/2012 | 2013 | 1,000,000 | | 7,163 | 992,837 | 7,500,000 | 7/26/2012 |
| | | 14 | 10/23/2012 | | 1,000,000 | | 7,052 | 992,948 | 6,500,000 | 10/24/2012 |
| | | 15 | 1/22/2013 | | 1,250,000 | | 21,019 | 1,228,981 | 5,250,000 | 1/23/2013 |
| | | 16 | 4/18/2013 | | 1,000,000 | | 7,071 | 992,929 | 4,250,000 | 5/1/2013 |
| 7/22/2013 | 10,000,000 | 17 | 7/18/2013 | 2014 | 1,500,000 | | 9,363 | 1,490,637 | 12,750,000 | 9/13/2013 |
| <i>(Amendment 5)</i> | | | 7/30/2013 | | | | 20,000 | (20,000) | 12,750,000 | |
| | | | | | | | 22,061 | (22,061) | 12,750,000 | |
| | | 18 | 11/13/2013 | | 1,250,000 | | 8,566 | 1,241,434 | 11,500,000 | 12/20/2013 |
| | | 19 | 4/3/2014 | | 1,200,000 | | 20,801 | 1,179,199 | 10,300,000 | 5/2/2014 |
| | | 20 | 8/7/2014 | | 1,200,000 | | 8,036 | 1,191,964 | 9,100,000 | 8/8/2014 |
| | | 21 | 12/18/2014 | | 1,250,000 | | 8,303 | 1,241,697 | 7,850,000 | 12/19/2014 |
| | | 22 | 7/30/2015 | | 2,500,000 | | 24,907 | 2,475,093 | 5,350,000 | 7/31/2015 |
| | | 23 | 2/4/2016 | | 2,000,000 | | 23,532 | 1,976,468 | 3,350,000 | 2/5/2016 |
| | | 24 | 6/21/2016 | | 2,000,000 | | 11,383 | 1,988,617 | \$1,350,000 | 6/22/2016 |
| | \$38,300,000 | | | | \$36,950,000 | | \$460,052 | \$36,489,948 | | |
| | \$46,300,000 | | | | \$42,450,000 | \$2,500,000 | \$629,886 | \$41,820,114 | | |

As of June 30, 2016, a total of \$41,820,114 was generated for matching fund purposes by the issuance of these serial bonds. Bond issuance costs of \$629,886 were absorbed by bond proceeds and are, therefore, not required to be charged against the 4% administrative costs allowance in accordance with Drinking Water State Revolving Fund program guidelines. There is an available balance of \$1,350,000 on Series 2006 as amended. The \$6,500,000 of bonds issued in fiscal year 2016 was repaid before the end of the fiscal year leaving no bonds payable at June 30, 2016.

8. LITIGATION AND CLAIMS

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by legislative appropriation. The DWRLF has no lawsuits outstanding at June 30, 2016.

SCHEDULES

SUPPLEMENTAL INFORMATION SCHEDULES

As of and for the Year Ended June 30, 2016

The Drinking Water Revolving Loan Fund is considered one fund, which is comprised of a loan element and an administrative and state match element. The U.S. Environmental Protection Agency requested information on each of these elements. The supplementary information schedules 1 through 3 provide the details requested by the U.S. Environmental Protection Agency.

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

Schedule of Net Position, by Account, June 30, 2016

| | LOAN ACCOUNT | ADMINISTRATIVE AND STATE MATCH ACCOUNT | TOTAL |
|--------------------------------------|-----------------------------|---|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Current assets: | | | |
| Cash in State Treasury | \$98,544,950 | \$6,399,462 | \$104,944,412 |
| Receivables | 8,174,435 | 139,599 | 8,314,034 |
| Total current assets | <u>106,719,385</u> | <u>6,539,061</u> | <u>113,258,446</u> |
| Noncurrent assets - loans receivable | <u>132,455,656</u> | NONE | <u>132,455,656</u> |
| Total assets | <u><u>239,175,041</u></u> | <u><u>6,539,061</u></u> | <u><u>245,714,102</u></u> |
| LIABILITIES | | | |
| Current liabilities | <u>243,789</u> | NONE | <u>243,789</u> |
| NET POSITION - Unrestricted | <u><u>\$238,931,252</u></u> | <u><u>\$6,539,061</u></u> | <u><u>\$245,470,313</u></u> |

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Revenues, Expenses, and
Changes in Fund Net Position, by Account
For the Fiscal Year Ended June 30, 2016**

| | LOAN ACCOUNT | ADMINISTRATIVE AND STATE MATCH ACCOUNT | TOTAL |
|---|----------------------|---|----------------------|
| OPERATING REVENUES | | | |
| Federal funds - set-aside programs | \$2,099,532 | | \$2,099,532 |
| Interest earned on loans receivable | 4,099,527 | | 4,099,527 |
| Interest earned on cash in State Treasury | 231,590 | \$15,112 | 246,702 |
| Administrative fees | | 673,402 | 673,402 |
| Total operating revenues | 6,430,649 | 688,514 | 7,119,163 |
| OPERATING EXPENSES | | | |
| Set-aside expenses | 2,099,532 | | 2,099,532 |
| Bond issuance costs | 34,422 | | 34,422 |
| Bond interest expense | 418 | | 418 |
| Bond commitment and authorization fees | 12,700 | | 12,700 |
| Principal forgiveness - Environmental Protection Agency | 6,437,171 | | 6,437,171 |
| Total operating expenses | 8,584,243 | NONE | 8,584,243 |
| OPERATING INCOME (LOSS) | (2,153,594) | 688,514 | (1,465,080) |
| Capital contributions | 19,805,272 | NONE | 19,805,272 |
| CHANGE IN NET POSITION | 17,651,678 | 688,514 | 18,340,192 |
| NET POSITION - BEGINNING OF YEAR | 221,279,573 | 5,850,548 | 227,130,121 |
| NET POSITION - END OF YEAR | \$238,931,251 | \$6,539,062 | \$245,470,313 |

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Cash Flows, by Account
For the Fiscal Year Ended June 30, 2016**

| | LOAN ACCOUNT | ADMINISTRATIVE AND STATE MATCH ACCOUNT | TOTAL |
|---|---------------------|---|----------------------|
| Cash flows from operating activities | | | |
| Cash received from interest on loans | \$4,069,130 | | \$4,069,130 |
| Cash received from interest on cash in State Treasury | 207,212 | \$13,520 | 220,732 |
| Cash received from administrative fees | | 668,214 | 668,214 |
| Cash received from repayment of loan principal | 9,343,889 | | 9,343,889 |
| Cash received from allocations for set-aside programs | 2,187,470 | | 2,187,470 |
| Cash payments for set-aside expenses | (2,187,470) | | (2,187,470) |
| Cash payments to borrowers | (24,670,184) | | (24,670,184) |
| Net cash provided (used) by operating activities | <u>(11,049,953)</u> | <u>681,734</u> | <u>(10,368,219)</u> |
| Cash flows from noncapital financing activities | | | |
| Contributed capital | 19,805,272 | | 19,805,272 |
| Proceeds from issuance of bonds | 6,465,578 | | 6,465,578 |
| Principal paid on bonds | (6,500,000) | | (6,500,000) |
| Bond interest expense | (418) | | (418) |
| Bond commitment and authorization fees | (25,400) | | (25,400) |
| Net cash provided by noncapital financing activities | <u>19,745,032</u> | <u>NONE</u> | <u>19,745,032</u> |
| Net increase in cash | 8,695,079 | 681,734 | 9,376,813 |
| Cash at beginning of the year | <u>89,849,871</u> | <u>5,717,728</u> | <u>95,567,599</u> |
| Cash at end of the year | <u>\$98,544,950</u> | <u>\$6,399,462</u> | <u>\$104,944,412</u> |

(Continued)

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND
Schedule of Cash Flows, by Account, 2016**

| | LOAN ACCOUNT | ADMINISTRATIVE AND STATE MATCH ACCOUNT | TOTAL |
|--|-----------------------|---|-----------------------|
| Reconciliation of operating income (loss) to net cash used by operating activities: | | | |
| Operating income (loss) | (\$2,153,594) | \$688,514 | (\$1,465,080) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | | |
| Bond issuance costs | 34,422 | | 34,422 |
| Bond interest expense | 418 | | 418 |
| Bond commitment and authorization fees | 12,700 | | 12,700 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 57,541 | (5,188) | 52,353 |
| (Increase) in due from others | (24,378) | (1,592) | (25,970) |
| (Increase) in loans receivable | (8,889,124) | | (8,889,124) |
| Decrease in accounts payable and accrued expenses | (87,938) | | (87,938) |
| Net cash provided (used) by operating activities | (\$11,049,953) | \$681,734 | (\$10,368,219) |
| Noncash investing, capital, and financing activities | | | |
| Principal forgiveness on loans - Environmental Protection Agency | \$6,437,171 | NONE | \$6,437,171 |

(Concluded)

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND *THE ENVIRONMENTAL PROTECTION AGENCY AUDIT*
GUIDE FOR CLEAN WATER AND DRINKING WATER
STATE REVOLVING FUND PROGRAMS

Exhibits A-B

The following pages contain reports on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards* issued by the Comptroller General of the United States and on internal control and compliance with requirements applicable to the Capitalization Grants for Drinking Water Revolving Funds Program in accordance with the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 16, 2017

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

Independent Auditor's Report

DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
New Orleans, 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 Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund, an enterprise fund of the State of Louisiana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the fund's basic financial statements, and have issued our report thereon dated March 16, 2017. Our report was modified to include an emphasis of matter paragraph regarding financial statement comparability.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Drinking Water Revolving Loan Fund's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the fund'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 charge with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

BAP:CST:WDG:EFS:aa

DWRLF 2016



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 16, 2017

Report on Compliance With Requirements Applicable
to the Capitalization Grants for Drinking Water State Revolving Funds
Program and on Internal Control over Compliance in Accordance With the
*Environmental Protection Agency Audit Guide for
Clean Water and Drinking Water State Revolving Fund Programs*

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
New Orleans, Louisiana**

**Report on Compliance for the Capitalization Grants
for the Drinking Water Revolving Loan Funds Program**

We have audited the compliance of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund with the types of compliance requirements that are applicable to the Capitalization Grants for the Drinking Water State Revolving Funds Program (CFDA 66.468) for the year ended June 30, 2016, as specified by the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to this federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Louisiana Department of Health, Office of Public Health – Drinking Water Revolving Loan Fund's federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for the Drinking Water State Revolving Loan Funds Program occurred. An audit includes examining, on a test basis, evidence about the Louisiana Department of Health, Office of Public Health – Drinking Water Revolving Loan Fund’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Capitalization Grants for Drinking Water State Revolving Loan Funds Program.

Opinion

In our opinion, the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund complied, in all material respects, with the compliance requirements referred to above that are applicable to its Capitalization Grants for Drinking Water State Revolving Funds Program for the year ended June 30, 2016.

Internal Control over Compliance

Management of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund’s internal control over compliance with the types of requirements that could have a direct and material effect on its Capitalization Grants for the Drinking Water State Revolving Loan Funds Program (CFDA 66.468) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Thomas H. Cole, CPA

First Assistant Legislative Auditor

BAP:CST:WDG:EFS:aa

DWRLF 2016