

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
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JUNE 30, 2016

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WILLIAM P. GAINES, JR., CPA
A PROFESSIONAL ACCOUNTING CORPORATION
4257 Church Street, Suite 105
Zachary, LA 70791

Independent Accountant's Review Report

Capital Area Ground Water Conservation District
3535 South Sherwood Forest Boulevard, Suite 137
Baton Rouge, LA 70816

I have reviewed the accompanying financial statements of the business-type activities of Capital Area Ground Water Conservation District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the Table of Contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Capital Area Ground Water Conservation District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with the *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain

limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

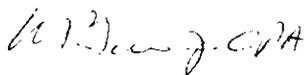
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on Page 3 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the representation of management. I have not audited, reviewed or compiled the required supplementary information and I do not express an opinion, a conclusion, nor provide any assurance on it.

Other Matters - Supplementary Information

The accompanying schedule of compensation, benefits and other payments to agency head, schedule of compensation to board members, schedule of funding progress, schedule of employer's net pension liability and schedule of employer contributions are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion, a conclusion or any assurance on it.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report, dated November 21, 2016, on the results of my agreed-upon procedures.



William P. Gaines, Jr., CPA
A Professional Accounting Corporation
November 21, 2016

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Management's Discussion and Analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34. Its purpose is to provide an overview of the financial activities of the District based on currently known facts, decisions and/or conditions. It should be read in conjunction with the financial report taken as a whole.

OVERVIEW OF THE FINANCIAL PRESENTATION

The financial statements are comprised of these components - (1) managements discussion and analysis, (2) fund financial statements, (3) notes to the financial statements and (4) supplementary information.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure an demonstrate compliance with finance-related legal requirements. The District has one category of funds: proprietary funds.

Proprietary Funds. The District maintains only one type of proprietary fund - enterprise fund. Enterprise funds are used to report the functions financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The District uses and enterprise fund to account for services provided to customers within its region.

Statements include the following:

Statement of Net Position. This statement presents information on all of the District's assets, deferred outflows of resources, liabilities and inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or not.

Statement of Revenues, Expenses and Changes in Net Position. This statement presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the District's financial reliance on general revenues.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 BATON ROUGE, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

Statement of Cash Flows. The change in cash as a result of current operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided or used for operating activities as required by GASB 34.

The fund financial statements can be found on pages 8-10 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 11.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's activity.

Other Information. Additionally, this report also presents certain other information that is deemed helpful to the users of this report.

FINANCIAL ACTIVITIES OF THE DISTRICT

Net position is an indicator of the District's financial position from year to year. A summary of net position follows.

**SUMMARY OF NET POSITION
 Business-type Activities**

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$375,144	\$ 362,247
Noncurrent assets	123,440	178,251
Restricted assets	120,374	0
Capital assets, net	<u>268,595</u>	<u>275,508</u>
Total Assets	887,553	816,006
Deferred Outflows of Resources	33,745	13,379

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 BATON ROUGE, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

Liabilities

Current liabilities	\$ 5,390	\$ 3,348
Non current liabilities	<u>407,506</u>	<u>354,788</u>
Total liabilities	412,896	358,136

Deferred Inflows of Resources	4,983	28,284
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Net Position

Net investment in capital assets	268,595	275,508
Restricted	120,374	0
Unrestricted	<u>114,450</u>	<u>167,457</u>
Net position	<u>503,419</u>	<u>442,965</u>

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION
Business-type Activities

	<u>2016</u>	<u>2015</u>
Revenues		
Charges for services	\$ 367,735	\$ 292,866
Non-operating revenues	<u>1,386</u>	<u>1,822</u>
Total Revenues	369,121	294,688
Expenses		
Operating expenses	308,667	301,825
Non-operating expenses	<u>0</u>	<u>0</u>
Total Expenses	<u>308,667</u>	<u>301,825</u>
Change in net position	60,454	(7,137)
Net position, beginning	<u>442,965</u>	<u>646,068</u>
Net position, ending	<u>503,419</u>	<u>442,965</u>

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 BATON ROUGE, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

Cash flow activity for the District for the past two years is as follows:

SUMMARY OF CASH FLOWS
Business-type Activities

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents provide by (used for)		
Operating activities	\$ 18,829	\$ 37,080
Non-capital financial activities	0	0
Capital and related financing activities	1,198	0
Investing activities	<u>(66,674)</u>	<u>(2,045)</u>
Net Change in Cash and Cash Equivalents	\$ (46,647)	\$ 35,035
Cash and cash equivalents, beginning of year	<u>281,750</u>	<u>246,715</u>
Cash and cash equivalents, end of year	<u>\$ 235,103</u>	<u>\$ 281,750</u>

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 BATON ROUGE, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets, net of accumulated depreciation and related debt at June 30, 2016 and 2015 was \$ 268,595 and \$ 275,508, respectively. Capital expenditures for office equipment of \$1,199 were made in the current year.

Capital assets at year-end are summarized as follows:

CAPITAL ASSETS
Net of Accumulated Depreciation
Business-type Activities

	<u>2016</u>	<u>2015</u>
Non depreciable Assets		
Land	\$ 11,823	\$ 11,823
Depreciable Assets		
Well	254,598	261,999
Furniture & Equipment	<u>2,174</u>	<u>1,686</u>
Total capital assets	<u>\$ 268,595</u>	<u>\$ 275,508</u>

Debt Administration. Implementation of GASB 68 in the current fiscal year created the recognition of the District's net pension liability of \$ 222,205. This liability is considered to be a long term liability. Although not required to fund this obligation, the District also has recorded a liability of \$168,000 in other post employment benefits

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations and demonstrate the District's commitment to public accountability. Any questions or request for additional information can be obtained by contacting Shawn Scallan, at Capital Area Groundwater Commission, 3535 South Sherwood Forest Blvd. Suite 137, Baton Rouge, Louisiana 70816 or 225-293-7370.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 235,103
Accounts receivable net	<u>140,041</u>
Total current assets	<u>375,144</u>

RESTRICTED ASSETS:

Funds in Funded Retiree Health Benefits Trust	120,374
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NONCURRENT ASSETS:

Capital assets, net	268,595
Certificates of deposit	<u>123,440</u>
Total noncurrent assets	<u>392,035</u>

Total Assets	887,553
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DEFERRED OUTFLOWS OF RESOURCES	<u>33,745</u>
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LIABILITIES

Current liabilities

Accrued expenses	5,390
Current portion of compensated absences	<u>4,325</u>
Total current liabilities	9,715

NONCURRENT LIABILITIES

Non current portion of compensated absences	12,976
Net pension liability	222,205
Net OPEB obligation	<u>168,000</u>
Total noncurrent liabilities	<u>403,181</u>

Total Liabilities	412,896
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DEFERRED INFLOW OF RESOURCES	<u>4,983</u>
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NET POSITION

Net investment in capital assets	268,595
Restricted	120,374
Unrestricted	<u>114,450</u>
Total net position	<u>\$ 503,419</u>

See independent accountant's review report and the accompanying notes.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES and CHANGES IN NET POSITION
Year Ended June 30, 2016

Operating revenues	
Pumpage fees	\$ 367,735
Total operating revenues	<u>367,735</u>
Operating expenses	
Salaries	95,371
Other employee expenses	12,070
Post retirement benefits	24,000
Compensated absences	2,481
Depreciation	8,112
Information technology	9,175
USGS - Real time network	5,750
USGS - Subsidence wells	6,100
USGS - Modeling	109,625
Meeting	1,138
Office supplies	1,490
Rent	16,200
Travel	4,046
Postage	795
Educational outreach	2,827
Insurance	4,267
Dues and subscriptions	315
Printing	1,540
Miscellaneous	386
Professional fees	<u>2,979</u>
Total operating expenses	<u>308,667</u>
Operating income	59,068
Nonoperating revenue (expenses)	
Interest income	<u>1,386</u>
Change in net position	60,454
Net position - beginning	<u>442,965</u>
Net position - ending	<u>\$ 503,419</u>

See independent accountant's review report and the accompanying notes.

CAPITAL ARE GROUND WATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 284,890
Payments to suppliers	(132,179)
Payments to employees	(95,371)
Payment for employee benefits	(38,511)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,829</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of office equipment	<u>1,198</u>
NET CASH PROVIDED BY CAPITAL ACTIVITIES	1,198
CASH FLOWS FROM INVESTING ACTIVITIES	
Funds transferred for retiree health benefits	(120,374)
Certificates of deposit redeemed	52,314
Interest income	<u>1,386</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(66,674)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,647)
BALANCE - BEGINNING OF YEAR	<u>281,750</u>
BALANCE - END OF YEAR	<u><u>235,103</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	59,068
Adjustments to reconcile operating income to net cash proceeds provided by operating activities	
Depreciation expense	8,112
Change in assets and liabilities	
Increase in receivables	(59,444)
Increase in payables	2,042
Increase in accruals	<u>9,051</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 18,829</u>

See independent accountant's review report and the accompanying notes.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

INTRODUCTION

The Capital Area Ground Water Conservation District was created under the provisions of Louisiana Revised Statutes 38:3071-3084 to provide for the effective administration, conservation, orderly development, and supplementation of groundwater resources within the conservation district, composed of the parishes of East Baton Rouge, East Feliciana, Pointe Coupee, West Baton Rouge, and West Feliciana. The District monitors the usage of groundwater within the District and provides assistance through the United States Geological Survey for the development of new sources of groundwater. The District is governed by a board of commissioners consisting of 15 members appointed by the governor.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Capital Area Ground Water Conservation District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The Capital Area Ground Water Conservation District is a political subdivision of the State of Louisiana and as such is the financial reporting entity. The financial reporting entity consists of only the Capital Area Ground Water Conservation District and no other organizations.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Capital Area Ground Water Conservation District for financial reporting purposes. Capital Area Ground Water Conservation District has no component units.

C. FUND ACCOUNTING

For the periods beginning after June 15, 2003, the District was required to comply with Governmental Accounting Standards Board (GASB) Statement Number 34. GASB 34, paragraph 15 states ... "Business type activities are financed in whole or in part by fees

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

charged to external parties for goods or services.” These activities usually report in Enterprise Funds. Paragraph 67 reads: “Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and services.” Activities are *required* to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity’s *principal revenue sources*.

- a. The activity is financed by debt that is secured solely by a pledge of the net revenues from fees.
- b. Laws or regulations require that the activity’s costs to provide services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenue.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Because of these requirements, beginning with the July, 2004 period, the District has converted from a governmental fund and account groups to an enterprise fund.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Enterprise fund statements of net position and revenues, expenses, and changes in fund net position are presented using the economic resources measurement focus and the accrual basis of accounting.

Revenues

Pumpage fees are recorded in the year earned, even though the payment may be received in the following year. Interest earned is recorded when received. Grants are recorded when the reimbursable expenditures are made. Other revenue is recognized when it becomes measurable and available, typically within 60 days following year end.

Expenses

Expenses are reported in the period in which incurred, not in the period in which paid.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Other Financing Sources (Uses)

Transfers between funds which are not expected to be repaid (and any other financing sources) are accounted for as other financing sources (uses). These other financing sources (uses) are usually recorded only at the end of the fiscal year.

E. BUDGETS

The District uses the following budget practices:

1. Budgets are prepared and adopted by the District annually. The budgetary calendar for the fiscal year begins July 1 and ends June 30 of the following year. The budget for the fiscal year ending June 30, 2016, and prior years, never exceeded \$ 500,000, so the District did not have to advertise for a public hearing on the budget. The original budget was adopted on June 17, 2015.
2. The District's operations are financed with self-generated revenues and any excess of revenues over expenses at the end of the fiscal year is retained for use in subsequent years.
3. The District does not use encumbrance accounting.
4. The budget is prepared on an accrual basis.
5. The budget was amended twice in the FYE June 30, 2016. Because only governmental funds are required to have a comparison of actual to budget, no comparison is presented.

F. ENCUMBRANCES

The District does not use encumbrance accounting, nor is the budget formally integrated into the accounting records.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits, and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

H. INVESTMENTS

Investments are certificates of deposit that represent cash that is not expected to be needed in the immediate future. Rates of return are greater than the district's checking account, providing additional revenue in the form of interest income. The maturities typically range from 90 days to one year. Investments are stated at cost which approximates fair market value.

I. INVENTORIES

The District has no inventories.

J. PREPAID ITEMS

The District does not have any prepaid items.

K. FIXED ASSETS

GASB Statement No. 34 changed the requirements for depreciation. Fixed assets are now recorded at the time of purchase or construction in the fixed asset account. Depreciation has now been provided on fixed assets and is calculated using the straight line method over the asset's estimated life. All fixed assets are recorded at historical cost.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

L. COMPENSATED ABSENCES

The District has the following policy relating to vacation and sick leave: The earning of vacation and sick leave is based on the equivalent of full time state service. It is credited at the end of each regular pay period of 80 hours of regular duty. Each full time employee earned 7.384 hours of vacation and 7.384 hours of sick leave for every 80 hour pay period.

The District has adopted a vacation policy that follows the LASERS guidelines. Annual leave must be applied for by the employee and may be used only when approved by the District. Upon retirement or resignation, annual unused leave up to 300 hours is paid to employees at the employee's current rate of pay. The employee is not paid for any unused sick leave.

The District's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned if *both* of the following conditions are met.

- a. The employee's rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The District's policy on sick leave does not qualify sick leave as compensated absences.

Based upon past experience the compensated absences are shown to be 25% current and 75% noncurrent.

M. LONG - TERM OBLIGATIONS

The District's long term obligations include compensated absences, described above in Note L and other post employment benefits, described in Note 8 as well as the net pension liability described in Note 10.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

N. USE OF ESTIMATES

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

O. NET POSITION

Net position are divided into three components-invested in capital assets (net of related debt), restricted and unrestricted. The first component is the difference between the amount shown for capital assets and the outstanding debt incurred to finance those capital assets.

Restricted net position are presented according to the purposes to which they are limited.

Unrestricted net position are all of the resources not included in capital or restricted assets. These resources are available for any purpose, although they may not be in a spendable form like cash.

P. SUBSEQUENT EVENTS

The District evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 21, 2016 the date which the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

At June 30, 2016, the District had cash and cash equivalents totaling \$ 235,103 as follows:

Demand deposits	<u>\$235,103</u>
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These deposits are stated at cost, which approximates market. 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 value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30,2016 and during the year, all cash and cash equivalents were fully covered by FDIC insurance, or pledged securities held by the fiscal agent bank.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

3. LEVIED PUMPAGE FEES

The authorized and levied pumpage fees are \$10.00 per million gallons pumped.

The following are the principal fee payers for the District:

- Georgia - Pacific
- Baton Rouge Water Co.
- Exxon USA
- Exxon Chemical
- Entergy
- Parish Water Co.

4. INVESTMENTS

The District's investments consist solely of a certificate of deposit with a maturity of 90 days or greater and carried at cost. The certificate of deposit was fully covered by FDIC insurance during the year and at year end and is stated at cost, which approximates fair market value. The investment consists of:

	<u>Cost</u>	<u>Market Value</u>	<u>Interest Rate</u>
Certificate of Deposit	<u>\$ 123,440</u>	<u>\$123,440</u>	<u>.45%-1.10%</u>

5. RECEIVABLES

The following is a summary of receivables at June 30, 2016:

Pumpage Fees, net	<u>\$ 140,041</u>
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6. CAPITAL ASSETS

A summary of changes in fixed assets follows:

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/16</u>
Land	\$ 11,823	\$ 0	\$ 0	\$ 11,823
Monitoring Wells	370,025	0	0	370,025
Furniture	19,307	1,199	0	20,506
Less accum. depreciation	<u>(125,647)</u>	<u>(8,112)</u>	<u>0</u>	<u>(133,759)</u>
Totals	<u>\$ 275,508</u>	<u>\$ (6,913)</u>	<u>\$ 0</u>	<u>\$ 268,595</u>

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

7. PENSION PLAN

Plan Description

Eligible employees of the District participate in the Louisiana State Employees' Retirement System (LASERS) which is a cost-sharing multiple-employer defined benefit pension plan established by Section 401 of Title 11 of the Louisiana Revised Statutes to provide retirement allowances and other benefits to eligible state officers, employees, and their beneficiaries. The projection of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Retirement Benefits

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending upon the member's hire date, employer and job classification. The majority of the rank and file members may either retire with full benefits at any age upon completing 30 years of credible service or at age 60 upon completing five to ten years of credible service depending upon their plan. Additionally, members may choose to retire with 20 years service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Deferred Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest rate at a rate of one half per cent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004 are required to participate in LASERS Self Directed Plan (SDP) which is administered by a third party provider. The SDP allows DROP participants to choose from a menu of investment options

CAPITAL ARE GROUND WATER CONSERVATION DISTRICT
NOTE TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004 are required to enter the SDP as described above.

Disability Benefits

All members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Service Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two years of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 NOTE TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

Permanent Benefit Increases/Cost of Living Adjustments

As described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost of living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Employer Contributions

The employer contribution rate is established annually under La. R. S. 11:101-11:104 by the Public Retirement System's Actuarial Committee (PRSAC), taking into account consideration the recommendation of the System's Actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all class members, regardless of their plan membership. The plan rate for the District for 2016 was 44.7% of which the employees contribute 7.5% of gross salary and the District contributed 37.2%. Contributions to LASERS for the fiscal year ended June 30, 2016 were \$ 4,869 by the employees and \$25,718 by the District.

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

As of June 30, 2016 the District reported a liability of \$ 225,205 for its proportionate share of the System's net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share at that date was .00327%.

Pension expense of \$ 6,074 was recognized for the year ended June 30, 2016. Deferred outflows and inflows of resources related to pensions were reported from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Outflows</u>
Beginning balance	13,379	(29,283)
Difference between expected and actual results	(3,136)	(201)
Changes of assumptions	0	0
Changes in proportion	0	1,200
Difference in actual and projected earnings	0	23,301
Employer contributions subsequent to measurement date	<u>23,502</u>	<u>0</u>
	<u>\$ 33,745</u>	<u>\$ (4,983)</u>

CAPITAL ARE GROUND WATER CONSERVATION DISTRICT
 NOTE TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

Actuarial Assumptions. The net pension liability was measured as the portion of the present value of the projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employee's past periods of service, less the amount of the pension plan's net fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date:	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lifes	3 years
Investment Rate of Return	7.75% per annum
Inflation Rate	3.00% per annum
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2016</p> <p>Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>
Termination, Disability and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's Study of the System's members.
Long Term Expected Rate of Return	The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long term expected rate of return by weighing the expected future real rates of return by the target asset allocation

CAPITAL ARE GROUND WATER CONSERVATION DISTRICT
 NOTE TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

percentage and by adding expected inflation of 3.0% and an adjustment for the effect of rebalancing/diversification. The resulting expected long term rate of return is 8.88% for 2015. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015 are summarized in the following table:

Expected Long Term Real Rates of Return	
Asset Class	2015
Cash	0.24%
Domestic Equity	4.56%
International Equity	5.67%
Domestic Fixed Income	2.24%
International Fixed Income	3.64%
Alternative Investments	7.82%
Global Tactical Asset Allocation	3.70%
Total Fund	5.66%

Future Amortization of
 Deferred Outflows/Inflows

The Schedule of Remaining Amortization for Capital Area Groundwater is:

Deferral Period 1	\$ (3,229)
Deferral Period 2	(1,468)
Deferral Period 3	(1,611)
Deferral Period 4	4,640

Additional information can be obtained in the annual publicly-available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the Louisiana State Employees' Retirement System at 8401 United Plaza Blvd., Baton Rouge, LA 70809.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 NOTE TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

8. OTHER POST EMPLOYMENT BENEFITS

Plan Description. Capital Area Ground Water Conservation District (CAGW) participates in the health insurance plan available to Louisiana state employees. The plan provides health care insurance for eligible employees and their dependents through a group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the State of Louisiana and the health insurance company.

Funding Policy. No amounts have been paid toward funding of the OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation. CAGW's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the CAGW annual OPEB cost for the year, the amount actually contributed to the plan, and changes in CAGW net OPEB obligation to the retiree health plan.

Annual required contribution	\$ 15,000
Contributions made	<u>0</u>
Increase in net OPEB obligation	15,000
Net OPEB - beginning of year	<u>186,000</u>
Net OPEB - end of year	<u>\$ 201,000</u>

CAGW's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentages of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/14	\$ 5,500	0 %	\$ 5,500
06/30/15	\$ 14,100	0 %	\$ 14,100
06/30/16	\$ 15,000	0 %	\$ 15,000

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 NOTE TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

Funded Status and Funding Progress. On June 29, 2015 the District created the Funded Retiree Health Benefits for the Employees of The Capital Area Ground Water Conservation Commission to deposit funds into to pay future insurance cost of District retirees. In FYE June 30, 2016 funds that had been accumulated before the trust was established plus the contribution for the current fiscal year were deposited into this trust. At June 30, 2016, that account had \$120,374.

Health care cost trend rate - The expected rate of increase in health care insurance premiums was based on projections of the insurer assumed to increase with medical trend rates.

Payroll growth rate - The expected long term payroll growth was assumed to be equal to the rate of inflation.

9. COMPENSATED ABSENCES

At June 30, 2016, employees of the District have accumulated and vested \$ 17,301 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

10. LONG TERM LIABILITIES

Long term liabilities include the following:

	Beginning	Additions	Deductions	Ending
Compensated absences	14,822	-0-	1,846	12,967
Net pension liability	195,966	29,239		222,205
Post employment benefits	144,000	24,000		168,000
Total long term liabilities	354,788	53,239	1,846	403,181

11. LEASES

The District has no capital leases. The District has an operating lease for its office space in Baton Rouge.

The minimum annual commitments under the noncancellable operating leases is as follows:

Fiscal year ending	Amount
06/30/16	16,200
06/30/17	16,200
06/30/18	8,100
Total	<u>\$ 40,500</u>

CAPITAL ARE GROUND WATER CONSERVATION DISTRICT
NOTE TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

12.. RELATED PARTY TRANSACTIONS

The District had no related party transactions.

13. LITIGATION AND CLAIMS

The District was involved in no litigation during or at the end of the fiscal year ended June 30, 2016.

14. SUBSEQUENT EVENTS

The District evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 21, 2016 the date which the financial statements were available to be issued. There were were no events between the close of the fiscal year and the date in which the financial statements were available to be issued, that would materially impact the accompanying financial statements.

**WILLIAM P. GAINES, JR., CPA
A PROFESSIONAL CORPORATION
4257 Church Street, Suite 105
Zachary, LA 70791**

Independent Accountant's Report
on applying Agreed-Upon Procedures

To the Management of Capital Area Ground Water Conservation District

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Capital Area Ground Water Conservation District and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Capital Area Ground Water Conservation District's compliance with certain laws and regulations during the year ended June 30, 2016 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable Governmental Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

No expenditures were made during the year for materials and supplies exceeding \$30,000 or for public works exceeding \$100,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original budget. The budget was amended twice during the current fiscal year.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of the meeting held on June 17, 2015. Amendments were made on March 15, 2016 and June 28, 2016.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

I compared the revenues and expenditures of the final budget to the actual revenues and expenditures. Actual revenues and expenditures did not exceed budgeted revenues and expenditures by more than 5%.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

(a) trace payments to supporting documentation as to proper amount and payee:

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

(b) determine if payments were properly coded to the correct fund and general ledger account;

All of the payments were properly coded to the correct fund and general ledger account.

(c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from two of the commissioners authorized to approve disbursements. All of the disbursements were for items approved in the budget.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

All meetings were properly posted.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected copies of all bank deposit slips for the period under examination and noted no deposits which appear to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the district for the year indicated no approval for any payments that may constitute bonuses, advances, or gifts. I also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

Prior Comments and Recommendations

The prior year report, dated December 9, 2016, did not include any comments or unresolved matters.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Capital Area Ground Water Conservation District, others within the agency and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document..



William P. Gaines, Jr., CPA
A Professional Accounting Corporation
November 21, 2016

SUPPLEMENTAL INFORMATION

CAPITAL AREA GROUND WATER COMMISSION
SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
JUNE 30, 2016

Anthony Duplechin, Director

Purpose	
Salary	\$ 30,451.50

CAPITAL AREA GROUND WATER COMMISSION
SCHEDULE OF COMPENSATION
PAID TO BOARD MEMBERS
JUNE 30, 2016

John Jennings	0
Ronnie Albritton	0
Melvin Argrave III	0
Dale Aucoin	0
Johan Forsman	0
Barry Huggins	0
Amelia Kent	0
Jeff Miller	0
Matthew Reonas	0
Thomas Stephens	0
Dan Tomaszewski	0
John Westra	0
Russell Hicks III	0
Julius Metz	0
Nelson Morvant	0
Rosemary Rummier	0

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded		Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
		Actuarial Accrued Liab(AAL)	Actuarial Accrued Liab(UAAL)			
6/30/14	\$ -	\$ 74,800	\$ 74,800	0.00%	48,100	155.51%
6/30/15	\$ -	\$186,400	\$ 186,400	0.00%	48,100	387.53%
6/30/16	\$ -	\$201,000	\$ 201,000	0.00%	48,100	417.88%

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 June 30, 2016

<u>Year</u>	<u>Employer's Proportion Of the Net Pension Liab (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liab(Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liab (Asset) as a %age of its Covered Employee Payroll</u>	<u>Fiduciary Net Pension as a %age of the Total Pension Liability</u>
2016	.00327%	\$ 222,205	\$ 62,025	27.9134%	.0033%
2015	.00313%	\$ 195,966	\$ 57,741	27.4648%	.0031%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAPITAL AREA GROUND WATER CONSERVATION DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2016

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions In Relation To Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a %age of Of Covered Employee Payroll</u>
2016	\$ 23,006	\$ 24,055	(1,049)	\$ 62,005	38.79%
2015	\$ 21,480	\$ 22,148	(668)	\$ 57,741	38.36%

The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2016

NOTE 1- PENSION

Changes in Benefit Terms. There was no change of benefit terms during any of the years presented.

Changes of Assumptions. There was no change of assumptions during any of the years presented.