

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA**

**Financial Report
As of and for the Year Ended
June 30, 2018**

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
Financial Report
As of and for the Year Ended
June 30, 2018

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Financial Report
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June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Capital Area Groundwater Conservation District
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Capital Area Groundwater Conservation District (the District), a related organization of the State of Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Capital Area Groundwater Conservation District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in note 8 to the financial statements, the net pension liability for the District was \$257,621 at June 30, 2018, as determined by the Louisiana State Employees' Retirement System (LASERS). The related actuarial valuation was performed by LASERS' actuary using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2018 could be over or under stated. My opinion is not modified with respect to this matter.

As discussed in notes 1, 9 and 14 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – superseding portions of GASB Statement No. 45 and GASB Statement No. 57*, for the year ended June 30, 2018. The adoption of these standards required the District to record its proportionate share of other postemployment benefits related to its participation in a defined-benefit, multi-employer other postemployment benefit plan, restating the previous year. As a result of the implementation, the District's net position increased by \$63,378. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-8, budgetary comparison information on page 35, schedule of employer's share of net pension liability on pages 36-39, and schedule of employer's proportionate share of the total collective OPEB liability on page 40 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements.

I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Per Diem Paid to District Members

and Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer on pages 42-43 are presented for purposes of additional analysis and are not part of the basic financial statements. This supplemental information is the responsibility of management and was derived from is related directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2018, on my consideration of the Capital Area Groundwater Conservation District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Capital Area Groundwater Conservation District's internal control over financial reporting and compliance.

John L. McKowen, CPA

Baton Rouge, Louisiana
December 14, 2018

REQUIRED SUPPLEMENTARY INFORMATION
(PART 1 OF 2)

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The purpose of this section is to offer a narrative overview and analysis of the Capital Area Groundwater Conservation District's (hereafter referred to as the District) financial performance - past and present - and its future prospects. It focuses, however, on the current year activities, resulting changes and currently known facts. It should be read in conjunction with the financial report taken as a whole.

Overview of the District

The Capital Area Groundwater 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, which is 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 composed of seventeen members appointed by the governor.

The accompanying financial statements of the Capital Area Groundwater 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.

Overview of the Financial Statement Presentation

These financial statements are comprised of these components – (1) management's discussion and analysis, (2) basic financial statements, (3) notes to the financial statements and (4) required supplemental information. There is also other supplemental schedules and information contained in this report provided for additional information.

Basic Financial Statements. The basic financial statements present information for the District as a whole. Statements in this section include the following:

Statement of Net Position. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Capital Area Groundwater Conservation District is improving or deteriorating.

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 fiscal 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.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The basic financial statements can be found on pages 10-13 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 basic financial statements.

The index of the notes is found on page 16 with the actual notes beginning immediately afterwards.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that is deemed useful to readers of this report.

Financial Analysis 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

	<u>2018</u>	<u>2017</u> (As restated)
Assets		
Current assets	\$ 866,410	\$ 664,585
Restricted assets	169,151	177,731
Non-current assets	<u>382,698</u>	<u>345,831</u>
Total Assets	<u>1,418,259</u>	<u>1,155,147</u>
Deferred Outflows of Resources		
	52,180	73,526
Liabilities		
Current liabilities	64,885	8,542
Non-current liabilities	<u>375,765</u>	<u>453,574</u>
Total Liabilities	<u>440,650</u>	<u>462,116</u>
Deferred Inflows of Resources		
	11,067	14,039
Net position		
Invested in capital assets, net of related debt	257,871	261,694
Restricted	169,151	144,731
Unrestricted	<u>591,700</u>	<u>409,471</u>
Total Net Position	<u>1,018,722</u>	<u>815,896</u>

Between June 30, 2017 and June 30, 2018, the net position of the District increased by \$202,826.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 583,483	\$ 565,348
Operating Expenses	<u>(383,086)</u>	<u>(325,429)</u>
Operating Income (Loss)	200,397	239,429
Non-operating Revenues (Expenses)	<u>2,429</u>	<u>1,743</u>
Change in Net position	<u><u>202,826</u></u>	<u><u>241,172</u></u>

Operating revenues increased by \$18,135 or 3%. Expenses decreased by \$39,032 or 16% of those in the prior year.

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

STATEMENT OF CASH FLOWS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents provided by (used for):		
Operating activities	\$ 242,125	\$ 276,517
Non-capital financing activities	-	-
Capital and related financing activities	(6,563)	(1,400)
Investing activities	<u>(38,261)</u>	<u>41,984</u>
Net Increase(decrease) in Cash and Cash Equivalents	197,301	317,101
Cash and cash equivalents, beginning of year	<u>672,578</u>	<u>355,477</u>
Cash and cash equivalents, end of year	<u><u>869,879</u></u>	<u><u>672,578</u></u>

Budgetary Highlights

Revenues were less than anticipated by \$14,588 or 2%. Expenses were less than budgeted \$253,824 or 40%. This resulted in a favorable change in net position that was \$239,236 more than budgeted.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets, net of accumulated depreciation, at June 30, 2018 and 2017, was \$257,871 and \$261,594, respectively. The most significant capital asset is the District's connector well at a total initial cost of \$370,025.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Capital assets at year-end are summarized as follows:

CAPITAL ASSETS		
Net of Accumulated Depreciation		
	<u>2018</u>	<u>2017</u>
Non-depreciable Assets		
Land	\$ 11,823	\$ 11,823
Depreciable Assets		
Connector well	239,796	247,196
Equipment, furniture and fixtures	2,919	2,675
On-line bill payment system	<u>3,333</u>	<u>0</u>
Total	<u>257,871</u>	<u>261,694</u>

Capital acquisitions during the year included equipment costing a total of \$1,563 and an on-line bill payment system costing \$5,000.

Debt Administration: Long-term debt of the District includes compensated absences at amounts of \$10,095 and \$7,383 at June 30, 2018 and 2017, respectively. There is also an actuarially determined obligation for post-employment benefits of \$108,049 at June 30, 2018, down from \$174,728 at June 30, 2017, and net pension liability of \$257,621, down from \$271,463 at June 30, 2017.

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 requests for additional information can be obtained by contacting Mr. Anthony J. Duplechin at 3535S. Sherwood Forest Boulevard, Suite 137, Baton Rouge, Louisiana 70816, 225-293-7370.

BASIC FINANCIAL STATEMENTS

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Business-type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 700,728
Accounts receivable, net	161,536
Prepaid expenses	4,146
Total Current Assets	866,410
Restricted Assets	
Funds in funded retiree health benefits trust	169,151
Non-Current Assets	
Certificates of deposit	124,827
Capital assets, net of accumulated depreciation	257,871
Total Non-Current Assets	382,698
Total Assets	\$ 1,418,259
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	46,099
Deferred outflows related to other post-employment benefits	6,081
Total Deferred Outflows of Resources	\$ 52,180
LIABILITIES	
Current Liabilities	
Accounts payable	63,587
Accrued expenses	1,298
Total Current Liabilities	64,885
Non-Current Liabilities	
Compensated absences payable	10,095
Other post-employment benefits plan payable	108,049
Net pension liability	257,621
Total Non-Current Liabilities	375,765
Total Liabilities	\$ 440,650
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,872
Deferred inflows related to other post-employment benefits	6,195
Total Deferred Inflows of Resources	\$ 11,067
NET POSITION	
Invested in capital assets, net of related debt	257,871
Restricted	169,151
Unrestricted	591,700
Total Net Position	\$ 1,018,722

The accompanying notes are an integral part of these statements.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Business-type Activities
<u>OPERATING REVENUES</u>	
Pumpage fees	\$ 583,483
Total Operating Revenues	583,483
<u>OPERATING EXPENSES</u>	
Salaries	103,952
Other employee expenses	31,872
Other post employment benefits	2,894
Compensated absences	251
Depreciation	10,385
Information technology	8,661
USGS - Real time network	8,820
USGS - Subsidence wells	6,250
USGS - Modeling	67,919
Saltwater remediation	85,747
Meetings	798
Office supplies	1,639
Rent	16,200
Travel	5,084
Postage	425
Insurance	413
Dues and subscriptions	2,895
Printing	732
Miscellaneous	1,621
Professional fees	26,528
Total Operating Expenses	383,086
Operating Income	200,397
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	2,429
Total Non-Operating Revenues (Expenses)	2,429
Change in Net Position	202,826
Total Net Position, beginning of year as restated	815,896
Total Net Position, ending	\$ 1,018,722

The accompanying notes are an integral part of these statements.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR END JUNE 30, 2018**

	<u>Business-type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 558,685
Cash paid to suppliers for goods/services	(177,305)
Cash paid to employees for services	<u>(139,255)</u>
Net Cash Provided by Operating Activities	242,125
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(6,563)
Net Cash Used for Capital and Related Financing Activities	(6,563)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	2,429
Purchase of investments	<u>(40,690)</u>
Net Cash Used by Investing Activities	(38,261)
Net Increase in Cash and Cash Equivalents	197,301
Cash and Cash Equivalents, beginning of year	<u>672,578</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 869,879</u></u>

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF CASHFLOWS (Continued)
YEAR END JUNE 30, 2018

	Business-type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 200,397
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	10,386
(Increase) decrease in assets:	
Accounts receivable	(24,798)
Prepaid expenses	(4,146)
(Increase) decrease in deferred outflows of resources:	
Deferred outflows related to pensions	21,346
Increase (decrease) in liabilities:	
Accounts payable	60,824
Accrued expenses	(2,020)
Compensated absences payable	251
Other post-employment benefits plan payable	(3,301)
Net pension liability	(13,842)
(Increase) decrease in deferred inflows of resources:	
Deferred inflows related to pensions	(2,972)
Net Cash Provided by Operating Activities	\$ 242,125

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
INDEX TO NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

INTRODUCTION

The Capital Area Groundwater 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, which is 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 composed of seventeen members appointed by the governor.

The accompanying financial statements of the Capital Area Groundwater 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Capital Area Groundwater Conservation District (the District) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements present the financial position, results of operations, and cash flows of the District as of and for the year ended June 30, 2018.

Financial Reporting Entity: As required by GASB Statement No. 61, *The Financial Reporting Entity – an amendment of GASB Statements No.14 and No. 34*, the District is considered a related organization of the State of Louisiana. The accompanying financial statements present only the transactions of the Capital Area Groundwater Conservation District.

Basis of Presentation - Fund Accounting: Proprietary funds are used to account for the District's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resources measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. The District maintains one proprietary fund, the General Fund.

Basis of Accounting: The District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

Basis of Reporting: The District has adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and also the required portions of GASB Statement No. 37, *Basic Financial Statements – for State and Local Governments – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified the disclosure requirements of GASB No. 34. GASB No. 34 established standards for external reporting for all state and local governmental entities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of restricted, or invested in capital assets, net of related debt.

Budgets and Budgetary Accounting: Subject to the Louisiana Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342, the District adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The Commission must approve any revisions that alter the total expenditures. Although budget amounts lapse at year end, the District retains its unexpended fund balances to fund expenditures in the succeeding year.

Cash and Cash Equivalents: Cash and cash equivalents include amounts in interest-bearing demand deposits. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The District's policy is tailored after Louisiana Revised Statute 49:327 and prohibits investments with maturities extending beyond twelve months. The policy also requires that three quotes be obtained from allowable financial institutions as to interest rates and that the amounts of the investment not exceed an amount insured by FDIC (\$250,000) and pledged collateral at any one institution.

Inventory: Inventory of the District includes only office supplies and printed materials, the amount of which is considered immaterial. Therefore, the acquisition of these items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

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

Capital Assets: Capital assets are recorded at historical cost. Depreciation is recorded using the straight-line method over the useful lives of the assets. Generally, the District includes all capital acquisitions with a cost of \$1,000 in its fixed asset inventory. However, certain items at a cost below that amount may be capitalized if benefits of the item will extend beyond one year and/or the District wants to monitor the item.

Compensated Absences: Employees of the District earn and accumulate vacation and sick leave at varying rates depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, however, employees or their heirs are compensated for only up to 300 hours of unused vacation leave. This is computed at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. At June 30, 2018, employees of the District had accumulated and vested \$10,095 in employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

Deferred Outflows/Inflows of Resources: The statement of Financial Position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

Adoption of New Accounting Principles: For the year ended June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 addresses accounting and financial reporting for health care and life insurance that are provided to employees of state and local governments. In addition, Statement No. 75 supersedes portions of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*. Most significantly, the District is required to recognize the remaining liability for its proportionate share of the OPEB liability of the State of Louisiana's retiree health plan presented in note 8.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2018:

	<u>Book Balance</u>	<u>Bank Balance</u>
Interest-bearing demand deposits	\$ 869,879	\$ 875,135
Total	<u>\$ 869,879</u>	<u>\$ 875,135</u>

These deposits are stated at cost, which approximates market. Under state law, they 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. These securities are held in the name of the pledging fiscal agent bank in a holding, or custodial bank that is mutually acceptable to both parties.

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The District does not have any deposits that fall within this category.

NOTE 3 – INVESTMENTS

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity or are held either by the counter-party or the counter-party's trust department or agent but not in the entity's name. The District does not have any investments subject to credit risk. All investments are certificates of deposit with maturities extending beyond 90 days. At June 30, 2018, the District had certificates whose reported amount equaled its fair value as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Citizens Bank & Trust	1/04/19	1.57%	\$ 40,000
Citizens Bank & Trust	3/04/19	1.50%	43,867
Citizens Bank & Trust	1 /22/18	1.10%	40,670
Accrued interest through 6/30/2018			<u>290</u>
Total			<u>124,827</u>

NOTE 4 – RECEIVABLES

The following is a summary of receivables at June 30, 2018:

Class of Receivables

Pumpage fees	\$ 151,551
Parish cooperative agreements	9,985
Total	<u>\$ 161,536</u>

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 11,823	\$ -	\$ -	\$ 11,823
Capital Assets, being depreciated:				
Monitoring wells	370,025	-	-	370,025
Less: accumulated depreciation	(122,829)	(7,400)	-	(130,129)
Net Monitoring wells	247,196	(7,400)	-	239,796
Equipment, furniture and fixtures	21,906	1,563	-	23,469
Less: accumulated depreciation	(19,231)	(1,319)	-	(20,550)
Net Equipment, etc.	<u>2,675</u>	<u>23,120</u>	-	<u>2,919</u>
On-line bill payment system	-	5,000	-	5,000
Less: accumulated depreciation	-	(1,667)	-	(1,667)
Net On-line system	-	<u>3,333</u>	-	<u>3,333</u>
Net Capital Assets, being depreciated	<u>249,871</u>	<u>(3,823)</u>	-	<u>246,048</u>
Net Capital Assets	<u>261,694</u>	<u>(3,823)</u>	-	<u>257,871</u>

NOTE 6 – ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 2018:

<u>Class of Payables</u>	
Accounts	\$ 63,587
Accrued expenses	<u>1,298</u>
Total	<u>\$ 64,885</u>

NOTE 7 – LEAVE

Annual and Sick Leave. The District's employees earn and accumulate annual and sick leave at varying rates depending on their years of full-time service and are credited at the end of each month of regular service. Accumulated leave is carried forward to succeeding years without limitation. Requests for leave must be made to the employee's immediate supervisor and approved by the Executive Director or his/her designee. Upon termination, employees are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
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The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current year expenditures when leave is earned. Only annual leave is accrued in the accompanying statement of net position, the amount unpaid at June 30, 2018 and 2017, being \$10,095 and \$9,844, respectively.

Compensatory Leave. Non-exempt employees, according to the guidelines contained in the Fair Labors Standards Act, may be paid for compensatory leave earned. Upon termination or transfer, an employee is paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. This pay is based on the employee's hourly rate of pay at the time of termination or transfer. Compensatory leave was not accrued at June 30, 2018.

NOTE 8 – PENSIONS

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

Employees of the Capital Area Groundwater Conservation District are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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 on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing ten years of creditable service

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depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. 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. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service.

Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

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A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

1. Deferred Retirement 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 at a rate of one-half percent 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 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.

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that given date. The average rate so determined is to be reduced by a "contingency" adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

2. Disability Benefits

Generally, active 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 Services Plan will receive a disability benefit equal to 75% of final average compensation.

Members of the Harbor Police Retirement System who become disabled may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60% of final average

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compensation, regardless of years of credited service. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

3. Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two 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.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation, and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60% of final average compensation to surviving spouse, regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

4. Permanent Benefit Increases/Cost-of-Living Adjustments

As fully 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.

Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2018 for the various plans follow:

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Plan	Plan Status	Employee Rate	Employer Rate
Appellate Law Clerks	Closed	7.50%	37.90%
Appellate Law Clerks hired on or after 7/01/06	Open	8.00%	37.90%
Alcohol Tobacco Control	Closed	9.00%	32.70%
Bridge Police	Closed	8.50%	36.50%
Bridge Police hired on or after 7/01/06	Closed	8.50%	36.50%
Corrections Primary	Closed	9.00%	33.20%
Corrections Secondary	Closed	9.00%	37.60%
Harbor Police	Closed	9.00%	6.10%
Hazardous Duty	Open	9.50%	38.30%
Judges hired before 1/01/11	Closed	11.50%	40.10%
Judges hired after 12/31/10	Closed	13.00%	39.60%
Judges hired on or after 7/01/15	Open	13.00%	39.60%
Legislators	Closed	11.50%	41.70%
Optional Retirement Plan (ORP) before 7/01/06*	Closed	7.50%	33.80%
Optional Retirement Plan (ORP) on or after 7/01/06*	Closed	8.00%	33.80%
Peace Officers	Closed	9.00%	36.70%
Regular Employees hired before 7/01/06	Closed	7.50%	37.90%
Regular Employees hired on or after 7/01/06	Closed	8.00%	37.90%
Regular Employees hired on or after 1/01/11	Closed	8.00%	37.90%
Regular Employees hired on or after 7/01/15	Open	8.00%	37.90%
Special Legislative Employees	Closed	9.50%	43.70%
Wildlife Agents	Closed	9.50%	46.60%

*For ORP the projected employer contribution effort was calculated using the shared UAL portion of the contribution rate.

The information above can be found in the current Employer Pension Audit Report located <https://lasersonline.org/employers/gasb-68-resources/>. The data provided is sample data only.

The agency's contractually required composite contribution rate for the year ended June 30, 2018 was 37.9% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Agency were \$225,881 for the year ended June 30, 2018.

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

At June 30, 2018, the Employer reported a liability of \$257,621 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension

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liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Agency's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Agency's proportion was 0.00366% which was an increase of 0.00020% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Agency recognized pension expense of \$23,573 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$8,292.

At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (4,727)
Changes of assumptions	\$ 1,018	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 8,377	\$ -
Changes in proportion and differences between Employer contributions and proportionate share of contributions	\$ 9,257	\$ (145)
Employer contributions subsequent to the measurement date	27,447	-
Total	\$ 46,099	\$ (4,872)

\$27,447 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	5,856
2020	\$	20,283
2021	\$	3,352
2022	\$	(5,187)

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Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.70% per annum, net of investment expenses*
Inflation Rate	2.75% per annum
Mortality	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	3.8%	12.8%
Judges	2.8%	5.3%
Corrections	3.4%	14.3%
Hazardous Duty	3.4%	14.3%
Wildlife	3.4%	14.3%

Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.
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*The investment rate of return used in the actuarial valuation for funding purposes was 8.15%, recognizing an additional 25 basis points for gain-sharing and 15 basis points to offset administrative expenses.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.72% for 2017. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation¹	Long-Term Expected Real Rate of Return¹
Cash	0%	-0.24%
Domestic Equity	25%	4.31%
International Equity	32%	5.35%
Domestic Fixed Income	8%	1.73%
International Fixed Income	6%	2.49%
Alternative Investments	22%	7.41%
Global Tactical Asset Allocation	7%	2.84%
	100%	5.26%

The information above can be found in the current Employer Pension Audit Report located <https://lasersonline.org/employers/gasb-68-resources/>. The data provided is sample data only.

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the pension plan's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.70%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1.0% Decrease (6.70%)	Current Discount Rate (7.70%)	1.0% Increase (8.70%)
Employer's proportionate share of the net pension liability	\$ 323,414	\$ 257,621	\$ 201,682

The information above can be found in the current GASB 68 Schedules of Employer located <https://lasersonline.org/employers/gasb-68-resources/>.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2017 Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

At June 30, 2018, the District had \$3,061 in payables to LASERS for the June 2018 employee and employer legally-required contributions.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, Multi-employer other post-employment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, or Louisiana State Police Retirement System), or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. Effective July 1, 2018, an OPEB trust fund was statutorily established; however, this plan is not administered as a trust and no plan assets have been accumulated as of June 30, 2018. The plan is funded on a "pay-as-you-go" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Retired employees who have Medicare Part A and B coverage also have access to four fully insured Medicare Advantage Plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002. Pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost.) For those beginning participation or rejoining on or

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after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

<u>OGB Participation</u>	<u>Employer Share</u>	<u>Retiree Share</u>
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2018, The District reported a liability of \$108,049 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The District's proportionate share of the restated total collective OPEB liability at June 30, 2016 totaling \$111,350, was determined using a roll back of the same valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no gains or losses.

The District's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability in relation to the total OPEB actuarial accrued liability for all participating entities included in the State of Louisiana reporting entity. At June 30, 2018, the District's proportionate share was .0012%. Because the beginning balance was restated using a rollback of the July 1, 2017 valuation assuming no gains or losses, there is no change to the proportion since the prior measurement date.

The total collective OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Cost Method – Entry Age Normal, level percentage of pay
- Estimated Remaining Service Lives – 4.48
- Inflation Rate – Consumer Price Index (CPI) 2.8%
- Salary Increase Rate – consistent with pension plan disclosed in note 8
- Discount rate – 3.13% based on June 30, 2017 Standard & Poor's 20-year municipal bond index rate
- Mortality Rates – based on RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.

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- Healthcare cost trends – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.71% as of July 1 2016 to July 1, 2017.

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

The following presents the District’s proportionate share of the total collective OPEB liability using the current discount rate as well as what the District’s proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease (2.13%)	Current Discount Rate (3.13%)	1.0% Increase (4.13%)
Proportionate Share of Total Collective OPEB Liability	\$ 127,442	\$ 108,049	\$ 92,676

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates

The following presents the District’s proportionate share of the total collective OPEB liability using the current healthcare cost trend rates as well as what the District’s proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease (6%decreasing to 3.5%)	Current Discount Rate 7%decreasing to 4.5%)	1.0% Increase (8%decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	\$ 92,941	\$ 108,049	\$ 127,018

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,894. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (6,195)
Employer contributions subsequent to the measurement date	\$ 6,081	\$ -
Total	\$ 6,081	\$ (6,195)

Deferred outflows of resources related to OPEB resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction to the total collective liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$(1,395)
2020	(1,395)
2021	(1,395)
2022	(1,395)
2023	(615)
Total	<u>\$(6,195)</u>

NOTE 10 – LEASES

Operating Leases. The District has a sixty month on its office space requiring a monthly payment of \$1,350 or \$16,200 per year through December 2019, and then \$1,500 per month or \$18,000 per year through December, 2022. A copier is leased on a seventy-two month basis from Kyocera with a minimum lease payment of \$53 per month or \$630 annually.

Capital Leases. The District has no capital leases.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 44,249	\$ 10,076	\$ -	\$ 54,325	\$ -
Other post-employment benefits	1,494,325	-	49,406	1,444,919	-
Net pension liability	<u>2,049,909</u>	<u>125,160</u>	<u>-</u>	<u>2,175,069</u>	<u>-</u>
Total	<u>3,588,483</u>	<u>135,236</u>	<u>49,406</u>	<u>3,674,313</u>	<u>-</u>

NOTE 12– RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

NOTE 13 – CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as of July 1, 2017 has been restated to reflect the following adjustments:

Net position at June 30, 2017	\$ 752,518
GASB 75 (OPEB) adjustment	<u>63,378</u>
Net position at June 30, 2017 as restated	815,896

The OPEB restatement increased the District's beginning net position by \$63,378. The restatement was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Had the standard been implemented in fiscal year 2017 and included in the June 30, 2017 Statement of Revenues, Expenses and Changes in Net Position, the previously reported change in net position of \$241,172 would have been \$304,550.

NOTE 15 – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 14, 2018, the date that the financial statements were to be issued and has determined that there are no significant subsequent events that require recognition or disclosure through that date.

REQUIRED SUPPLEMENTARY INFORMATION
(PART 2 OF 2)

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
YEAR END JUNE 30, 2018**

	Budgeted		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Pumpage fees	\$ 600,000	\$ 600,000	\$ 583,483	\$ (16,517)
Interest income	500	500	2,429	1,929
Total Revenues	\$ 600,500	\$ 600,500	\$ 585,912	\$ (14,588)
EXPENDITURES				
Salaries	\$ 102,000	\$ 102,000	\$ 103,952	\$ (1,952)
Other employee expenses	35,500	35,500	31,872	3,628
Other post employment benefits	24,000	24,000	2,894	21,106
Compensated absences	-	-	251	(251)
Depreciation	-	-	10,385	(10,385)
Information technology	8,000	10,000	8,661	1,339
USGS - Real time network	6,250	6,250	8,820	(2,570)
USGS - Subsidence wells	6,500	6,500	6,250	250
USGS - Modeling	93,800	112,840	67,919	44,921
Saltwater remediation	258,000	258,000	85,747	172,253
Meetings	5,000	5,000	798	4,202
Office supplies	3,900	3,970	1,639	2,331
Rent	16,200	16,200	16,200	-
Travel	6,000	8,000	5,084	2,916
Postage	700	700	425	275
Insurance	7,000	7,000	413	6,587
Dues and subscriptions	1,200	1,200	2,895	(1,695)
Printing	1,300	1,300	732	568
Miscellaneous	1,600	2,050	1,621	429
Professional fees	17,400	36,400	26,528	9,872
Total Expenditures	\$ 594,350	\$ 636,910	\$ 383,086	\$ 253,824
Change in Net Position	\$ 6,150	\$ (36,410)	\$ 202,826	\$ 239,236
Net Assets, beginning	\$ 815,896	\$ 815,896	\$ 815,896	\$ -
Net Assets, ending	\$ 822,046	\$ 779,486	\$ 1,018,722	\$ 239,236

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
Schedule of Employer's Share of Net Position Liability
For the Ten Years Ended June 30, 2018

	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.00366%	0.00346%	0.00327%	0.00313%
Employer's Proportionate Share of the Net Pension	257,621	271,463	222,205	195,966
Employer's Covered-Employee Payroll^A	68,245	68,250	62,025	57,741
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	377%	398%	358%	339%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability^B	65.0%	57.7%	62.7%	65.0%

For reference only:

^AEmployer Covered-Employee Payroll as reported to LASERS during the measurement periods presented.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
Schedule of Employer Contributions to the Pension Plan
For the Year Ended June 30, 2018

Date	Contractually Required Contribution¹	Contributions in Relation to Contractually Required Contribution²	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll³	Contributions as a % of Covered Employee Payroll
2018	24,726	24,509	217	68,245	35.9%
2017	24,509	24,509	-	68,250	35.9%
2016	23,006	24,055	(1,049)	62,005	38.8%
2015	21,480	22,148	(668)	57,741	38.4%

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT

Notes to Required Supplementary Information

1. Schedule of Employer’s Share of the Net Pension Liability

This schedule reflects the participation of Capital Area Groundwater Conservation District’s employees in LASERS and its proportionate share of the net pension liability as a percentage of its covered employee payroll, and the plan fiduciary net position as a percentage of the total pension liability.

2. Schedule of Employer’s Contributions

This schedule represents the employer contributions subsequent to the measurement date and recognized as a reduction of the net pension liability in future years.

3. Actuarial Assumptions for Net Pension Liability

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 Years
Investment Rate of Return	7.70 % per annum for current year
Inflation Rate	2.75 % per annum for current year
Mortality	<p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</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 experience study (2009-2013) of the System's members.
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	3.8%	12.8%
Judges	2.8%	5.3%
Corrections	3.4%	14.3%
Hazardous Duty	3.4%	14.3%
Wildlife	3.4%	14.3%

Cost of Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
Schedule of Employer's Proportionate Share
of the Total Collective OPEB Liability
For the Ten Years Ended June 30, 2018

	2018	2017
Employer's Proportion of the Collective OPEB Liability (Asset)	0.0012%	0.0012%
Employer's Proportionate Share of the Collective OPEB Liability	108,049	111,350
Employer's Covered-Employee Payroll ^A	68,250	68,250
Employer's Proportionate Share of the Collective OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	158%	163%

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

Notes to Required Supplementary Information

There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement 75 to pay related benefits.

SUPPLEMENTARY INFORMATION

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS
JUNE 30, 2018**

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, this schedule of per diem/compensation paid to Commission members is presented for the year ended June 30, 2018.

<u>Name</u>	<u>Amount</u>
Albritton, Ronnie	-0-
Daniel, William, IV	-0-
Forsman, Johan	-0-
Frey, Mark	-0-
Hopkins, Lucas	-0-
Hughhins, Barry	-0-
Jennings, John	-0-
McGehee, Dennis	-0-
Metz, Julius	-0-
Morvant, Nelson	-0-
Reonas, Matthew	-0-
Rummler, Jens	-0-
Scardina, Ryan	-0-
Stephens, Thomas	-0-
Talbot, Todd	-0-
Town, Hays, Jr.	-0-
Walton, Mark	-0-
Total	<u>-0-</u>

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED JUNE 30, 2018**

AGENCY HEAD NAME: Anthony J. Duplechin, Director

PURPOSE	AMOUNT
Salary	\$ 31,335
Travel	<u>2,477</u>
Total	<u>\$ 33,812</u>

John L. McKowen
Certified Public Accountant

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

To the Commissioners of the
Capital Area Groundwater Conservation District
3132 Valley Creek Drive
Baton Rouge, Louisiana 70808

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Capital Area Groundwater Conservation District, a related organization of the State of Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Capital Area Groundwater Conservation District's basic financial statements, and have issued my report thereon dated December 14, 2018.

Internal Control over Financial Reporting

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

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

Member

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

My 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 my audit I did not identify any deficiencies in internal control that I 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 Capital Area Groundwater Conservation District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 conducted in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John L. McKowen, CPA
December 14, 2018

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018**

I have audited the basic financial statements of the Capital Area Groundwater Conservation District as of and for the year ended June 30, 2018, and have issued my report thereon dated December 14, 2018. I conducted my 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. My audit of the financial statements as of June 30, 2018, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control	Material Weakness	x No
	Significant Deficiencies	x No
Compliance	Compliance Material to F/S	x No

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

Section I Summary of Auditor's Reports

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

Internal Control	Material Weakness	x Yes
	Significant Deficiencies	x Yes
Compliance	Compliance Material to F/S	x Yes

2. Findings

2017-001 Financial Statements

Condition: The District does not have any employees, nor has it engaged a third party, who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Criteria: *Government Auditing Standards*, issued by the Comptroller General of the United States requires governmental units to have employees or to engage a third party who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes. Management did not engage a third party capable of producing GAAP basis financial statements.

Effect: The lack of ability to generate GAAP basis financial statements on the part of the District resulted in the auditor making several material adjustments to the financial statements.

Recommendation: No recommendation. The District has evaluated the cost vs. benefit of engaging a qualified individual to prepare the necessary financial statements. The decision has been made to continue to allow the audit firm to prepare the financial statements and management reviews and takes responsibility for the information in the statements.

Status: Resolved. The District did in fact engage the services of a CPA to set up the books on QuickBooks and prepare the financial statements.

2017-002 Internal Control

Condition: There is a lack of segregation of duties within the District office.

Criteria: An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities.

Effect: No one person should be assigned duties that would allow that person to commit an error or perpetuate a fraud and to conceal the error or fraud. For example, the same person should not be

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

responsible for any two of the following functions: (1) authorization of a transaction, (2) recording the transaction, or (3) custody of the assets involved in the transaction.

Recommendation: The entity should have a proper segregation of duties.

Status: Resolved. The District has engaged an outside CPA, has revised its policies and procedures, and has received more oversight from its Commissioners, particularly its Chairman.

2017-003 Collateralization

Condition: Cash deposits are not fully insured or collateralized.

Criteria: Louisiana R.S. 39:1225 requires public funds to be either insured by the Federal Deposit Insurance Corporation or by pledging securities owned by the bank.

Effect: The District does not meet the requirements of Louisiana R.S. 39:125.

Recommendation: Collateralized pledges should be made to cover the balance.

Status: Resolved. The District took corrective action to ensure that deposits are fully collateralized.

2017-2004 Operating Policies and Procedures

Condition: Administration has failed to establish a system of operating policies and procedures.

Criteria: Written operating policies and procedures should be implemented to ensure that proper internal control is being implemented within the District.

Effect: A lack of written policies and procedures weakens the District's internal control.

Recommendation: The District should develop written operating policies and procedures.

Status: Resolved. Management of the District has written a Policies and Procedures Manual.

2017-005 Insufficient Accounting System

Condition: The District's accounting system is not sufficient for the size of the entity.

Criteria: Entities should establish an accounting system that is sufficient to properly record all transactions and bank accounts to one general ledger.

Effect: All bank accounts were not properly recorded on one general ledger. Year end adjustments were not recorded.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

Recommendation: The District should establish an accounting system that will include all transactions and bank accounts on one general ledger.

Status: Resolved. The District purchased QuickBooks and engaged a CPA to record all current year transactions in the new system.

2017-006 Late Submission of Report

Condition: Audited financial statements were not filed timely.

Criteria: The District's audit report should be filed no later than six months after its year end in accordance with Louisiana R.S. 24:513.

Effect: The District was not in compliance with R.S. 24:513

Recommendation: The District should provide complete information to the auditor in a manner that enables timely completion of the audited financial statements.

Status: Resolved. The District signed an engagement letter with a new auditor in April, 2018 and was able to provide complete information enabled timely completion of the audited financial statements.

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CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
YEAR ENDED JUNE 30, 2018

To the Board of Commissioners
Capital Area Groundwater
Conservation District and the
Louisiana Legislative Auditor
Baton Rouge, Louisiana

I have performed the procedures enumerated below, which were agreed to by the Capital Area Groundwater Conservation District (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2017 through June 30, 2018. The District's management is responsible for those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on 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 LLA as a public document.

John L. McKowen, CPA

Baton Rouge, Louisiana
December 14, 2018

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The District's written policies and procedures adequately address budgeting.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The District's written policies and procedures adequately address purchasing.
 - c) ***Disbursements***, including processing, reviewing, and approving
The District's written policies and procedures adequately address disbursements.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
The District's written policies and procedures adequately address receipts/collections.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
The District's written policies and procedures adequately address payroll/personnel.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
The District's written policies and procedures adequately address contracting.
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
The District's written policies and procedures adequately address credit card usage.
 - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
The District's written policies and procedures adequately address travel and expense reimbursement.
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The District's written policies and procedures adequately address ethics.

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

Not applicable.

Board or Finance Committee

There were no exceptions in the prior year; therefore, the Board or Finance Committee section was not tested in the current year.

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - a) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

There were no exceptions in the prior year; therefore, bank reconciliations were not tested in the current year.

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Management represents that there is one collection site.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Employees who are responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Another employee is responsible for reconciling collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Another employee is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Another employee verifies the reconciliation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Management represents that all employees are covered by insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

There were no cash receipts.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Copies of the related collection documentation were traced to the deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

The deposit slip totals were traced to the actual deposits per the bank statements.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Deposits were made within one week of receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

Actual deposits per the bank statement were traced to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Management represents that there is one location that processes payments.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Additions to the vendor files are now approved by the board chairman.

- a) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

- b) *The official responsible for signing checks usually gives the signed checks to an employee to mail who is responsible for processing payments. Other than the Executive Director, there is only one other employee.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Each disbursement matched the related original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

Management represents that there are two credit cards.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

There is evidence that the combined monthly statement and documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no late fees or finance charges assessed on the combined statement selected.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no exceptions observed to the above criteria.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not applicable.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Each reimbursement was supported by an original itemized receipt.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Each reimbursement was supported by documentation of the business purpose of the purchase.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Not applicable.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Contracts were approved by the Board of Commissioners.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Not applicable.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Each invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Salaries paid agreed to those authorized in personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

All employees documented their daily attendance and leave records.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Supervisors approved the attendance and leave of the selected employees/officials.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management represents that the entity is in compliance with each of the above requirements.

Ethics

There were no exceptions in the prior year; therefore, ethics was not tested in the current year.

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management represents that there were no misappropriations during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The entity has the notice required by R.S. 24:523.1 posted on its premises and its website.