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

FINANCIAL REPORT

JUNE 30, 2017

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

Release Date MAR 07 2018

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
 BATON ROUGE, LOUISIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of Capital Area Groundwater Conservation District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. 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.

INDEPENDENT AUDITOR'S REPORT –CONTINUED

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 business-type activities of the Capital Area Groundwater Conservation District, as of June 30, 2017, and the respective changes in financial position and cash flows thereof 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 Schedule of Funding Progress for Other Post-Employment Benefit Plan on page 32, the Schedule of the Capital Area Groundwater Conservation District's Proportionate Share of the Net Pension Liability on page 33, and the Schedule of the Capital Area Groundwater Conservation District's Pension Contributions on page 34 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Capital Area Groundwater Conservation District's basic financial statements. The schedule of compensation, benefits, and other payments to

INDEPENDENT AUDITOR'S REPORT –CONTINUED

agency head and the schedule of compensation paid to board members are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head and the schedule of compensation paid to board members are the responsibility of management and was derived from and relate 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 by us and other auditors. 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*, we have also issued our report dated January 31, 2018 on our consideration of the Capital Area Groundwater Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions, 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 Capital Area Groundwater Conservation District's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Plaquemine, Louisiana

January 31, 2018

BASIC FINANCIAL STATEMENTS

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 527,847
Accounts Receivables, net	136,738
Total current assets	<u>664,585</u>
Restricted assets:	
Funds in Funded Retiree Health Benefits Trust	144,731
Noncurrent assets:	
Certificates of Deposit	84,137
Capital assets, net of accumulated depreciation	261,694
Total noncurrent assets	<u>345,831</u>
TOTAL ASSETS	<u>1,155,147</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>73,526</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,763
Accrued expenses	3,318
Current portion of compensated absences	2,461
Total current liabilities	<u>8,542</u>
Noncurrent liabilities:	
Non current portion of compensated absences	7,383
Net pension liability	271,463
Net OPEB Obligation	174,728
Total noncurrent liabilities	<u>453,574</u>
TOTAL LIABILITIES	<u>462,116</u>
DEFERRED INFLOW OF RESOURCES	<u>14,039</u>
NET POSITION	
Net investment in capital assets	261,694
Restricted	144,731
Unrestricted	346,093
Total Net Position	<u>\$ 752,518</u>

The accompanying notes are an integral part of this statement.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
JUNE 30, 2017**

Operating revenues	
Pumpage fees	\$ 565,348
Total operating revenues	<u>565,348</u>
Operating expenses	
Salaries	99,192
Other employee expenses	49,626
Post retirement benefits	6,728
Compensated absences	469
Depreciation	8,301
Information technology	7,230
USGS - Real time network	5,848
USGS - Subsidence wells	6,212
USGS - Modeling	64,939
Saltwater Remediation	45,081
Meeting	785
Office Supplies	1,874
Rent	16,200
Travel	3,415
Postage	471
Insurance	4,289
Dues and subscriptions	759
Printing	1,241
Miscellaneous	471
Professional fees	2,788
Total operating expenses	<u>325,919</u>
Operating income	239,429
Nonoperating revenue (expense)	
Interest income	1,743
Total nonoperating revenue (expense)	<u>1,743</u>
Change in net position	241,172
Net position - beginning	503,419
Restatement	7,927
Net position - beginning as restated	<u>511,346</u>
Net position - ending	<u>\$ 752,518</u>

The accompanying notes are an integral part of this statement.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 568,652
Payments to suppliers	(161,381)
Payments to employees	(99,192)
Payment for employee benefits	(31,562)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>276,517</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment	<u>(1,400)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,400)
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificate of Deposit Redeemed	40,241
Interest income	1,743
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>41,984</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	317,101
CASH AND CASH EQUIVALENTS, JULY 1, 2016	<u>355,477</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2017	<u>\$ 672,578</u>
SUMMARY OF CASH AND CASH EQUIVALENTS	
Unrestricted Cash and Cash Equivalents	527,847
Restricted Cash and Cash Equivalents	144,731
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 672,578</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	<u>\$ 239,429</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	8,301
Pension expense adjustment	25,261
(Increase) decrease in accounts receivable	3,304
Increase (decrease) in accounts payable	691
Increase (decrease) in accruals	(469)
Total adjustments	<u>37,088</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 276,517</u>

The accompanying notes are an integral part of this statement.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Fund Accounting

For the periods beginning after June 15, 2003, the District was required to comply with Governmental Accounting Standards Board (GASB) Statement Number 34. GASB 34, paragraph 15 states... "Business type activities are financed in whole or in part by fees charged to external parties for goods or services." These activities usually report in Enterprise Funds. Paragraph 67 reads... "Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and services." Activities are *required* to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's *principal revenues* sources.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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

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

Measurement Focus, Basis of Accounting

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

Revenues

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

Expenses

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

Other Financing Sources (Uses)

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

Budgets

The District uses the following budget practices:

1. Budgets are prepared and adopted by the District annually. The budgetary calendar for the fiscal year begins July 1 and ends June 30 of the following year.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

The budget for the fiscal year ending June 30, 2017, exceeded \$500,000, so the District had to advertise for a public hearing on the budget. The original budget was adopted on June 28, 2016.

2. The District's operations are financed with self-generated revenues, and any excess of revenues over expense at the end of the fiscal year is retained for use in subsequent years.
3. The District does not use encumbrance accounting.
4. The budget is prepared on an accrual basis.
5. The budget was not amended in the fiscal year ended June 30, 2017. Because only governmental funds are required to have a comparison of actual to budget, no comparison is presented.

Encumbrances

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

Operating and Nonoperating Revenues

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the District come from Pumpage fees. Operating expenses of the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Assets, Liabilities, and Equity

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

Certificates of Deposits—Certificates of deposits represent cash that is not expected to be needed in the immediate future. Certificates of deposits yield rates of return greater than the District's checking account, providing additional revenue in the form of interest income. The maturities typically range from ninety days to one year.

Inventories—The District has no inventories.

Prepaid Items—The District does not have any prepaid items.

Restricted Assets—Restricted assets include cash and cash equivalents that are legally restricted as to their use. The restricted assets are related to the Funded Retiree Health Benefits Trust.

Capital Assets—Capital assets, which include property, plant and equipment are defined by the District as assets with an initial, individual cost of more than \$500 (amount not rounded) and estimated useful lives in excess of one year. GASB Statement No. 34 changed the requirements for depreciation. Capital assets are now recorded at the time of purchase or construction in the account. Depreciation has been provided on capital assets and is calculated using the straight-line method over the asset's estimated life. All capital assets are recorded at historical cost.

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

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

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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

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

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

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

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

Long-term Obligations—The District's long-term obligations include compensated absences as described above, other post-employment benefits as described in Note F, and the net pension liability as described in Note E.

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

Net Position—GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for Local and State Governments*, required classification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position,

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

rather than net assets. GASB Statement No. 63 requires the following components of net position:

- Net invested in capital assets—Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted net position—Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws, or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—All other net position that does not meet the definition of “restricted” or “net invested in capital assets”.

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as revenue until then.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE B—CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2017, the District had the following cash and cash equivalents totaling as follows:

	<u>Book Balances</u>	<u>Bank Balances</u>
<i>Unrestricted</i>		
Cash and cash equivalents held in banks	\$ 527,847	\$ 574,279
<i>Restricted</i>		
Cash and cash equivalents held in banks	\$ 144,731	\$ 144,731
Total cash and cash equivalents	<u>\$ 672,578</u>	<u>\$ 719,010</u>

The deposits are stated at cost, which approximates market.

Security on deposits:

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 bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2017, the District had the following security on deposits:

	<u>Cash and Cash Equivalents</u>	<u>Nonnegotiable Certificates of Deposit</u>	<u>FDIC Coverage</u>	<u>Total</u>
Deposits per Balance Sheet (Reconciled bank balance)	\$ 672,578	\$ 84,137	\$ -	\$ 756,715
Deposits in bank accounts per bank	\$ 719,010	\$ 84,137	\$(334,137)	\$ 469,010
Bank balances exposed to custodial credit risk:				
a. Uninsured and uncollateralized				469,010
b. Uninsured and collateralized with securities held by the pledging institution				-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name				-

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE B—CASH AND CASH EQUIVALENTS AND INVESTMENTS—CONTINUED

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Investments

Investments of the District consist of certificates of deposit. These securities are stated at their fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The District used quoted market values to determine fair value of the investments.

Interest Rate Risk – The District has no formal investment policy but has adopted the state investment policy at LA R.S. 49:327. The District invests in investments with maturities limited to two years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District invests in certificates of deposited that are backed by FDIC. The District has adopted the state investment policy at LA R.S. 49:327 and does not have any other policy that would further limit the investment choices.

Concentration of Credit Risk – The District places no limits on the amount they may invest in any one issuer.

The District had the following investments at June 30, 2017:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Certificates of Deposit	<u>\$ 84,137</u>	<u>\$ 84,137</u>	2/14/18 - 10/22/18	.45% - 1.10%

Certificates of Deposit. At June 30, 2017, the District held certificates of deposit, with an original maturity greater than 90 days, totaling \$84,137. These investments are stated on the balance sheet (carrying value) at market value.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE C—RECEIVABLES

The following is a summary of receivables as of June 30, 2017:

Pumpage fees, net	<u>\$ 136,738</u>
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NOTE D—CAPITAL ASSETS

A summary of changes in fixed assets follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Land	\$ 11,823	\$ -	\$ -	\$ 11,823
Monitoring Wells	370,025	-	-	370,025
Furniture	20,506	1,400	-	21,906
Total Capital Assets	<u>\$402,354</u>	<u>\$ 1,400</u>	<u>\$ -</u>	<u>\$403,754</u>
Accumulated depreciation				
Monitoring Wells	115,428	7,401	-	122,829
Furniture	18,331	900	-	19,231
Less: Accumulated depreciation	<u>133,759</u>	<u>8,301</u>	<u>-</u>	<u>142,060</u>
Capital Assets, net of Accumulated depreciation	<u>\$268,595</u>	<u>\$ (6,901)</u>	<u>\$ -</u>	<u>\$261,694</u>

NOTE E—PENSION PLAN

Plan Description

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

Retirement Benefits

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending upon the member's hire date, employer, and job classification. The majority of the rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service or at

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E—PENSION PLAN—CONTINUED

age 60 upon completing 10 years of creditable service depending upon their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing 5 years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with twenty years of service at any age with an actuarially reduced benefit.

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

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

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NOTE E—PENSION PLAN—CONTINUED

January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

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

Deferred Retirement Benefits

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

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members

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NOTE E—PENSION PLAN—CONTINUED

who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004 are required to enter the SDP as described above.

Disability Benefits

Generally, active members with 10 or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

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

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

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in the state service at the time of death must have a minimum of 5 years of service credit, at least 2 years of which were earned immediately prior to death, or who had a minimum of 20 years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age eighteen, or age twenty-three if the child remains a full-time student. The

aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of 5 years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E—PENSION PLAN—CONTINUED

Permanent Benefit Increases/Cost of Living Adjustments

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

Employer Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2017 for the various plans follow:

Plan	Plan Status	Employee Rate	Employer Rate
Appellate Law Clerks	Closed	7.50%	35.80%
Appellate Law Clerks hired on or after 7/01/06	Open	8.00%	35.80%
Alcohol Tobacco Control	Closed	9.00%	30.70%
Bridge Police	Closed	8.50%	34.20%
Bridge Police hired on or after 7/01/06	Closed	8.50%	34.20%
Corrections Primary	Closed	9.00%	31.10%
Corrections Secondary	Closed	9.00%	35.30%
Harbor Police	Closed	9.00%	4.00%
Hazardous Duty	Open	9.50%	36.10%
Judges hired before 1/01/11	Closed	11.50%	38.00%
Judges hired after 12/31/10	Closed	13.00%	36.70%
Judges hired on or after 7/01/15	Open	13.00%	36.70%
Legislators	Closed	11.50%	39.10%
Optional Retirement Plan (ORP) before 7/01/06*	Closed	7.50%	35.80%
Optional Retirement Plan (ORP) on or after 7/01/06*	Closed	8.00%	35.80%
Peace Officers	Closed	9.00%	34.30%
Regular Employees hired before 7/01/06	Closed	7.50%	35.80%
Regular Employees hired on or after 7/01/06	Closed	8.00%	35.80%
Regular Employees hired on or after 1/01/11	Closed	8.00%	35.80%
Regular Employees hired on or after 7/01/15	Open	8.00%	35.80%
Special Legislative Employees	Closed	9.50%	41.10%
Wildlife Agents	Closed	9.50%	44.80%

*For ORP the projected employer contribution effort was calculated using the shared UAL portion of the contribution rate of 31.77% for 2017.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
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NOTE E—PENSION PLAN—CONTINUED

The District's contractually required composite contribution rate for the year ended June 30, 2017 was 35.8% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the District for LASERS for the years ended June 30, 2017 was \$24,509.

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

As of June 30, 2017, the District reported a liability of \$271,463 for its proportionate share of the net pension liability for LASERS. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion for LASERS was 0.00346% which was an increase of 0.00019% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$27,902 for LASERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$15,140.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions for LASERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 157	\$ (2,518)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	33,811	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,049	(11,521)
Employer contributions subsequent to the measurement date	24,509	-
	<u>\$ 73,526</u>	<u>\$ (14,039)</u>

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
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JUNE 30, 2017**

NOTE E—PENSION PLAN—CONTINUED

\$24,509 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	
2018	\$ 6,824
2019	6,950
2020	13,140
2021	8,065
	\$ 34,979

Actuarial Assumptions.

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

Valuation Date:	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.75% per annum, new of investment expenses
Inflation Rate	3.00% per annum
Mortality	Non-disabled members - Mortality rates based on the RP-2000 Combined Health Mortality Table with mortality improvement projected to 2015. Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.
Salary increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	4.0%	13.0%
Judges	3.0%	5.5%
Corrections	3.6%	14.5%
Hazardous Duty	3.6%	14.5%
Wildlife	3.6%	14.5%

Cost of Living Adjustments

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

*The investment rate of return used in the actuarial valuation for funding purposes was 8.15%, recognizing an additional 25 basis points for gain-sharing and 15 basis points to offset administrative expenses.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
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NOTE E—PENSION PLAN—CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.72% for 2016. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Cash	0%	-0.24%
Domestic equity	25%	4.31%
International equity	32%	5.48%
Domestic Fixed Income	8%	1.63%
International Fixed Income	6%	2.47%
Alternative Investments	22%	7.42%
Global Asset Allocation	7%	2.92%
Total	<u>100%</u>	<u>5.30%</u>

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at contractually required rates, actuarially determined. 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.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
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NOTE E—PENSION PLAN—CONTINUED

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

The following table represents the District Court's proportionate share of the net pension liability (NPL) using the discount rate for LASERS as well as the District Court's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by LASERS:

	1.0% Decrease	Current Discount Rate	1.0% Decrease
	6.75%	7.75%	8.75%
Net Pension Liability	\$ 333,517	\$ 271,463	\$ 218,736

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2016 Comprehensive Annual Financial Report at www.laseronline.org.

NOTE F—OTHER POST-EMPLOYMENT BENEFITS

The District may provide certain continuing health care and life insurance benefits for its retired employees through the Louisiana Office of Group Benefits. Substantially all of the District's employees become eligible for those benefits if they reach normal retirement age while working for the District and were covered under the District's active medical plan immediately prior to retirement. Those benefits include joint payment of monthly premiums for the coverage provided.

Plan Description

The State of Louisiana's Other Post Employment Benefit Plan (OPEB Plan) is an agent multiple-employer plan administered by the Louisiana office of Group Benefits (OGB). There are three plans available to eligible retirees for health care – OGB Preferred Organization (PPO), Humana Health Maintenance Organization (HMO) and United Exclusive Provider Organization (EPO). Participants eligible for Medicare coverage can choose one of two OGB Medicare Advantage Plans, either an HMO or private fee-for-service (PFFS) plan. Life insurance benefits include basic term life, basic plus supplemental term life, and dependent term life and employee accidental death and dismemberment coverage. The policy is underwritten by the Prudential Insurance Company of America

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE F—OTHER POST-EMPLOYMENT BENEFITS—CONTINUED

La. R.S. 42:801-883 provides for the authority under which benefit provisions are established and may be amended. The OGB does not issue a stand-alone report; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap, writing to P.O. Box 94095, Baton Rouge, LA 70804-9095 or by calling 225-342-0708.

Funding Policy

LRS 42:801-883 provides for the authority under which the obligations of the plan members and the system are established and may be amended. For employees hired prior to January 1, 2002, the cost of coverage is shared 25% by the participant and 75% by the District with the exception of single retirees under age 65. He/she must pay 25% of the active employee cost. Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate based on his/her years of service at retirement (less than 10 yrs. – 81%; 10-14 yrs. – 62%; 15-19 yrs. – 44%; 20+ yrs. – 25%). A lifetime maximum for healthcare benefits is set at \$5,000,000 for PPO, HMO, and EPO plans. The retiree must pay 50% of the life insurance premiums for him or herself and 88% for his/her spouse. Maximum coverage is capped at \$50,000. Premiums paid for healthcare coverage vary depending on the plan chosen. The plan is currently financed on a pay-as-you-go basis by the District.

Annual OPEB Cost and Net OPEB Obligation

The District's Annual Required Contributions (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period was used. The total ARC for the year ending June 30, 2017 is \$6,728. This District's OPEB obligation for the year ended June 30, 2017, is as follows:

Annual required contribution/OPEB Cost	\$ 6,728
Contributions made	-
Increase in net OPEB obligation	6,728
Net OPEB - beginning of year	168,000
Net OPEB - end of year	\$ 174,728

Utilizing the pay-as-you-go method, the Board contributed 0% of the annual post-employment benefits costs during the current year.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE F—OTHER POST-EMPLOYMENT BENEFITS—CONTINUED

Funded Status and Funding Progress

On June 29, 2015, the District created the Funded Retiree Health Benefits (the Trust) for the employees of the Capital Area Groundwater Conservation Commission to deposit funds into to pay future insurance cost of District retirees. During the fiscal year end June 30, 2017, the total amount deposited into the Trust was \$24,000. At June 30, 2017, the Trust had a balance of \$144,731.

Actuarial Methods/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 costs trend. 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 benefit costs between the employers and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7.0% and 8.1% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

NOTE G—COMPENSATED ABSENCES

Compensated absences at June 30, 2017 were as follows:

Beginning balance, July 1, 2016	\$9,375
Current year change	<u>469</u>
Ending balance, June 30, 2017	<u><u>\$9,844</u></u>

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE H—LONG TERM LIABILITIES

Long term liabilities include the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>	<u>Current Portion</u>
Compensated absences	\$ 9,375	\$ 469	\$ -	\$ 9,844	\$ 2,461
Net pension liability	222,205	49,258	-	271,463	-
Post employment benefits	168,000	6,728	-	174,728	-
Total long term liabilities	<u>\$ 399,580</u>	<u>\$ 56,455</u>	<u>\$ -</u>	<u>\$ 456,035</u>	<u>\$ 2,461</u>

NOTE I—LEVIED PUMPAGE FEES

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

The following are the principal fee payers for the District:

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

NOTE J—LEASES

The District is obligated under a lease for its office space in Baton Rouge. This lease is accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations; therefore, the result of this lease agreement is not reflected in the District's account groups.

The lease term is for sixty months. This lease requires a monthly payment of \$1,350 for January 2018 through December 2019 and \$1,500 for January 2020 through December 2022. Total rent expense under this lease for the year ended June 30, 2017 was \$16,200.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE J—LEASES—CONTINUED

The following is a schedule by years of future minimum rental payments required under the operating lease that have remaining non-cancelable lease terms in excess of one year as of June 30, 2017:

<u>Fiscal year ending</u>	<u>Amount</u>
6/30/2017	\$ 16,200
6/30/2018	16,200
6/30/2019	16,200
6/30/2020	17,100
6/30/2021	18,000
	<u>\$ 83,700</u>

NOTE K—RELATED PARTY TRANSACTIONS

The District had no related party transactions.

NOTE L—LITIGATION AND CLAIMS

The District was involved in no litigation during or at the end of the fiscal year ended June 30, 2017.

NOTE M—COOPERATIVE ENDEAVOR AGREEMENTS

The Capital Area Groundwater Conservation District entered into a cooperative endeavor agreement with the City of Baton Rouge and Parish of East Baton Rouge (EBR) dated July 9, 2013 to participate in the Development and Maintenance of a Computer Model to Simulate Groundwater Flow and Saltwater Movement in the Baton Rouge Sands being undertaken by the U.S. Geological Survey (USGS)-Louisiana Water Science Center. Under this agreement, the City of Baton Rouge and Parish of East Baton Rouge shall compensate the District in ten annual payments and it is estimated that the District compensates USGS as follows:

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE M—COOPERATIVE ENDEAVOR AGREEMENTS—CONTINUED

<u>For year ending</u>	<u>EBR</u>	<u>District</u>	<u>Total to USGS</u>
6/30/2013	\$ 30,000	\$ 55,000	\$ 85,000
6/30/2014	30,600	56,100	86,700
6/30/2015	31,200	57,200	88,400
6/30/2016	31,800	58,400	90,200
6/30/2017	32,500	59,500	92,000
6/30/2018	33,000	60,800	93,800
6/30/2019	33,800	61,900	95,700
6/30/2020	34,500	63,200	97,700
6/30/2021	35,100	64,500	99,600
6/30/2022	18,000	32,800	50,800
	<u>\$ 310,500</u>	<u>\$ 569,400</u>	<u>\$ 879,900</u>

The District received \$32,500 for the fiscal year ending June 30, 2017 which is in accordance with this agreement, and in turn, the District paid \$92,438 to the USGS.

The Capital Area Groundwater Conservation District entered into a cooperative endeavor agreement with Georgia Pacific dated March 12, 2015 to participate in the Conjunctive Management of Baton Rouge Multi-Aquifer System for Saltwater Intrusion Mitigation Study (Study) being undertaken by Louisiana State University and Agricultural and Mechanical College (LSU). The District also entered into a cooperative endeavor agreement with Exxon/Mobil dated April 24, 2015 to participate in the same Study. Under these agreements, Georgia Pacific is to compensate the District \$5,000 for three years of which the first payment would be made prior to June 1, 2015, the second payment being made prior to June 1, 2016, and the third and final payment being made prior to June 1, 2017 and Exxon/Mobil is to compensate the District \$10,000 for three years of which the first payment would be made prior to May 1, 2015, the second payment being made prior to May 1, 2016, and the third and final payment being made prior to May 1, 2017. Once the District receives the payments from Georgia Pacific and Exxon/Mobil, the District must compensate LSU for \$20,000 for the three years beginning June 2015.

NOTE N—PRIOR PERIOD ADJUSTMENT

Compensated absences payable was overstated at June 30, 2016. The change to net position to reflect the adjustment to compensated absences payable, computed for the year ending June 30, 2016, was as follows:

Beginning net position, July 1, 2016	\$ (503,419)
Restatement of beginning net position	<u>(7,927)</u>
Beginning net position as adjusted, July 1, 2016	<u>\$ (511,346)</u>

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE O—LITIGATION

The District filed a claim against East West Copolymer for delinquent pumpage fees accrued prior to East West Copolymer filing in bankruptcy. As of January 31, 2018, no adjustments have been made to the financial statements regarding this matter.

NOTE P—SUBSEQUENT EVENTS

The District evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through January 31, 2018. There were no events between the close of the fiscal year and the date in which the financial statements were available to be issued that would materially impact the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liab (AAL)	Unfunded Actuarial Accrued Liab (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2014	\$ -	\$ 74,800	\$ 74,800	0.00%	48,100	155.51%
6/30/2015	\$ -	\$ 186,400	\$ 186,400	0.00%	48,100	387.53%
6/30/2016	\$ -	\$ 201,000	\$ 201,000	0.00%	48,100	417.88%
6/30/2017	\$ -	\$ 93,304	\$ 93,304	0.00%	48,100	193.98%

EXHIBIT E

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
JUNE 30, 2017**

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</u>
2017	0.00346%	\$ 271,463	\$ 68,250	25.1415%	57.7%
2016	0.00327%	\$ 222,205	\$ 62,025	27.9134%	62.7%
2015	0.00313%	\$ 195,966	\$ 57,741	29.4648%	65.0%

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

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2017**

Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 24,509	\$ 24,509	\$ -	\$ 68,250	35.91%
2016	\$ 23,006	\$ 24,055	\$ (1,049)	\$ 62,005	38.80%
2015	\$ 21,480	\$ 22,148	\$ (668)	\$ 57,741	38.36%

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

OTHER SUPPLEMENTARY INFORMATION

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2017**

Agency Head Name: Anthony Duplechin, Director

PURPOSE	AMOUNT
Salary	\$ 30,942
Benefits - insurance	-
Benefits - retirement	-
Benefits - other	-
Social security and medicare employer contributions	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Conference travel	2,009
Continuing professional education fees	-
Housing	824
Unvouchered expenses	-
Meals	276
TOTAL	\$ 34,051

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Member</u>	<u>Amount</u>
John Jennings	\$ -
Ronnie Albritton	\$ -
Johan Forsman	\$ -
Barry Huggins	\$ -
Amelia Kent	\$ -
Jeff Miller	\$ -
Matthew Reonas	\$ -
Thomas Stephens	\$ -
Julius Metz	\$ -
Nelson Morvant	\$ -
William Daniel, IV	\$ -
Henry Davis	\$ -
Jens Rummier	\$ -
Ryan Scardina	\$ -
Todd Talbot	\$ -
Mark Walton	\$ -

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

BAXLEY AND ASSOCIATES, LLC

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SCHEDULE 1

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

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

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 of the United States, the financial statements of the business-type activities of the Capital Area Groundwater Conservation District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Capital Area Groundwater Conservation District's basic financial statements and have issued our report thereon dated January 31, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2017-001, 2017-002, and 2017-004)

**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**

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2017-005).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Capital Area Groundwater Conservation District's financial statements are free of material misstatement, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-003, 2017-006.

Capital Area Groundwater Conservation District's Response to Findings

The Capital Area Groundwater Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Capital Area Groundwater Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Baxley & Associates, LLC

Plaquemine, Louisiana
January 31, 2018

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no
- Noncompliance material to financial statements noted? yes no

B. FINDINGS

2017-001 FINANCIAL STATEMENTS

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

Management's Response:

The District will discuss the possibility of hiring a CPA to assist with preparing financial statements. The District will also discuss the possibility of purchasing QuickBooks.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

2017-002 INTERNAL CONTROL

Condition:

There is a lack of segregation of duties within the District's office.

Criteria:

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

Effect:

No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions: (1) authorization of a transaction, (2) recording of the transaction, or (3) custody of assets involved in the transaction.

Recommendation:

The entity should have a proper segregation of duties.

Management's Response:

The District's staff is composed of two employees. The District will discuss the possibility of hiring a CPA to assist the staff.

2017-003 COLLATERALIZATION

Condition:

Cash deposits are not fully insured or collateralized.

Criteria:

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

Effect:

The District does not meet the requirement of Louisiana R.S. 39:1225.

Recommendation:

Collateralized pledges should be made to cover the balance.

Management's Response:

The District took corrective action to insure that deposits are fully collateralized on January 10, 2018.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

2017-004 OPERATING POLICIES AND PROCEDURES

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

The District should develop written operating policies and procedures.

Management's Response:

The District will adopt written policies and procedures in fiscal year ending June 30, 2018.

2017-005 INSUFFICIENT ACCOUNTING SYSTEM

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

Management's Response:

The District will discuss the possibility of purchasing QuickBooks and hiring a CPA to assist.

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

2017-006 LATE SUBMISSION OF REPORT

Condition:

Audited financial statements were not filed timely.

Criteria:

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

Effects:

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

Recommendation:

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

Management's Response:

The District will engage a CPA for their June 30, 2018 audit by their June 2018 board meeting.

SCHEDULE 3

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no prior year findings.

**CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT
BATON ROUGE, LOUISIANA
AGREED-UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

BAXLEY AND ASSOCIATES, LLC

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Capital Area Groundwater Conservation District 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 July 1, 2016 through June 30, 2017. The Capital Area Groundwater Conservation 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Procedures: 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
 - 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.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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

- 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
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings:

There were no written policies and procedures in place for any of the following functions: budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, travel and expense reimbursement, and ethics. Due to the nature of the District's activity, debt service policies and procedures are not applicable.

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.
 - 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).
 - c) 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.
 - d) 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.

Findings:

The Board of Commissioners meets on a quarterly basis with a quorum which is in accordance with the board's enabling legislation. Due to the District being an enterprise fund, there is no need for a monthly budget-to-actual comparison on the General Fund and any additional funds identified as major funds. The minutes of the meetings did reference non-budgetary information such as approval of various contracts throughout the year.

No exceptions were noted as a result of applying this procedure.

Bank Reconciliations

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

Findings:

We reviewed a listing of the client's bank accounts with Whitney National Bank. We received management's representation that the listing is complete and accurate.

No exceptions were noted as a result of applying this procedure.

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 5 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;
 - 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
 - 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.

Findings:

We selected all three of the cash accounts for the District. There was evidence that the bank reconciliations had been prepared and approved monthly by the Director for each account. The Director is not involved in the transactions associated with the bank account. There were no transactions greater than six months old outstanding as of the end of the fiscal period.

No exceptions were noted as a result of applying this procedure.

Collections

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

Findings:

We reviewed the listing of the cash/check/money order (cash) collection locations and management's representation that the listing is complete. There is only one collection location at the office in Baton Rouge.

No exceptions were noted in applying this procedure.

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 5 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.
- 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.
- 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.
 - 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.

Findings:

We performed testing for the one and only location in Baton Rouge. During testing, we obtained written documentation verifying that the individual responsible for collecting cash is bonded and she does not share a cash register or drawer with other employees. The individual that is responsible for collecting cash is also responsible for depositing the cash in the bank, recording the related transaction, and reconciling the related bank account.

We obtained written documentation from the entity that there is a formal process to reconcile cash collections to the general ledger. However, the person responsible for cash collections is the person that is also responsible for reconciling cash collections to the general ledger.

We examined supporting collection documentation and deposit slips and were able to trace the deposits to the bank statement. There were eighteen cash collections related to the deposit for the week selected and none of these collections were deposited within one day of collection. The collections that constituted the deposit made on the week selected were all deposited within four to thirty days of receipt.

- 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.

Findings:

We obtained written documentation from the entity that details a process specifically designed to determine completeness of all collections by a person that is also responsible for collections.

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.

Findings:

We received a listing of entity disbursements from management along with management's representation that the listing is complete.

No exceptions were noted in applying this procedure.

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

Findings:

After randomly selecting 25 disbursements from #8 above, we noted all disbursements were approved and supported by proper invoice. The selected disbursements were types that did not require requisition/purchasing order and receiving reports. Proper approval on all transactions did not include the initiator of the purchase.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

We reviewed the entity documentation to determine whether the party responsible for processing payment is prohibited from adding vendors to the entity's purchasing/disbursement system.

We noted no written policy that prohibits the individual responsible for processing payment from adding vendors. The person responsible for processing payments is allowed to add vendors once approved by the Director.

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.

Findings:

We inquired of management regarding their practices in approving disbursements or signatory authority for the entity to determine that the Director has the authority to authorize disbursements and sign checks. All of the District's disbursements are paid electronically; therefore, there are not actual signatures on the checks. The Director approves the bills/invoices presented by the Administrative Assistant. The Director does not initiate and record purchases.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

We observed the supply of unused checks being stored in a locked file cabinet. However, through inquiry with the Administrative Assistant, physical checks have not been written and issued in years. The key is maintained by the Administrative Assistant who does not have signatory authority.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

The entity does not have a signature stamp or signature machine. Therefore, this procedure was not applicable to Capital Area Groundwater Conservation 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.

Findings:

We were provided with a listing of all active credit cards along with management's representation that the listing is complete.

No exceptions were noted as a result of applying this procedure.

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

Findings:

There are only two credit cards from Chase; the activity for these two credit cards appear on the same statement. The statements are signed off on by the Director, and thus the statements are being approved by one of the authorized cardholders.

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

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)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- 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.
- 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.

Findings:

Each transaction was supported by an original itemized receipt. There was documentation of the business purpose accompanying the support of the transactions. The District does not have written policies and therefore, no other documentation was required to be kept as part of the policies. No exceptions were noted as a result of applying this procedure.

None of the transactions were subject to the rules of the Louisiana Public Bid Law and the District did not maintain written policies to compare the transaction's detail against.

There were no exceptions when comparing the District's documentation of business purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution. No exceptions were noted as a result of applying this procedure.

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.

Findings:

We were provided with a listing of all travel and related expense reimbursements by person for the fiscal period along with management's representation that the listing is complete.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

The District did not maintain written policies related to travel and expense reimbursements.

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.
- 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.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- 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.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

The District did not maintain written policies and procedures for the fiscal year ended June 30, 2017. Each selected travel reimbursement was compared to the GSA rates. There were no selected expenses that exceeded the GSA rates. No exceptions were noted as a result of applying this procedure.

Each expense was supported by an original itemized receipt except for meals because the District follows PPM 49 (Louisiana Travel Guide). No other documentation was viewed related to travel. No exceptions were noted as a result of applying this procedure.

There were no exceptions when comparing the District's documentation of business purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution. No exceptions were noted as a result of applying this procedure.

Each expense and related documentation was reviewed and approved in writing by someone other than the person receiving the reimbursement. No exceptions were noted as a result of applying this procedure.

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.

Findings:

We obtained a listing of all contracts in effect during the fiscal period along with management's representation that the listing is complete.

No exceptions were noted as a result of applying this procedure.

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

- 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).

Findings:

For the five contract "vendors" that were paid the most money during the fiscal period, we examined the contracts and paid invoices and determined that there were formal/written contracts to support the services arrangements and the amounts paid.

The District is not subject to the Louisiana Bid Law or Procurement Code. The District receives proposals for the projects to be contracted, the proposals are presented to the Board, and the Board approves the contracts.

None of the five contracts selected were amended.

We selected the largest payment from each of the five contracts along with a supporting invoice and related payment. This documentation was compared to the terms and conditions of the contract and it was determined that all payments complied with the terms and conditions of the contract.

Contract documentation and board minutes were reviewed and there is documentation of board approval for each of the contracts selected.

No exceptions were noted as a result of applying this procedure.

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.
 - 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.

Findings:

There are only two employees employed by the District. We reviewed compensation paid to each employee during the fiscal period and determined that the payments were made in strict accordance with the terms and conditions of the pay rate structure.

Changes made to hourly pay rates/salaries during the fiscal period were approved in writing and documented in the personnel files.

The District did not maintain written policies and procedures for the year ended June 30, 2017.

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

Findings:

We selected both employees to determine if each selected employee documented their daily attendance and leave, whether there was written documentation that supervisors approved the attendance and leave of the selected employees/officials, and whether there is written documentation that the entity maintained written leave record on the selected employees.

One employee is not eligible for leave but daily attendance records were maintained for him. The other employee did maintain daily attendance and leave records, had supervisor approval of attendance, had supervisor approval of sick/vacation leave, and maintained employee leave records.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

We obtained a listing from management indicating that there were no terminated employees or officials during the year ended June 30, 2017 along with management's representation that the listing is complete.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

We obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period. We reviewed remittances, cancelled checks, and reporting forms. The supporting documents were remitted timely to the appropriate agencies.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

We reviewed ethics compliance documentation received from management. The District did maintain documentation to demonstrate that the required ethics training was completed for both employees along with all members of the board of commissioners.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

As per management, there were no alleged ethics violations reported to the District during the fiscal period.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

No debt was issued or held during the fiscal period. Therefore, this procedure was not applicable to the Capital Area Groundwater Conservation District.

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.

Findings:

No debt was issued or held during the fiscal period. Therefore, this procedure was not applicable to the Capital Area Groundwater Conservation District.

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.

Findings:

No debt was issued or held during the fiscal period. Therefore, this procedure was not applicable to the Capital Area Groundwater Conservation District.

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.

Findings:

Per inquiry of management, they were not aware of any misappropriation of funds or assets.

No exceptions were noted as a result of applying this procedure.

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.

Findings:

Upon walkthrough of the District's office in Baton Rouge, it was noted that the District had the notice required by R.S. 24:523.1 posted in plain site on a filing cabinet. The notice is also posted on the District's website.

No exceptions were noted as a result of applying this procedure.

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

Findings:

There were no other exceptions noted while performing the Agreed Upon Procedures and none noted in management's representations.

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 result of that testing, and not to provide an opinion on control of compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Baxley & Associates, LLC

Plaquemine, Louisiana
January 31, 2018

CAPITAL AREA GROUNDWATER CONSERVATION DISTRICT

**Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017**

Management's Response to Items:

1. The District will adopt written policies and procedures during the year ending June 30, 2018.
6. The District's staff is composed of two employees. Depositing checks daily is not practical for the office. All checks and cash are kept in a locked drawer. (The District collects \$1.00-\$2.00 in cash annually.) The District is considering an online bill payment system in which vendors will pay electronically.
7. The District staff is composed of two employees.
10. The District will include in their written policies and procedures that before a vendor is added that approval of one member of the Executive Committee is needed.
15. The District will have one member of the Executive Committee and the Director approve credit card statements.
18. The District will adopt written policies and procedures for travel reimbursement for the year ending June 30, 2018.
22. The District will adopt written policies and procedures for payroll for the year ending June 30, 2018.