

**Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
(A Component Unit of Tangipahoa Parish Government)
Tickfaw, Louisiana**

Annual Financial Report

As of and For the Year Ended December 31, 2017

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

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Independent Auditor's Report

To the Members of the Board of Commissioners of
Consolidated Gravity Drainage District No. 1 of
Tangipahoa Parish
Tickfaw, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (Drainage District), a component unit of Tangipahoa Parish Government, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Drainage District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis found on pages 4 through 8, the budgetary comparison schedule, the schedule of funding progress for postemployment benefits, the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions found on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

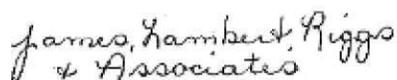
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Drainage District's financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued our report, dated May 4, 2018, on our consideration of the Drainage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Drainage District's internal control over financial reporting and compliance.



James, Lambert, Riggs and Associates, Inc.
Hammond, Louisiana

May 4, 2018

Required Supplemental Information (Part I):
Management's Discussion and Analysis

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Introduction

Consolidated Gravity Drainage District No.1 of Tangipahoa Parish (the "District") is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*, and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this Management's Discussion and Analysis should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this Management's Discussion and Analysis.

Financial Highlights

- At December 31, 2017, the District's assets exceeded its liabilities by \$17,388,780 (net position). Of this amount, \$15,004,714 (unrestricted net position) may be used to meet the District's ongoing obligations for drainage work for its citizens.
- At December 31, 2017, the District's total assets decreased by 17.35% or \$3,768,179. This is primarily due to the increased expenditures on capital improvement projects.
- At December 31, 2017, the District's government fund reported an ending fund balance of \$15,070,268, a decrease of \$4,024,307 for the year. This decrease is due primarily to an increase in capital improvement projects for its citizens.
- Investment income for the year ended December 31, 2017, was \$189,994, a decrease of \$59,400. This decrease is due primarily to a decrease in interest rates on investments.
- Ad valorem taxes for the year ended December 31, 2017, were \$4,768,152, which represents an increase of \$348,592.

Overview of the Annual Financial Report

The financial statement focus is on both the District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary schedules in addition to the basic financial statements.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Management's Discussion and Analysis (Continued)

For the Year Ended December 31, 2017

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position and changes in the components of net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities that are supported by the District's various revenues. This is intended to summarize and simplify the reader's analysis of the cost and / or subsidy of various governmental services.

In the government-wide financial statements, the District's activities are of single type:

- Governmental activities – The District's basic services are reported here, and are financed primarily through ad valorem taxes.

The government-wide financial statements include the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (component unit of the Tangipahoa Parish Government) only and can be found on Exhibits A and B of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The District uses a single category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for all the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The basic governmental fund financial statements can be found on Exhibits C and E of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2017

governmental funds and governmental activities. The reconciliations can be found on Exhibits D and F of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the District's net position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position on Exhibit A of this report.

**Net Position
December 31, 2017 and 2016**

| | Governmental Activities | | | |
|----------------------------------|-------------------------|----------------------|-----------------------|----------|
| | 2017 | 2016 | \$ Change | % Change |
| Assets: | | | | |
| Current and Other Assets | \$ 15,564,017 | \$ 19,568,923 | \$ (4,004,906) | -20.47% |
| Capital Assets | 2,384,066 | 2,147,339 | 236,727 | 11.02% |
| Total Assets | <u>\$ 17,948,083</u> | <u>\$ 21,716,262</u> | <u>\$ (3,768,179)</u> | -17.35% |
| Deferred Outflows | <u>\$ 359,407</u> | <u>\$ 469,899</u> | <u>\$ (110,492)</u> | -23.51% |
| Liabilities: | | | | |
| Other Liabilities | \$ 493,749 | \$ 474,348 | \$ 19,401 | 4.09% |
| Long-Term Liabilities | 376,547 | 398,996 | (22,449) | -5.63% |
| Total Liabilities | <u>\$ 870,296</u> | <u>\$ 873,344</u> | <u>\$ (3,048)</u> | -0.35% |
| Deferred Inflows | <u>\$ 48,414</u> | <u>\$ 52,510</u> | <u>\$ (4,096)</u> | -7.80% |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 2,384,066 | \$ 2,147,339 | \$ 236,727 | 11.02% |
| Unrestricted | 15,004,714 | 19,112,968 | (4,108,254) | -21.49% |
| Total Net Position | <u>\$ 17,388,780</u> | <u>\$ 21,260,307</u> | <u>\$ (3,871,527)</u> | -18.21% |

Approximately 11% of the District's net position reflects its investment in capital assets (land, buildings, furniture, and equipment) net of any outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending.

Approximately 86% of the District's net position are unrestricted and may be used to meet the District's ongoing obligations to its citizens at the District's discretion.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Management's Discussion and Analysis (Continued)

For the Year Ended December 31, 2017

At the end of the current fiscal year, the District's was able to report positive balances in its three categories of net position. The same held true for the prior fiscal year.

The District's activities decreased its net position by \$3,871,527, the decrease is primarily attributable to its increase in capital improvement activities.

In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year, restated for GASB 68. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities on Exhibit B of this report.

**Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

| | Governmental Activities | | | |
|--------------------------------|-------------------------|----------------------|-----------------------|----------|
| | 2017 | 2016 | \$ Change | % Change |
| Revenues: | | | | |
| Program Revenues | \$ - | \$ - | \$ - | - |
| General Revenues | 5,130,311 | 4,439,936 | 690,375 | 15.55% |
| Total Revenues | 5,130,311 | 4,439,936 | 690,375 | 15.55% |
| Expenses: | | | | |
| Public Works - Drainage | 9,195,469 | 3,479,232 | 5,716,237 | 164.30% |
| Depreciation | 221,837 | 212,128 | 9,709 | 4.58% |
| Total Expenses | 9,417,306 | 3,691,360 | 5,725,946 | 155.12% |
| Changes in Net Position | (4,286,995) | 748,576 | (5,035,571) | -672.69% |
| Net Position, Beginning | 21,260,307 | 20,511,731 | 748,576 | 3.65% |
| Prior Period Adjustment | 415,468 | - | 415,468 | - |
| Net Position, Ending | <u>\$ 17,388,780</u> | <u>\$ 21,260,307</u> | <u>\$ (3,871,527)</u> | -18.21% |

Governmental Activities

The District's governmental net position decreased by \$3,871,527, or 18% of the prior year ending net position, to \$17,388,780. Revenues increased by \$690,375 and expenses increased by \$5,725,946 causing the net decrease in net position.

The increase in expenses noted above is primarily comprised of increased expenditures on rehabilitation projects.

Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2017

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term, inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

At the end of the current year, the District's governmental funds reported ending fund balance of \$15,070,268. This represents a decrease of \$4,024,307 or 21% of the prior year's ending balances.

Major Governmental Fund Budgetary Highlights

District demonstrated legal compliance by adopting and amending its budget in accordance with provisions of the Local Government Budget Act. As required by state law, actual revenues and other sources were within 5% of budgeted revenues and other sources, and actual expenditures and other uses did not exceed budgeted expenditures and other uses by 5%.

Capital Assets and Debt Administration Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$2,384,066 (net of depreciation). Asset purchases were \$499,659. This includes a 2016 capital improvement of \$415,468 completed in 2017. The total increase in the District's investment in capital assets for the current fiscal year was \$236,727 (net depreciation).

The following table provides a summary of the District's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information see Note 6 to the financial statements.

| | Governmental Activities | |
|--------------------------------|-------------------------|--------------|
| | 2017 | 2016 |
| Land | \$ 70,000 | \$ 70,000 |
| Buildings | 1,080,182 | 1,119,813 |
| Equipment | 818,599 | 946,224 |
| Leasehold Improvements | 406,812 | - |
| Office Furniture and Equipment | 8,473 | 11,302 |
| | \$ 2,384,066 | \$ 2,147,339 |

Long-Term Debt

During the current fiscal year, the District's long-term debt increased by \$252,161 mainly due to the increase in net pension liability.

Contacting the District's Financial Management

This financial report is designed to provide the District's users with a general overview of the District's finances and show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to Consolidated Gravity Drainage District No.1 of Tangipahoa Parish, Post Office Box 31, Hammond, Louisiana 70404. The District's telephone number is (985) 542-4292.

**Basic Financial Statements –
Government-Wide Financial Statements**

Consolidated Gravity District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana
Statement of Net Position
December 31, 2017

Exhibit A

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 245,509 |
| Investments, At Fair Value | 10,873,507 |
| Receivables, Net of Allowance for Uncollectibles | 4,379,220 |
| Prepaid Insurance | 65,781 |
| Land | 70,000 |
| Fixed Assets, Net | 2,314,066 |
| Total Assets | \$ 17,948,083 |
| Deferred Outflows of Resources | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | \$ 211,362 |
| Changes in Assumptions | 51,709 |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 389 |
| Contributions Subsequent to the Measurement Date | 95,947 |
| Total Deferred Outflows of Resources | \$ 359,407 |
| Liabilities | |
| Accounts Payable | \$ 13,320 |
| Contracts Payable | 181,341 |
| Accrued Payroll and Payroll Liabilities | 131,794 |
| Deductions from Ad Valorem Taxes Payable | 167,294 |
| Portion Due in More Than One Year: | |
| Net Pension Liability | 272,360 |
| Accrued Sick Leave | 2,913 |
| Postemployment Healthcare Benefits Payable | 101,274 |
| Total Liabilities | \$ 870,296 |
| Deferred Inflows of Resources | |
| Differences Between Expected and Actual Experience | \$ 47,661 |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 753 |
| Total Deferred Inflows of Resources | \$ 48,414 |
| Net Position | |
| Invested in Capital Assets, Net | \$ 2,384,066 |
| Unrestricted | 15,004,714 |
| Total Net Position | \$ 17,388,780 |

The accompanying notes are an integral part of this statement.

Consolidated Gravity District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana
Statement of Activities
For the Year Ended December 31, 2017

Exhibit B

| | Governmental Activities |
|---|----------------------------|
| Expenses: | |
| Public Works - Drainage: | |
| Salaries and Related Benefits | \$ 1,325,673 |
| Professional Fees | 49,912 |
| Insurance | 84,063 |
| Materials and Supplies | 22,706 |
| Repairs and Maintenance | 61,131 |
| Statutory Charges | 167,655 |
| Utilities | 23,957 |
| Fuel | 49,872 |
| Bad Debt Expense | - |
| Other Charges | 23,707 |
| Rehab Projects | 7,386,793 |
| Depreciation | 221,837 |
| Total Expenses | 9,417,306 |
| Program Revenues: | |
| Charges for Services | - |
| Total Program Revenues | - |
| Net Program (Expense) / Revenue | (9,417,306) |
| General Revenues: | |
| Ad Valorem Taxes | 4,768,152 |
| State Revenue Sharing | 97,614 |
| Investment Earnings | 189,994 |
| Miscellaneous Income | 105,877 |
| Revenue from Non-Contributing Employer | 9,769 |
| Gain / (Loss) on Disposal of Fixed Assets | (41,095) |
| Total General Revenues | 5,130,311 |
| Change in Net Position | (4,286,995) |
| Net Position: | |
| Beginning of the Year, Originally Stated | 21,260,307 |
| Prior Period Adjustment | 415,468 |
| Beginning of the Year, Restated | 21,675,775 |
| Net Position - End of the Year | \$ 17,388,780 |

The accompanying notes are an integral part of this statement.

**Fund Financial Statements –
Governmental Fund Financial Statements**

Consolidated Gravity District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana
 Governmental Fund Balance Sheet
 December 31, 2017

Exhibit C

| | <u>General Fund</u> |
|--|-----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 245,509 |
| Investments, At Fair Value | 10,873,507 |
| Receivables, Net of Allowance for Uncollectibles | 4,379,220 |
| Prepaid Insurance | <u>65,781</u> |
| Total Assets | <u>\$ 15,564,017</u> |
| Liabilities and Fund Balance | |
| Liabilities: | |
| Accounts Payable | \$ 13,320 |
| Contracts Payable | 181,341 |
| Accrued Payroll and Payroll Liabilities | 131,794 |
| Deductions from Ad Valorem Taxes Payable | <u>167,294</u> |
| Total Liabilities | <u>493,749</u> |
| Fund Balance: | |
| Nonspendable | - |
| Unassigned | <u>15,070,268</u> |
| Total Fund Balance | <u>15,070,268</u> |
| Total Liabilities and Fund Balance | <u>\$ 15,564,017</u> |

The accompanying notes are an integral part of this statement.

**Consolidated Gravity District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**
 Reconciliation of the Governmental Funds Balance Sheet to the
 Government-Wide Statement of Net Position
 For the Year Ended December 31, 2017

Exhibit D

| | |
|--|---------------------------------|
| Total Governmental Fund Balance (Exhibit C) | \$ 15,070,268 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 2,384,066 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Accrued Sick Leave | (2,913) |
| Other Postemployment Obligations | (101,274) |
| In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds. | |
| Net Pension Liability | (272,360) |
| Deferred Outflows of Resources: | 359,407 |
| Deferred Inflows of Resources: | <u>(48,414)</u> |
| Net Position of Governmental Activities (Exhibit A) | <u>\$ 17,388,780</u> |

The accompanying notes are an integral part of this statement.

Consolidated Gravity District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana
Statement of Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended December 31, 2017

Exhibit E

| | <u>General Fund</u> |
|---|-------------------------|
| Revenues: | |
| Ad Valorem Taxes | \$ 4,768,152 |
| State Revenue Sharing | 97,614 |
| Investment Earnings | 189,994 |
| Miscellaneous Income | <u>105,877</u> |
| Total Revenues | 5,161,637 |
| Expenditures: | |
| Salaries & Related Benefits | 1,231,957 |
| Professional Fees | 49,912 |
| Insurance | 84,063 |
| Materials and Supplies | 22,706 |
| Repairs and Maintenance | 61,131 |
| Statutory Charges | 167,655 |
| Utilities | 23,957 |
| Fuel | 49,872 |
| Bad Debt Expense | - |
| Other Charges | 23,707 |
| Rehab Projects | 7,386,793 |
| Capital Outlay | <u>84,191</u> |
| Total Expenditures | <u>9,185,944</u> |
| Excess of Revenues over Expenditures | <u>(4,024,307)</u> |
| Fund Balance - Beginning of the Year | <u>19,094,575</u> |
| Fund Balance - End of the Year | <u>\$ 15,070,268</u> |

The accompanying notes are an integral part of this statement.

**Consolidated Gravity District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Exhibit F

Reconciliation of the Governmental Funds Statement of Revenue, Expenditures, and
Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balance, Governmental Funds (Exhibit E) **\$ (4,024,307)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. These differences consist of:

| | |
|---|-----------|
| Capital Outlay | 84,191 |
| Depreciation Expense | (221,837) |
| Gain / (Loss) on Disposal of Fixed Assets | (41,095) |

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to charges in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities:

| | |
|---|----------|
| Net Change in Pension Expense | (65,051) |
| Contributions from Non-Employer Contributing Entities | 9,769 |

The net change in long-term liabilities is reported in the government-wide statements, but not in the governmental fund statements:

| | |
|-------------------------------------|-----------------|
| Postemployment Health Care Benefits | <u>(28,665)</u> |
|-------------------------------------|-----------------|

Change in Net Position of Governmental Activities (Exhibit B) **\$ (4,286,995)**

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Notes to the Financial Statements

As of and For the Year Ended December 31, 2017

Narrative Profile

The Consolidated Gravity Drainage District No.1 of Tangipahoa Parish (hereinafter referred to as "District") was created by the Tangipahoa Parish Police Jury as authorized by Act 19 of the 1950 Second Extraordinary Session of the Louisiana Legislature, as amended by Act 384 of the 1981 Regular Session of the Louisiana Legislature. The District was created to open and maintain all natural drains in the district, where drainage is accomplished using the natural force of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals. The District is governed by a board of commissioners consisting of nine (9) members of the Tangipahoa Parish Council who represent any portion of Wards 6, 7, or 8 of Tangipahoa Parish, which comprise the boundaries of the District. The District employs approximately fifteen (15) employees, including an administrator, office staff, and construction and maintenance employees. The District maintains an office and maintenance facility in Tickfaw, Louisiana. The District is presently responsible for maintaining approximately three hundred fifty (350) miles of drainage canals within the district.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying component unit financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999, and as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (LRS) and to guides set forth in the *Louisiana Governmental Audit Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*.

B. Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of Tangipahoa Parish Government. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

The District uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2017

Governmental Funds

Governmental funds account for all of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of the District. The following are the District's governmental funds:

General Fund – the primary operating fund of the District that accounts for the operations of the District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the District's policy.

D. Measurement Focus/Basis of Accounting

Basic Financial Statements – Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include all the activities of the District with the interfund activities removed. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Governmental Funds

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of the current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the District's operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2017

liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end except ad valorem taxes and state revenue sharing, which are recognized in the period for which they are levied. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Revenues from ad valorem taxes and state revenue sharing are recognized in the period for which they are levied. Investment earnings are recognized when earned. Substantially all other revenues are recorded when received.

Expenditures – Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Reconciliation – Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

E. Budget and Budgetary Accounting

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their budgets over the course of the year for a variety of reasons. As a result, the District's original budget is shown along with the comparison of the final budget and actual results.

The District follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The District prepares budgets on the modified accrual basis of accounting in accordance with GAAP. The District adopted a budget for the General Fund.
2. The District's administrator prepares the proposed budget and submits it to the board of commissioners no later than fifteen (15) days prior to the beginning of each fiscal year. The proposed budget for 2017 was presented to the board of commissioners on November 16, 2016.
3. The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
4. A public hearing is held on the proposed budget at least ten (10) days after publication of the call for the hearing. The public hearing on the proposed budget for 2017 was held on December 14, 2016.
5. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted. The proposed budget for 2017 was adopted on December 14, 2016.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

6. Budgetary amendments require the approval of the board of commissioners. The budget for the District was amended on November 15, 2017.
7. All budgetary appropriations lapse at year-end.
8. Periodic budget comparisons are made as a part of interim reporting. Budgeted amounts included in the accompanying financial statements include the originally adopted budget amounts and final amended budgetary amounts.

F. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District' investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments for the District are reported at fair market value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated costs if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The cost of cutting and opening of new drains, ditches, and canals is not capitalized.

H. Compensated Absences

After sixty (60) days of continuous full-time employment, each employee except for the Administrator earns 40 hours of vacation per year, or 1.5385 hours per 80 hour pay period. After one (1) year of employment, each employee earns 3.0769 hours per pay period (or 80 hours per year). After five (5) years of employment, each employee earns 4.6154 hours per pay period (or 120 hours per year). After ten years of employment, each employee earns 6.1538 hours per pay period (or 160 hours per year).

Vacation leave may be carried over and accumulated in subsequent calendar years up to one hundred twenty hours (120) over the current year's accrual. Any vacation time earned in excess of this amount will be transferred over to sick leave and applied to sick leave according to sick leave policy. Accumulated vacation leave is fully vested.

After sixty (60) days of continuous full-time employment, each employee except for the Administrator shall accrue sick leave at a rate of 3.6923 hours per two-week pay period (96 hours or 12 days per year). At the time of retirement, death or a reduction in force from the District, employees will be paid for any

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

unused sick leave at the straight time rate of pay earned at the time of separation up to one hundred eighty (180) working days or 1440 hours. Unused sick leave, in excess of one hundred eighty (180) working days or 1440 hours may be utilized in computing benefits at the time of retirement in accordance with retirement system policy. No payment for unused sick leave will be permitted if any employee other than the Administrator is discharged or leaves voluntarily prior to retirement.

The District Board may authorize up to eighty (80) hours advanced sick leave in any two (2) year calendar period to full-time employees. This advanced sick leave must be repaid from future earned sick and / or annual leave within ten (10) months at the rate of eight (8) hours per month.

The Administrator earned eight (8) hours of vacation leave and eight (8) hours of sick leave for each month of continuous service with the District. Starting on July 1, 2017, vacation time shall be increased to ten (10) hours for each month of service. At the time of retirement or termination the Administrator shall be paid for any unused vacation time and sick time at the straight time rate of pay earned at the time of separation, sick leave shall be paid up to one hundred eighty (180) days.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken.

I. Pension Plans

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 District's pension plan and additions to / deductions from the plan's fiduciary net position have been determined on the accrual basis, which is the same basis as they are reported by the plans. 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.

J. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – consists of the historical cost of capital assets, including any 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.
2. Restricted – this component of net position consists of assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted – all other net position is reported in this category.

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

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

K. Fund Equity

Governmental fund equity is classified as fund balance. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The District's prepaid insurance is classified as nonspendable fund balance at December 31, 2017.

Restricted – This classification includes amounts for which constraints have been placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted fund balance at December 31, 2017.

Committed – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board of Commissioners. These amounts cannot be used for any other purpose unless the District's Board of Commissioners removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources at December 31, 2017.

Assigned – This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement No. 54. The intent of an assigned fund balance should be expressed by the District who has the authority to assign amounts to be used for specific purposes. The District did not have any assigned fund balance at December 31, 2017.

Unassigned – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

L. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

M. Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Adoption of New Accounting Principles

For the year ended December 31, 2017, the following statements were implemented:

1. GASB Statement No. 77, *Tax Abatement Disclosures*, improves financial reporting by providing financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. As a result of implementation of this statement, additional disclosures related to tax abatements are included in Note 11.
2. GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, amends Statements 67 and 68 to require the presentation of covered payroll instead of covered-employee payroll. Covered payroll is defined as the payroll on which contributions to a pension plan are based. Other provisions of this Statement do not impact the financial reporting of the District. As a result of the implementation of this Statement, the pension-related schedules in the required supplementary information have been adjusted to reflect covered payroll amounts for all years presented.

O. Estimates

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

2. **Levied Taxes**

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The taxes are generally collected in December of the current year, and January and February of the ensuing year.

The following is a summary of authorized and levied ad valorem taxes:

| Taxes Due For: | Authorized Mileage | Levied Mileage | Expiration Date |
|--|-----------------------|-------------------|--------------------|
| Acquisition, Construction, and Maintenance | 5.00 | 4.98 | 2019 |
| Acquisition, Construction, and Maintenance | 5.00 | 4.96 | 2021 |

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

3. Deposits and Investments

Cash and cash equivalent and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|---|----------------------|
| Cash and Cash Equivalents | \$ 245,509 |
| Investments | <u>10,873,507</u> |
| Total Cash and Cash Equivalents and Investments | <u>\$ 11,119,016</u> |

Deposits and investments (GASB Statement No. 3, *Deposits with Financial Institutions (Including Repurchase Agreements), and Reverse Repurchase Agreements*, as amended) as of December 31, 2017, consist of the following:

Deposits with Financial Institutions:

| | |
|--|------------------|
| Interest-Bearing Demand Deposits | \$ 245,509 |
| Certificates of Deposit | <u>8,044,664</u> |
| Total Deposits with Financial Institutions | 8,290,173 |

Investments:

| | |
|---------------------------------|------------------|
| Louisiana Asset Management Pool | <u>2,828,843</u> |
| Total Investments | <u>2,828,843</u> |

| | |
|--------------------------------|----------------------|
| Total Deposits and Investments | <u>\$ 11,119,016</u> |
|--------------------------------|----------------------|

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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.

At December 31, 2017, the District had \$11,134,531 in bank deposits (collected bank balances). \$3,328,843 is covered by FDIC insurance, and \$7,805,688 is uninsured but collateralized with a FHLB Letter of Credit.

Even though the pledged securities are not held in the entity's name, LRS 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand. Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3) under the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of December 31, 2017, the District was in compliance with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

At December 31, 2017, the District investment balances are as follows:

| | Carrying Amount | Fair Value |
|--|--------------------|---------------|
| Louisiana Asset Management Pool (LAMP) | \$ 2,828,843 | \$ 2,828,843 |
| | \$ 2,828,843 | \$ 2,828,843 |

Louisiana Asset Management Pool (LAMP) is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LRS 33:2955.

GASB Statement No. 40 requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The following facts are relevant for investment pools:

Credit Risk: LAMP is rated AAAM by Standard & Poor's.

Custodial Credit Risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of Credit Risk: Pooled investments are excluded from the 5% disclosure requirement.

Interest Rate Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating / variable rate investments. The WAM for LAMP's total investments was 43 days as of December 31, 2017.

Foreign Currency Risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc., That report may be obtained by writing to LAMP, Inc. 228 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

4. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, \$7,805,688 of the District's bank balances are exposed to custodial credit risk because they are uninsured but collateralized with a FHLB Letter of Credit.

5. Receivables

The following is a summary of receivables at December 31, 2017:

| <u>Class of Receivable</u> | <u>Total</u> |
|--|---------------------|
| Ad Valorem Taxes | \$ 4,424,156 |
| State Revenue Sharing | 90,000 |
| Other Receivable | <u>3,918</u> |
| Total | 4,518,074 |
| Less: Allowance for Uncollectible Ad Valorem Taxes | <u>(138,854)</u> |
| Total | <u>\$ 4,379,220</u> |

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

6. Capital Assets

Capital assets and depreciation for governmental activities as of and for the year ended December 31, 2017:

| | <u>Balance</u> <u>12/31/16</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>12/31/17</u> |
|---|-----------------------------------|-------------------|------------------|-----------------------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 70,000 | \$ - | \$ - | \$ 70,000 |
| Total Capital Assets Not Depreciated | 70,000 | - | - | 70,000 |
| Capital Assets Being Depreciated: | | | | |
| Building | 1,433,210 | - | - | 1,433,210 |
| Equipment | 2,011,360 | 84,191 | 96,363 | 1,999,188 |
| Leasehold Improvements | - | 415,468 | - | 415,468 |
| Office Furniture & Equipment | <u>37,469</u> | <u>-</u> | <u>13,964</u> | <u>23,505</u> |
| Total Capital Assets Being Depreciated | 3,482,039 | 499,659 | 110,327 | 3,871,371 |
| Less Accumulated Depreciation For: | | | | |
| Building | 313,397 | 39,631 | - | 353,028 |
| Equipment | 1,065,136 | 171,266 | 55,813 | 1,180,589 |
| Leasehold Improvements | - | 8,656 | - | 8,656 |
| Office Furniture & Equipment | <u>26,167</u> | <u>2,284</u> | <u>13,419</u> | <u>15,032</u> |
| Total Accumulated Depreciation | 1,404,700 | 221,837 | 69,232 | 1,557,305 |
| Capital Assets Being Depreciated, Net | <u>2,077,339</u> | <u>277,822</u> | <u>41,095</u> | <u>2,314,066</u> |
| Government Activities Capital Assets, Net | <u>\$ 2,147,339</u> | <u>\$ 277,822</u> | <u>\$ 41,095</u> | <u>\$ 2,384,066</u> |

Depreciation expense of \$221,837 for the year ended December 31, 2017, was charged to the governmental activities.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------------|------------------------|
| Machinery & Equipment | 5 - 10 Years |
| Furniture & Fixtures | 5 - 20 Years |
| Vehicles | 5 - 10 Years |
| Building & Building Improvements | 10 - 40 Years |

7. Compensated Absences

At December 31, 2017, employees of the District have accumulated and vested \$65,654 of employee leave benefits. This amount is recorded as a liability on the accompanying financial statements.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Notes to the Financial Statements (Continued)

For the Year Ended December 31, 2017

8. Accounts, Salaries and Other Payables

The payables of \$493,749 at December 31, 2017, were as follows:

| Class of Payable | Total |
|---|------------|
| Accounts Payable | \$ 13,320 |
| Contracts Payable | 181,341 |
| Accrued Annual Leave | 65,654 |
| Accrued Salaries and Wages Payable | 26,708 |
| Payroll Withholdings and Related Payables | 39,432 |
| Deductions from Ad Valorem Taxes Payable | 167,294 |
| Total Liabilities | \$ 493,749 |

9. Long-Term Obligations

The following is a summary of changes in long-term liabilities of the District for the year ended December 31, 2017:

| | Balance 12/31/16 | Additions | Reductions | Balance 12/31/17 |
|------------------------------------|---------------------|-----------|------------|---------------------|
| Postemployment Healthcare Benefits | \$ 72,609 | \$ 28,665 | \$ - | \$ 101,274 |
| Net Pension Liability | 323,474 | | 51,114 | 272,360 |
| Compensated Absences | 2,913 | - | - | 2,913 |
| Total | \$ 398,996 | \$ 28,665 | \$ 51,114 | \$ 376,547 |

10. Leases

The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The District had no capital leases outstanding at December 31, 2017.

11. Tax Abatements

The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is an original state incentive program which offers attractive tax incentive for manufacturers within the state. The program abates, for up to ten years, local property taxes (ad valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. This exemption is granted per contract with the Louisiana Department of Economic Development and will specify the buildings and / or personal property items covered by the exemption. There are currently seventy-four tax abatements in Tangipahoa Parish, related to 17 companies, under the Louisiana ITEP. For the District, there are currently fifty-one tax abatements, related to 12 companies under the Louisiana ITEP. For the 2017 calendar year, estimated forgone ad valorem taxes due to this abatement program was \$61,845 for the District.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

12. Employee Pension Plan – Parochial Employees’ Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the District are eligible for participation in the Parochial Employees’ Retirement System of Louisiana (the “System”) – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 205 of the 1952 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.persla.org. The report may also be obtained by writing to the Parochial Employees’ Retirement System of Louisiana, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.0% of the employee’s final compensation multiplied by the employee’s years of creditable service. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of creditable service. Final-average salary is the employee’s average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree’s original benefit for each full calendar year since retirement.

Contributions – Per Act 765 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System’s Board of Trustees. Employees are required to contribute 9.50% of their annual pay. The District’s contractually required contribution rate was 12.50% for the period January 1, 2017 through December 31, 2017. Contributions to the System from the District were \$95,947 for the year ended December 31, 2017.

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

At December 31, 2017, the District reported a liability of \$323,474 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s December 31, 2017, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District’s proportion was 0.132245%, which was an increase of 0.009358% from its proportion measured as of December 31, 2015.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

For the year ended December 31, 2017, the District recognized pension expense of \$65,051. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ - | \$ 47,661 |
| Changes of Assumptions | 51,709 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 211,362 | - |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 389 | 753 |
| Employer Contribution Subsequent to the Measurement Date | 95,947 | - |
| Total | \$ 359,407 | \$ 48,414 |

The District reported a total of \$95,947 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2016, which will be recognized as a reduction in net pension liability for the year ended December 31, 2017. 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 | | | |
|------|----|---------|--|
| 2017 | \$ | 79,961 | |
| 2018 | | 85,432 | |
| 2019 | | 55,787 | |
| 2020 | | (5,712) | |
| | \$ | 215,468 | |

Actuarial Assumptions – The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--------------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Inflation | 2.50% |
| Projected Salary Increases | 5.25% (2.50% Inflation, 2.75% Merit) |
| Investment Rate of Return | 7.00%, Net of Investment Expense |

Mortality rates were based on the RP-2000 Employee Table for active members, the RP-2000 Healthy Annuitant Table for healthy annuitants and beneficiaries, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants for Males or Females, as appropriate.

The mortality rate assumption used in the December 31, 2016, valuation was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a triangulation method, which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------------------|-------------------------------|---|
| Fixed Income | 35.00% | 1.24% |
| Equity | 52.00% | 3.63% |
| Alternatives | 11.00% | 0.67% |
| Real Assets | 2.00% | 0.12% |
| Total | 100.00% | 5.66% |
| Inflation | | 2.00% |
| Expected Arithmetic Nominal Return | | 7.66% |

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

| | 1.0% Decrease (6.00%) | Current Rate (7.00%) | 1.0% Increase (8.00%) |
|---|-----------------------------|----------------------------|-----------------------------|
| District's Proportionate Share of the NPL | \$ 814,739 | \$ 272,360 | \$ (186,237) |

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

Payables to the Pension Plan – As of December 31, 2017, the District owed \$37,344 to the System for the District’s 4th quarter 2017 payroll contribution.

13. Deferred Compensation Plan

Certain employees of the District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

The District's contributions to the plan for the year ended December 31, 2017, were \$22,544.

The District contributes the lesser of 3.0% of the employees' salaries or the amount contributed by the employees.

14. Postemployment Healthcare Benefits

Plan Description – In accordance with a resolution adopted by the board of commissioners on July 16, 2003, employees who retire from the District with at least 7 years of service may qualify for participation in the Retirement Group Insurance Plan (RGIP). RGIP is a self-administered, single-employer, defined benefit plan. RGIP provides medical benefits to eligible retirees and their spouses. The participant must also have been covered under the Employee Group Insurance Plan for at least one year prior to retirement. A plan participant may only select coverage up to the extent that the participant had coverage under the Employee Group Insurance Plan prior to retirement. The participant may reduce coverage but may not increase coverage. RGIP does not issue a financial report; however, the entity is included in Tangipahoa Parish Government's annual financial report. You may obtain a copy of the annual financial report by contacting the Director of Finance at (985) 748-3211 or Tangipahoa Parish Government, P.O. Box 215, Amite, LA 70422.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District's Board of Commissioners.

The District's portion of the post-retirement benefit is as follows:

| <u>Years of Service</u> | <u>Drainage District's Portion</u> |
|-------------------------|------------------------------------|
| 7-9 | None |
| 10-14 | 25% of the total premium |
| 15 or more | 50% of the total premium |

The District's portion is limited to no more than \$350 per month, and is on a pay-as-you-go basis.

Once the participant and spouse are eligible for Medicare, the participant can elect to move to the District's Medicare Supplement Plan. If elected, the District will pay 100% of the premium up to \$350 per month.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Annual Other Postemployment Benefit Cost and Liability – The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL). The total ARC for year 2017 is as set forth below:

| | |
|------------------------------|------------------|
| Normal Cost | \$ 21,483 |
| Amortization of the UAAL | 22,884 |
| Annual Required Contribution | <u>\$ 44,367</u> |

The following schedule presents components of the District's annual OPEB cost for the year 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the OPEB plan:

| | |
|--|-------------------|
| Annual Required Contribution | \$ 44,367 |
| Interest on Net OPEB Obligation | 2,904 |
| ARC Adjustment | <u>(4,037)</u> |
| Annual OPEB Cost | 43,234 |
| Contributions Made by Employer | <u>(14,569)</u> |
| Increase in Net OPEB Obligation | 28,665 |
| Beginning Net OPEB Obligation, December 31, 2016 | <u>72,609</u> |
| Ending Net OPEB Obligation, December 31, 2017 | <u>\$ 101,274</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|------------------------|---|------------------------|
| 12/31/2013 | \$ 36,190 | 22.40% | \$ 197,924 |
| 12/31/2014 | (39,527) | -10.60% | 154,197 |
| 12/31/2015 | (38,844) | -13.50% | 111,014 |
| 12/31/2016 | (42,605) | -9.86% | 34,204 |
| 12/31/2017 | 43,234 | 34.20% | 101,274 |

Funded Status and Funding Progress – As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$395,717, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$395,717.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the January 1, 2017, District's actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The District's unfunded actuarial accrued liability is being amortized over 30 years using a level dollar basis. The remaining amortization period at December 31, 2017 is 20 years.

15. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District attempts to minimize risk from significant losses through the purchase of commercial insurance.

16. Compensation of Board Members

On July 1, 2010, the board adopted a resolution to implement compensation as provided in R.S. 38:1794(B)(3) stating that board members may receive compensation of not more than five hundred dollars per month for performing the duties imposed upon a member by virtue of appointment.

The following schedule of compensation of board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature:

| <u>Board Member</u> | <u>Amount</u> |
|-----------------------|------------------|
| David Vial, President | \$ 6,000 |
| Harry Lavine | 6,000 |
| James Bailey | 6,000 |
| Bobby Cortez | 6,000 |
| Lionel Wells | 6,000 |
| Emile Mayeaux | 6,000 |
| Howard G. Ridgel | 6,000 |
| Louis "Nick" Joseph | 6,000 |
| Carlo Bruno | 6,000 |
| | <u>\$ 54,000</u> |

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

17. Construction Commitments

The District had the following construction commitments at December 31, 2017:

| <u>Capital Projects</u> | <u>Projected Budget</u> |
|------------------------------------|-----------------------------|
| Canal Improvements [FY2018] | \$ 3,050,000 |
| NRCS Projects - Est. CGDD1 Portion | 800,000 |
| Total Capital Projects | <u>\$ 3,850,000</u> |

18. Litigation

The District has no pending litigation as of the date of this report.

19. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was May 4, 2018.

Required Supplemental Information (Part II)

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Schedule 1

Governmental Fund Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts GAAP Basis</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|--|---|
| Revenues: | | | | |
| Ad Valorem Taxes | \$ 3,995,000 | \$ 4,395,000 | \$ 4,768,152 | \$ 373,152 |
| State Revenue Sharing | 90,000 | 90,000 | 97,614 | 7,614 |
| Investment Earnings | 85,000 | 130,000 | 189,994 | 59,994 |
| Miscellaneous Income | 27,000 | 122,000 | 105,877 | (16,123) |
| Total Revenues | <u>4,197,000</u> | <u>4,737,000</u> | <u>5,161,637</u> | <u>424,637</u> |
| Expenditures: | | | | |
| Salaries & Related Benefits | 1,284,500 | 1,319,500 | 1,231,957 | 87,543 |
| Professional Fees | 72,500 | 67,500 | 49,912 | 17,588 |
| Insurance | 107,000 | 113,000 | 84,063 | 28,937 |
| Materials and Supplies | 33,500 | 15,000 | 22,706 | (7,706) |
| Repairs and Maintenance | 78,500 | 48,500 | 61,131 | (12,631) |
| Statutory Charges | 210,000 | 175,000 | 167,655 | 7,345 |
| Utilities | 37,000 | 26,000 | 23,957 | 2,043 |
| Fuel | 50,500 | 50,500 | 49,872 | 628 |
| Bad Debt Expense | - | - | - | - |
| Other Charges | 36,500 | 40,000 | 23,707 | 16,293 |
| Rehab Projects | 5,013,000 | 6,908,000 | 7,386,793 | (478,793) |
| Capital Outlay | 453,500 | 87,000 | 84,191 | 2,809 |
| Total Expenditures | <u>7,376,500</u> | <u>8,850,000</u> | <u>9,185,944</u> | <u>(335,944)</u> |
| Excess of Revenues over Expenditures | (3,179,500) | (4,113,000) | (4,024,307) | 88,693 |
| Fund Balance - | | | | |
| Beginning of the Year | <u>14,935,908</u> | <u>11,425,538</u> | <u>19,094,575</u> | <u>7,669,037</u> |
| End of the Year | <u>\$ 11,756,408</u> | <u>\$ 7,312,538</u> | <u>\$ 15,070,268</u> | <u>\$ 7,757,730</u> |

See independent auditor's report.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Schedule 2

Schedule of Fund Progress for Postemployment Benefits
For the Year Ended December 31, 2017

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded Accrued Liabilities (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---|--|--|--|-------------------------|----------------------------|--|
| 01/01/08 | \$ - | \$ 542,260 | \$ 542,260 | 0.00% | \$ 686,072 | 79.04% |
| 01/01/11 | \$ - | \$ 353,246 | \$ 353,246 | 0.00% | \$ 683,581 | 51.68% |
| 01/01/14 | \$ - | \$ 198,736 | \$ 198,736 | 0.00% | \$ 781,943 | 25.42% |
| 01/01/17 | \$ - | \$ 395,717 | \$ 395,717 | 0.00% | \$ 765,077 | 51.72% |

See Note 14 to the Financial Statements.

See independent auditor's report.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Schedule 3

Schedule of the District's Proportionate Share of the Net Pension Liability –
Parochial Employee's Retirement System of Louisiana
For the Year Ended December 31, 2017

| <u>Fiscal Year*</u> | <u>District's Proportion of the Net Pension Liability</u> | <u>District's Proportionate Share of the Net Pension Liability</u> | <u>District's Covered Employee Payroll</u> | <u>District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|---------------------|---|--|--|--|---|
| 2017 | 0.132245% | \$ 272,360 | \$ 767,578 | 35.48% | 94.15% |
| 2016 | 0.122887% | \$ 323,474 | \$ 746,866 | 43.31% | 92.23% |
| 2015 | 0.120361% | \$ 32,908 | \$ 734,767 | 4.48% | 99.15% |

* The amounts presented for each fiscal year were determined as of December 31 of the current year

See independent auditor's report.

**Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana**

Schedule 4

Schedule of the District's Contributions –
Parochial Employee's Retirement System of Louisiana
For the Year Ended December 31, 2017

| <u>Fiscal Year</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contribution</u> | <u>Contribution Deficiency / (Excess)</u> | <u>District's Covered Employee Payroll</u> | <u>Contributions as a Percentage of Covered Employee Payroll</u> |
|--------------------|--|---|---|--|--|
| 2017 | \$ 95,947 | \$ 95,947 | \$ - | \$ 767,578 | 12.50% |
| 2016 | \$ 101,836 | \$ 101,836 | \$ - | \$ 746,866 | 13.64% |
| 2015 | \$ 102,165 | \$ 102,165 | \$ - | \$ 734,767 | 13.90% |

* The amounts presented for each fiscal year were determined as of December 31 of the current year

See independent auditor's report.

Other Supplemental Information

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana

Schedule 5

Schedule of Compensation, Benefits, and Other Payment to Agency Head
For the Year Ended December 31, 2017

Agency Head: Kiley Bates, Administrator

| <u>Purpose</u> | <u>Amount</u> |
|--|-------------------|
| Salary | \$ 134,672 |
| Benefits - Insurance | 14,266 |
| Benefits - Retirement (12.50% - Parochial) | 16,834 |
| Deferred Compensation (3.00%) | 4,040 |
| Benefits - Medicare | 1,967 |
| Car Allowance | - |
| Vehicle Provided by Government | - |
| Vehicle Rental | - |
| Reimbursement for Cell Phone | 600 |
| Dues | 220 |
| Per Diem | - |
| Reimbursements | 81 |
| Travel | - |
| Registration Fees | - |
| Conference Travel | 1,305 |
| Housing | 1,407 |
| Unvouchered Expenses | - |
| Special Meals | - |
| Other | - |
| | <u>\$ 175,392</u> |

Other Independent Auditor's Report and Findings

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA

J. Bryan Ehricht, CPA
Samantha D. Wagner, CPA
Christie J. Barado
Megan E. Lynch
B. Jacob Steib
Debbie G. Faust, EA
Ramona K. Huckabee, EA



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American Institute of CPAs
Society of Louisiana CPAs

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Consolidated Gravity Drainage District No. 1
of Tangipahoa Parish
Tickfaw, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (Drainage District), a component unit of Tangipahoa Parish Government, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Drainage District's basic financial statements, and have issued our report thereon dated May 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Drainage District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Drainage District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Drainage 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 important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

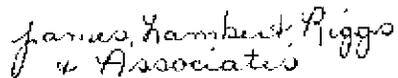
As part of obtaining reasonable assurance about whether the Drainage District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under LRS 24:513, this report is distributed by the Legislative Auditor as a public document.

Handwritten signature in cursive script that reads "James Lambert Riggs & Associates".

James, Lambert, Riggs and Associates, Inc.
Hammond, Louisiana

May 4, 2018

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish
Tickfaw, Louisiana
 Schedule of Current Year Audit Findings, Recommendations, and Responses
 For the Year Ended December 31, 2017

We 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 governmental activities and the general fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Drainage District's basic financial statements, and have issued our report thereon dated May 4, 2018. Our audit of the basic financial statements resulted in an unmodified opinion.

Section I Summary of Auditor's Reports

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

Internal Control:

| | | | | |
|--------------------------|-----|-----|-----|----|
| Material Weakness | ___ | Yes | _X_ | No |
| Significant Deficiencies | ___ | Yes | _X_ | No |

Compliance:

| | | | | |
|---|-----|-----|-----|----|
| Compliance Material to the Financial Statements | ___ | Yes | _X_ | No |
|---|-----|-----|-----|----|

2. Management Letter

| | | | | |
|---------------------------------|-----|-----|-----|----|
| Was a management letter issued? | ___ | Yes | _X_ | No |
|---------------------------------|-----|-----|-----|----|

Section II Financial Statement Findings

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Management Letter Suggestions

None

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish

Tickfaw, Louisiana

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2017

| <u>Ref. #</u> | <u>Fiscal Year Findings Occurred</u> | <u>Description of Findings</u> | <u>Corrective Action Taken</u> |
|---------------|--|--------------------------------|--------------------------------|
|---------------|--|--------------------------------|--------------------------------|

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Note: This schedule has been prepared by the management of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1 OF
TANGIPAHOA PARISH**

STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA

J. Bryan Ehricht, CPA
Samantha D. Wagner, CPA
Christie J. Barado
Megan E. Lynch
B. Jacob Steib
Debbie G. Faust, EA
Ramona K. Huckabee, EA



**JAMES
LAMBERT RIGGS
& ASSOCIATES, INC.**
CERTIFIED PUBLIC ACCOUNTANTS
www.jlrcpafirm.com



Member of
American Institute of CPAs
Society of Louisiana CPAs

Independent Accountants' Report on Applying Agreed-Upon Procedures

Kiley F. Bates, P.E., Administrator
Consolidated Gravity Drainage District No.1 of
Tangipahoa Parish
Tickfaw, Louisiana and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Consolidated Gravity Drainage District No.1 of Tangipahoa Parish and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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, we 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.

Our procedures and findings are detailed in Schedule "A"

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

James Lambert Riggs & Associates, Inc.
Hammond, Louisiana

May 4, 2018

Written Policies and Procedures

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

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

Results: We sighted the District's written policies and procedures for budgeting with no exceptions.

- 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.

Results: We sighted the District's written policies and procedures for purchasing with no exceptions.

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

Results: We sighted the District's written policies and procedures for disbursements with no exceptions.

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

Results: We sighted the District's written policies and procedures for receipts with no exceptions.

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

Results: We sighted the District's written policies and procedures for payroll / personnel with no exceptions.

- 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

Results: We sighted the District's written policies and procedures for contracting with no exceptions.

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

Results: We sighted the District's written policies and procedures for credit cards and fuel cards with no exceptions.

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

Results: We sighted the District's written policies and procedures for travel and expense reimbursements with no exceptions.

- 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. Note: Ethics requirements are not applicable to nonprofits.

Results: We sighted the District's written policies and procedures for ethics with no exceptions.

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

Results: We sighted the District's written policies and procedures for debt service with no exceptions.

Board (or Finance Committee, if applicable)

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

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

Results: Per a review of the minutes of the District for the period January 1, 2017 through December 31, 2017, the District met on a monthly basis.

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

Results: Per a review of the minutes of the District for the period January 1, 2017 through December 31, 2017, the minutes referenced budget-to-actual comparisons on the District's major funds.

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

Results: Per a review of the minutes of the District for the period January 1, 2017 through December 31, 2017, there were no periods of deficit spending during the fiscal period.

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

Results: Per a review of the minutes of the District for the period January 1, 2017 through December 31, 2017, the District approved contracts and grant agreements in at least one meeting during the year.

Bank Reconciliations

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

Results: Management provided us with the required listing of bank accounts as well as management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Results: For the two (2) bank accounts selected, all bank reconciliations were prepared for all twelve months for the period January 1, 2017 through December 31, 2017.

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

Results: For the two (2) bank accounts selected, evidence existed that the bank statements and bank reconciliations were reviewed by a member of management or a board member for the period January 1, 2017 through December 31, 2017.

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

Results: For the two (2) bank accounts selected, no accounts had outstanding items over six (6) months as of December 31, 2017.

Collections

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

Results: Management provided us with the required listing of cash collection locations as well as management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

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

Results: Two (2) of the three (3) individuals that collect cash are bonded. Two (2) of the three (3) individuals that collect cash are not responsible for making deposits. Two (2) of the three (3) individuals that collect cash do not record the transactions. None of the three (3) individuals that collect cash reconcile the bank account.

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

Results: Management provided us with written documentation or reconciling cash collections to the general ledger. This daily reconciliation is performed by an individual not responsible for cash collections.

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

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

Results: The highest week of cash collections had only one (1) deposit for property taxes. This deposit was made within one business day.

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

Results: Deposits for the highest week of cash collections were completely supported by documentation.

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

Results: We sighted the District's written policies and procedures for receipts with no exceptions.

Disbursements – General (excluding credit card / debit card / fuel card / P-Card purchases or payments)

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

Results: Management provided us with the required listing of disbursements as well as management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card / debit card / fuel card / P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens / logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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

Results: For the twenty-five (25) transactions selected, all transactions selected were initiated using a purchase order system that separated the initiation and approval functions.

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

Results: For the twenty-five (25) transactions selected, all transactions selected were initiated using a purchase order system that separated the initiation and approval functions.

- c) Payments for purchases were not processed without (1) an approved requisition and / or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Results: For the twenty-five (25) transactions selected, all transactions selected were initiated using an approved purchase order; all transactions included a receiving report, when applicable; and all transactions had an approved invoice.

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

Results: Per the District's written policies and procedures for purchasing, new vendors must be approved in writing by the Administrator and must supply a Form W-9 prior to being added to the system. Once approved, the accounts payable clerk responsible for processing payments is then able to add vendors to the District's purchasing / disbursement system.

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

Results: Individuals who can initiate or record purchases do not have signatory authority.

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

Results: The supply of unused checks are maintained in a locked location with restricted access.

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

Results: No signature stamp or machine is utilized by the District.

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

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

Results: Management provided us with the required listing of credit cards and fuel cards as well as management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

Results: For the ten (10) credit card and fuel cards selected, the statements of all ten (10) cards were reviewed and approved, in writing, by someone other than the authorized card holder.

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

Results: For the ten (10) credit card and fuel cards selected, no finance and / or late charges were assessed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

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

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

Results: For the ten (10) credit cards and fuel cards selected, all ten (10) cards had supporting itemized receipts for all transactions.

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

Results: For the ten (10) credit cards and fuel cards selected, all ten (10) cards selected had supporting documentation of the business/ public purpose, and all meal receipts contained documentation of the individuals participating.

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

Results: For the ten (10) credit card and fuel cards selected, all ten (10) cards selected had other supporting documentation required by the District's written policy.

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

Results: For the ten (10) credit cards and fuel cards selected, no transactions reviewed required the solicitation of bids or quotes.

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

Results: For the ten (10) credit cards and fuel cards selected, there were no violations of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

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

Results: Management provided us with the required listing of travel and related expense reimbursements as well as management's representation that the listing is complete.

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

Results: No reimbursement rates exceeded GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Results: For the three (3) employees selected, all travel and expense reimbursements were paid in accordance with written policy.

b) Report whether each expense is supported by:

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

Results: For the three (3) employees selected, all travel and expense reimbursements were documented by original itemized receipts.

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

Results: For the three (3) employees selected, all travel and expense reimbursements documented the business / public purchase of the expense.

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

Results: For the three (3) employees selected, all travel and expense reimbursements had other supporting documentation required by the District's written policy.

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

Results: For the three (3) employees selected, there were no violations of Article 7, Section 14 of the Louisiana Constitution.

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

Results: For the three (3) employees selected, each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

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

Results: Management provided us with a listing of all contracts in effect during the period January 1, 2017 through December 31, 2017 as well as management's representation that the listing is complete.

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

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

Results: For the five (5) contracts selected, there was a formal / written contract that supported the services arrangement and the amount paid.

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

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

Results: For the five (5) contracts selected, all five (5) were subject to the Louisiana Public Bid Law and all legal requirements were met.

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

Results: For the five (5) contracts selected, all five (5) were subject to the Louisiana Public Bid Law and all legal requirements were met.

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

Results: For the five (5) contracts selected, none were amended during the period January 1, 2017 through December 31, 2017.

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

Results: For the five (5) contracts selected, all five (5) of the largest payments contained supporting invoices that complied with the terms and conditions of the contract.

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

Results: For the five (5) contracts selected, all five (5) contracts were approved by the District.

Payroll and Personnel

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

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

Results: Management provided us with the required list of employees and salaries as well as management's representation that the listing is complete. For the five (5) randomly selected employees, compensation paid to each employee was made in accordance with each employee's approved pay rate.

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

Results: Management provided us with the required list of employees and salaries as well as management's representation that the listing is complete. For the five (5) randomly selected employees, all changes to each employee's approved pay rates were approved in writing and in accordance with written policy.

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

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

Results: For the twenty-five (25) selected employees, all employees documented their daily attendance and leave.

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

Results: For the twenty-five (25) selected employees, we sighted documentation that supervisors approved attendance and leave.

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

Results: For the twenty-five (25) selected employees, we sighted written documentation of the District's leave records.

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

Results: Management provided us with the required list of employees terminated for the period January 1, 2017 through December 31, 2017. For the two (2) termination payments selected for this period, the payments were made in accordance with District policies and were approved by management.

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

Results: Management provided us with all supporting documentation related to payroll taxes and retirement contributions for the period January 1, 2017 through December 31, 2017. For this period, all payroll tax deposits and retirement contribution payments were paid by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees / officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: For the five (5) randomly selected employees, all ethics compliance documentation was provided to us and the required ethics training was completed for four (4) of the employees. The remaining one (1) employee was hired in October 2017 and did not have their required training completed by December 31, 2017.

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

Results: Per conversation with Kiley F. Bates, P.E., Administrator, the District had no alleged ethics violations reported during the period January 1, 2017 through December 31, 2017.

Debt Service (excluding nonprofits)

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

Results: The District had no new debt issued during the period January 1, 2017 through December 31, 2017.

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

Results: During the period January 1, 2017 through December 31, 2017, the District had no outstanding debt.

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

Results: The District had no tax millages relating to debt service during the period January 1, 2017 through December 31, 2017.

Other

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

Results: Per conversation with Kiley F. Bates, P.E., Administrator, the District had no misappropriations of public funds or assets during the period January 1, 2017 through December 31, 2017.

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

Results: Sighted copy of the notice posted on the premises and on the District's website.

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

Results: There were no exceptions regarding management's representations in the procedures above.

KILEY F. BATES, P.E.
Administrator

**CONSOLIDATED GRAVITY
DRAINAGE DISTRICT #1
OF
TANGIPAHOA PARISH**

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President
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STANAN CAPDEBOSCO
Secretary-Treasurer

Office: (985)542-4292 Fax: (985)345-1821

May 10, 2018

Mr. Paul Riggs
James Lambert Riggs and Associates. Inc.
401 East Thomas Street
Hammond, LA 70401

Dear Mr. Riggs:

As part of the auditing process of our AUP's, we were made aware of a possible oversight we made concerning a new employee and the taking of our mandatory public employee ethics training course. While our policy indicates that all employees shall take the course annually, we construed that statement to mean that, upon a new hire, that employee had a year to complete the training course. Upon completion, he would fall into our normal rotation of course completion. However, this may not have been the correct interpretation. From this point forward, we will endeavor to have newly hired employees take the ethics training course with thirty (30) days of their hire date. We anticipate this will alleviate all future concerns regarding this matter.

If you have any questions or comments regarding our position on this matter, please do not hesitate to contact me.

Sincerely,

Kiley F. Bates, Administrator

MEMBERS OF COMMISSION

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