

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT**

For the Year Ended December 31, 2017

GRAVITY DRAINAGE DISTRICT NO. 4
 OF CALCASIEU PARISH, LOUISIANA
 ANNUAL FINANCIAL REPORT
 For the Year Ended December 31, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Title Page	
Table of Contents	2
List of Principal Officials	3
FINANCIAL SECTION	
Independent Auditors' Report	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of Balance Sheet – Governmental Funds- to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds- to the Statement of Activities	11
Notes to Financial Statements	12
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes In Fund Balance (GAAP Budgetary Basis) – Budget and Actual – General Fund	34
Schedule of Employer's Proportionate Share of Net Pension Liability	35
Schedule of Employer Contribution	36
Schedule of Compensation, Benefits and Other Payments to Agency Head	38
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	39
Schedule of Findings and Questioned Costs	41
Summary Schedule of Current and Prior Year Audit Findings And Corrective Action Plan	42

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA
December 31, 2017

COMMISSIONERS

Donny Greene – President
Mike Wittler – Vice President
Holland Guillory – Secretary- Treasurer
Bill Miller – Member
Bernadette Stevens – Member

ADMINISTRATION OFFICIALS

Miles Lyons – Superintendent
Sandra Echterhoff – Office Manager

LEGAL COUNSEL

Robert Kleinschmidt – Assistant District Attorney

ENGINEER

D.W. Jessen, Jr., P.E.



Langley, Williams & Company, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LAKE CHARLES, LOUISIANA 70606-4690
205 W. COLLEGE STREET
LAKE CHARLES, LOUISIANA 70605-1625
(337) 477-2827
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LESTER LANGLEY, JR.
DANNY L. WILLIAMS
PHILLIP D. ABSHIRE, JR.
DAPHNE BORDELON BERKEN
PHILLIP D. ABSHIRE, III
NICHOLAS J. LANGLEY
ALEXIS H. O'NEAL

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Gravity Drainage District No. 4
of Calcasieu Parish
Calcasieu Parish Police Jury
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 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 presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the District's budgetary comparison information on page 34, the Schedule of Employer's Proportionate Share of Net Pension Liability on page 35, and the Schedule of Employer Contribution on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gravity Drainage District No. 4 of Calcasieu Parish's basic financial statements. The schedule of compensation, benefits and other payments to agency head is presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and is 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. 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 *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

This report is intended solely for the information and use of management, and Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deputy, Walker, Co., #88

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**STATEMENT OF NET POSITION
December 31, 2017**

ASSETS

Cash and cash equivalents	\$ 1,551,866
Investments	13,514,314
Ad valorem taxes receivable, net of allowance for doubtful accounts of \$49,236	4,825,626
Other receivables	21,571
Prepaid assets	259,533
Capital assets, net	15,034,221
Total assets	35,207,131

DEFERRED OUTFLOWS OF RESOURCES

Pension related	356,615
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Total assets and deferred outflows of resources	\$ 35,563,746
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LIABILITIES

Accounts payable	\$ 73,133
Contracts payable	10,761
Other current liabilities	17,085
Long-term liabilities:	
Due after one year	24,390
Net pension liability	269,146
Total liabilities	394,515

DEFERRED INFLOWS OF RESOURCES

Pension related	69,565
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NET POSITION

Investment in capital assets	15,034,221
Unrestricted	20,065,445

Total Net Position	35,099,666
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Total liabilities, deferred inflows of resources and net position	\$ 35,563,746
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The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**STATEMENT OF ACTIVITIES
For the Year Ended December 31 2017**

Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Drainage	\$ 2,553,660	\$ -	\$ -	\$ (2,553,660)
Administration	515,435	-	-	(515,435)
Total governmental activities	\$ 3,069,095	\$ -	\$ -	(3,069,095)
General revenues:				
Ad valorem taxes				4,758,283
State revenue sharing				80,384
Interest income				8,313
Investment income				86,888
Gain on sale of assets				41,241
Total general revenues				4,975,109
Change in net position				1,906,014
Net position at beginning of year				33,193,652
Net position at end of year				\$ 35,099,666

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2017**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,551,866
Investments	13,514,314
Ad valorem taxes receivable, net of allowance for doubtful accounts of \$49,236	4,825,626
Other receivables	21,571
Prepaid assets	<u>259,533</u>
 Total assets	 <u><u>\$ 20,172,910</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 73,133
Contracts payable	10,761
Other current liabilities	<u>17,085</u>
Total liabilities	100,979
 Fund balance:	
Unassigned	<u>20,071,931</u>
 Total liabilities and fund balance	 <u><u>\$ 20,172,910</u></u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS- TO THE STATEMENT OF NET POSITION
December 31, 2017**

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 20,071,931
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

Certain long-term assets are not reported in the fund financial statements
because they are not available to pay current-period expenditures, but
they are reported as assets in the statement of net position.

Deferred outflows - pension related	356,615
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Capital asset used in governmental activities are not financial
resources and, therefore, are not reported in the funds.
Those assets consists of:

Cost of capital assets	\$ 27,335,866	
Less - accumulated depreciation	<u>(12,301,645)</u>	
		15,034,221

Long-term liabilities are not reported in the fund financial statements
because they are not due and payable in the current-period, but they
are present as liabilities in the statement of net position.

Long-term liabilities at December 31, 2017

Other post retirement benefits	(24,390)	
Net pension liability	(269,146)	
Deferred inflows - pension related	<u>(69,565)</u>	
		<u>(363,101)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>35,099,666</u></u>
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The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended December 31, 2017**

	<u>General Fund</u>
Revenue:	
Ad valorem taxes	\$ 4,758,283
State revenue sharing	80,384
Interest income	8,313
Investment gain	86,888
Proceeds from sale of assets	41,241
Total revenues	4,975,109
Expenditures:	
Current:	
Administrative	
Salaries and benefits	148,121
Materials	43,058
Operating services	33,648
Other program expenses	145,637
Drainage and flood control:	
Salaries and benefits	816,846
Operating services	957,454
Materials and supplies	214,841
Capital outlay	751,606
Total expenditures	3,111,211
Excess of revenues and over expenditures	1,863,898
Fund balance at beginning of year	18,208,033
Fund balance at end of year	\$ 20,071,931

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

Total net change in fund balances - governmental fund-per the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 1,863,898
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Revenues that are not available to pay current obligations are not reported
in the fund financial statements, but they are presented as revenues in the
statement of activities.

Non-employer contributions to cost-sharing pension plan	9,653
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets
are allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital
outlays exceed depreciation expense in the current period.

Capital asset purchases	751,606	
Depreciation expense	(644,812)	
		106,794

Government funds do not report changes in long-term liabilities
as expenditures. However, the following changes in long-term
liabilities to appear in the Statement of Activities since the
liabilities are reported on the Statement of Net Position

Change in other post retirement benefits	2,938	
Pension contribution subsequent to the measurement date	77,714	
Pension expense	(154,983)	
		(74,331)

Change in net position of governmental activities	<u>\$ 1,906,014</u>
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The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Gravity Drainage District No. 4 (“District”), a component unit of the Calcasieu Parish Police Jury, is responsible for maintenance of certain natural drainage laterals located in Ward 3, Calcasieu Parish. The District is authorized by R.S. 38:1751 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana. The Drainage Board is comprised of 5 members who are appointed by the Calcasieu Parish Police Jury for terms of four years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s more significant accounting policies are described below.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. REPORTING ENTITY – (Continued)

Because the police jury financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District's basic financial statements include both government-wide and fund financial statements.

A. Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS – (Continued)

B. Governmental Fund Financial Statements – (Continued)

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues, investment earnings, and interest. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is the District’s operating fund. It accounts for all financial resources of the District.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. BUDGETS AND BUDGETARY ACCOUNTING

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund with a legally adopted budget.

For further information regarding the District’s budget process see Note 10.

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District follows the practice of pooling cash and investments of all funds. For financial statement purposes, the District’s cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. CASH, CASH EQUIVALENTS AND INVESTMENTS – (Continued)

Louisiana state statutes, as stipulated in R.S. 33:2955, authorize the District to invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition the District is authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by the initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

Investments are reported at fair value except for LAMP investments, which are stated at cost, which approximates market and is equal to the value of the pool shares. Fair value was determined by obtaining “quoted” year end market prices.

For further information regarding the District’s investment programs see Note 2.

F. CAPITAL ASSETS

Capital assets are reported in the governmental columns in the government-wide financial statements. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$2,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	15 to 40 years
Improvements, other than buildings	5 to 40 years
Furniture and fixtures	3 to 10 years
Machinery and equipment	3 to 15 years
Infrastructure	15 to 40 years

In the governmental fund financial statements, the costs associated with the acquisitions or construction of capital assets are shown as expenditures. Capital assets are not shown on the governmental fund balance sheets.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. LONG-TERM DEBT

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consist of other post retirement benefits.

H. VACATION AND SICK LEAVE

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the District. Generally, vacation leave cannot be accumulated. However, vacation leave is allowed to be carried forward for the Superintendent, the Assistant Superintendent and the Office Manager, however, the liability is not considered by management to be material and the liability has not been accrued.

All District employees earn twelve and one-half hours of sick leave per month. Sick leave can be accumulated without limitation. Upon retirement, all unused sick leave is used in the retirement benefit computation as earned service.

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. Because these liabilities will not be settled in cash, they are not included in the financial statements.

2. INVESTMENTS

Investments are stated at fair market value. (See Note 1-E for additional investment disclosure.)

The District has entered into an agreement with the Calcasieu Parish Police Jury whereby the Police Jury provides investment management services. At December 31, 2017, the fair value of the District's investment in U.S. agency securities was \$8,409,160.

Credit Risk – Investments

Investments permitted by state statute included obligations issued, insured or guaranteed by the U.S. government including certificates or other evidences of ownership interest in such obligations and/or investments in registered mutual or trust funds consisting solely of U.S. government securities. It is the policy of the District to limit its investment program to purchases of U.S. Treasury and government agency obligations as well as investments in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool. LAMP has a Standard & Poor's Rating of AAAM. At December 31, 2017, the weighted-average yield on the deposits at LAMP was 1.23% and the weighted-average maturity was less than 90 days.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS – (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment. Investments are exposed to custodial credit risk if the securities are (a) uninsured and unregistered and held by the counterparty or (b) uninsured, unregistered and held by the counterparty’s trust department or agency but not in the name of the District.

The following chart presents the investment position of the District as of December 31, 2017. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

Investment	Uninsured, unregistered and Held by the Counterparty	Uninsured Unregistered and Held by the Counterparty's Trust Dept. or Agent but not in the Entity's Name	All Investments- Reported Amount	All Investments- Fair Value
U.S. Agency Obligations	\$ -	\$ -	\$ 8,409,160	\$ 8,409,160
LAMP	-	-	1,605,154	1,605,154
Certificate of Deposits	-	-	3,500,000	3,500,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,514,314</u>	<u>\$ 13,514,314</u>

Interest Rate Risk - Investments

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. Investments can be highly sensitive to changes in interest rates due to their terms or characteristics. The District’s investment policy with regards to interest rate risk is to match cash flow requirements with cash flows from investments. This matching allows for securities to be held to maturity thereby avoiding realizing losses due to the liquidation of securities prior to maturity, especially in a rising interest rate environment. Investing in longer term maturities that contain a “step up” in coupon interest rates will also contribute to the reduction of interest rate risk.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS – (Continued)

Investments, classified by maturity dates, at December 31, 2017 are summarized below:

Investment	Uninsured, unregistered and Held by the Counterparty	Uninsured Unregistered and Held by the Counterparty's Trust Dept. or Agent but not in the Entity's Name	All Investments- Reported Amount	All Investments- Fair Value
U.S. Agency Obligations	\$ -	\$ -	\$ 8,409,160	\$ 8,409,160
LAMP	-	-	1,605,154	1,605,154
Certificate of Deposits	-	-	3,500,000	3,500,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,514,314</u>	<u>\$ 13,514,314</u>

3. AD VALOREM TAXES

Accounting principles generally accepted in the United States of America for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 2017 levy are accrued as receivable and as revenue in the current year (2017). For budget purposes, property taxes collected in 2017 are designated as revenue appropriable in the 2017 budget year.

For the year ended December 31, 2017, taxes of 5.790 mills were levied on property with assessed valuations totaling approximately \$828,410,474. Total taxes levied for the year ended December 31, 2017 were \$4,796,608.

During the year, the tax assessor made adjustments to previous year taxpayer valuations and decreased a total of \$24,845 worth of taxes. This amount was netted with current year ad valorem taxes along with \$1,138 that management deemed necessary to adjust their allowance for uncollectible.

Property tax millage rates are adopted in June for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 1/1/17	Additions	Deletions	Balance 12/31/17
Governmental activities:				
Land	\$ 784,497	\$ 183,011	\$ -	\$ 967,508
Buildings	136,667	88,835	-	225,502
Furniture and fixtures	45,109	-	-	45,109
Light equipment	476,459	2,827	45,079	434,207
Heavy equipment	1,672,795	54,720	26,408	1,701,107
Infrastructure	23,389,127	119,780	-	23,508,907
Construction in progress	151,093	410,942	108,509	453,526
Total at historical cost	<u>26,655,747</u>	<u>860,115</u>	<u>179,996</u>	<u>27,335,866</u>
Less accumulated depreciation:				
Buildings	42,431	6,391	-	48,822
Furniture and fixtures	43,791	527	-	44,318
Light equipment	256,509	29,662	45,079	241,092
Heavy equipment	1,038,528	93,904	26,407	1,106,025
Infrastructure	10,347,061	514,327	-	10,861,388
Total accumulated depreciation	<u>11,728,320</u>	<u>644,811</u>	<u>71,486</u>	<u>12,301,645</u>
Governmental activities capital assets, net	<u>\$ 14,927,427</u>	<u>\$ 215,304</u>	<u>\$ 108,510</u>	<u>\$ 15,034,221</u>

Depreciation expense was \$644,812 for December 31, 2017.

5. OTHER POSTEMPLOYMENT BENEFITS

In 2008, the Police Jury implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the Police Jury consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future - upon retirement and whose costs will be borne by the Police Jury in the future. This Statement attempts to quantify the future "retirement" costs that have been earned by the employee during his active years of employment. The Police Jury will finance the postemployment benefits on a "pay-as-you-go" basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS – (Continued)

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of your current employees once they retire not just the liability referred to above that is actually recognized in the Statement of Net Position. The plan is required to have an Actuarial evaluation every two years. Some information furnished below is from the most current actuarial evaluation done April 28, 2017. The Police Jury contracted with a third party consultant to perform the actuarial valuation required by GASB Statement No. 45 as of January 1, 2008, January 1, 2010, January 1, 2012, January 1, 2014, and January 1, 2016. Since GASB Statement No. 45 requires valuations every other year for plan memberships exceeding 200, the actuarial valuations prepared will be utilized for the two year periods of 2008 and 2009, 2010 and 2011, 2012 and 2013, 2014 and 2015, and 2016 with the inclusion of the appropriate second year adjustments.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Plan Description: The District's OPEB Plan is a single employer defined benefit "substantive" plan as understood by the employer and its employees. All of the employees of the District's primary government and the following discretely presented component units may at their option participate in the employee's group health, dental and life insurance programs sponsored and administered by the Police Jury in conjunction with its third party insurance providers and administrative agents.

In addition to the option to participate in the group health, dental and life plans during employment, at retirement, employees who have twenty (20) years of cumulative service will be eligible for certain retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. The Gravity Drainage currently offers its retirees the option to elect to participate in the health, dental and life plans. While there is no specific written plan or trust for the Gravity Drainage OPEB plan alone and therefore no separate annual report is issued, the Gravity Drainage has reported this plan information based on communications to plan members via the written health plan maintained by the Police Jury. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Police Jury management before being distributed to Plan members.

Funding Policy: The contribution requirements of the retirees and the participating employers are established in the annual operating budget and may be amended in subsequent years with the approval of Police Jury management. As stated previously, the required contribution is based on projected "pay-as-you-go" financing requirements. The employer contribution to the OPEB plan for 2016 was \$7,938 for the District. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2016 consisted of \$502 per month if under age 65, \$375 per month if subject to Medicare Supplement Part A, or \$262 per month if subject to Medicare Supplements Parts A & B.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS – (Continued)

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

The projected unit credit actuarial cost method was used for the January 1, 2008, January 1, 2010, January 1, 2012, January 1, 2014, and January 1, 2016 actuarial valuations. Because the government currently finances OPEB using a “pay-as-you-go” approach, the discount rate is based on the historical and future investment yields that are expected to be used in financing the payment of benefits. The actuarial assumptions for all four valuations included a 4% investment rate of return, compounded annually. Life expectancies for the 2016 actuarial valuation report were based on the RP 2014 Healthy Male and Female Tables which the 2008, 2010, 2012 and 2014 valuation reports used the RP 2000 tables. Turnover rates for both valuation reports were based on the Parish’s historical data and modified based on years of employment.

For the January 1, 2016 actuarial valuation, claim costs were developed for pre-65 and post-65 retirees’ costs. Costs were developed based on the current fully insured equivalency rates with costs adjusted for aging since the underlying premium rates are not community rated. This basis was used for the calculation of the present value of total benefits to be paid for retiree coverage. The 2016 actuarial valuation assumed a healthcare cost inflation rate of 10% decreasing to an ultimate rate of 5% in 2023 and beyond. A 1% inflation factor was utilized each year. The 2016 actuarial valuation also assumes that (1) the member’s current marital status and whether spousal coverage is elected will remain unchanged at retirement, (2) female spouses are assumed to be three years younger than male employees and male spouses are assumed to be three years older than female employees, (3) employees electing single coverage as active employees are assumed to continue with single coverage at retirement and employees electing family coverage as active employees are assumed to continue family coverage as retirees and (4) 100% of employees will elect Medicare coverage when they are first eligible. The amortization method for the plan is level dollar with a thirty year open amortization period. The remaining amortization period at January 1, 2016 was twenty-one years.

Annual OPEB Cost and Net OPEB Obligation: The District’s annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Trend information has been disclosed below for 2016. The ARC was calculated as part of the January 1, 2016 actuarial valuations performed by outside actuary consultants.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS – (Continued)

The following table shows the components of the District’s annual OPEB costs for the current year and the amount actually contributed to the plan during the year:

Annual required contribution	\$	4,162
Interest on Net OPEB Obligation		1,093
Adjustment to ARC		1,245
Annual OPEB Cost		6,500
Less: Contributions		(9,438)
Increase in Net OPEB Obligation		(2,938)
Beginning Net OPEB Obligation, January 1, 2017		27,328
Ending Net OPEB Obligation, December 31, 2017	\$	24,390

The District’s annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended December 31, 2017 was as follows:

Fiscal Year End	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	\$ 6,500	145.20%	\$ 24,390
December 31, 2016	\$ 17,679	44.90%	\$ 27,328
December 31, 2015	\$ 4,410	84.92%	\$ 17,587

Funding Status and Funding Progress: During the fiscal year 2016, the District did not establish a fund for trusts to accumulate and invest assets necessary to pay for the accumulated liability; these financial statements assume the pay-as-you-go funding will continue. The District’s actuarial accrued liability of \$208,557 was unfunded.

The funded status of the plan, as determined by an actuary as of December 31, 2016 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a %age of Covered Payroll
12/31/2016	\$ -	\$ 208,557	\$ 208,557	0.00%	\$ 663,799	31.42%
12/31/2014	\$ -	\$ 275,384	\$ 275,384	0.00%	\$ 549,207	50.14%

6. RETIREMENT SYSTEMS

Substantially all employees are members of the Parochial Employees’ Retirement System (“PERS”) of Louisiana. This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and a Legal Advisor.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

The District implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the District to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

Plan Description:

The PERS is a cost-sharing multiple employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the “regular plan” and the “supplemental plan”. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Retirement Benefits:

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hire prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member’s final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Disability Benefit:

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Deferred Retirement Option Plan:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Cost of Living Adjustments:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions:

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2016 was 13.00% for Plan A. The actual rate differs actuarially required rate due to state statutes that require the contribution rate to be calculated and set two years prior to the year effective.

Non-employer Contributions:

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

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

At December 31, 2017, the District reported a liability of \$269,146 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District's proportion was 0.130684%, which was an increase of 0.057374% from its proportion measured as of December 31, 2015.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued):

For the year ended December 31, 2017, the District recognized pension expense of \$154,983. The District recognized revenue of \$9,653 as its proportionate share of non-employer contributions for the year ended December 31, 2016.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 47,098
Change of assumptions	51,099	-
Net difference between projected and actual earnings on pension plan investments	208,867	-
Change in proportion and differences between employer contributions and proportionate share of contributions	18,935	22,467
Employer contributions subsequent to the measurement date	77,714	-
Total	\$ 356,615	\$ 69,565

The \$77,714 reported as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2016 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31,

2018	\$ 74,221
2019	82,378
2020	47,740
2021	(5,642)
	\$ 198,698

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Actuarial Assumptions:

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 is as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.0%, net of investment expense
Projected salary increases	5.25% (2.50% inflation, 2.75% merit)
Mortality	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Cost of Living Adjustment	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.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the PERS's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Actuarial Assumptions – (Continued):

The discount rate used to measure the total pension liability was 7.00% for Plan A. 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 and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS'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.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 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>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternative	11%	0.67%
Real assets	2%	0.12%
Total	<u>100%</u>	<u>5.66%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.66%</u>

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Sensitivity to Change in Discount Rate:

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate:

	Change in Discount Rate:		
	2016		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proprotinate share of the net pension liability	\$ 805,122	\$ 269,146	\$ (184,039)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued Systems financial report.

Payables to the Pension Plan:

As of December 31, 2017, the District does not have a payable to the System.

7. EMPLOYEE BENEFIT PLAN

The District maintains a medical and death benefits plan covering substantially all employees of the District. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is funded through contributions made by the District through premiums and expenditures made by the District. Effective October 1, 2001, the District changed its medical benefits plan to provide medical benefits through a health insurance policy for which the District is responsible for the premium costs only.

The plan provides benefits that cover permanent, full-time employees of the District who choose to participate following the employee waiting period. The employee waiting period for all new employees is the first of the month following three months of full-time employment. Employees are not required to contribute to the plan in order to participate. The plan also provides continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) for qualified beneficiaries who would otherwise have lost coverage under the plan.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT PLAN – (Continued)

Although it has not expressed intent to do so, the District has the right to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA.

8. BAD DEBTS

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Tax revenue is shown net of the change in estimated uncollectible taxes of \$1,138.

9. SCHEDULE OF COMMISSIONERS' COMPENSATION

Comissioner:	
Donny Greene	\$ 4,800
Holland Guillory	4,800
Bill Miller	4,800
Mike Wittler	4,800
Bernadette Stevens	<u>4,800</u>
Total	<u><u>\$ 24,000</u></u>

Commissioners are compensated at the rate of \$400 per month.

10. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The appropriated budget is prepared by fund and function. The proposed budget is presented to the District's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from, or change appropriations, but may not change form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

Encumbrance accounting is not used.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

11. LEASES

The District is committed under various noncancelable operating leases, primarily for equipment. Some of these leases are month to month and no longer than 12 months. Future minimum operating lease commitments that are long-term are as follows:

2018	82,468
2019	<u>15,346</u>
Total	<u>\$ 97,815</u>

Rent expenditures were \$107,195 for the years ending December 31, 2017.

12. CONCENTRATION OF CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. Deposits are exposed to custodial credit risk if they are either (a) uninsured and uncollateralized or (b) uninsured and collateralized with securities held by the pledging financial institution or its trust department/agent but not in the name of the District. The District's cash and investment policy, as well as state law, require that deposits be fully secured by federal deposit insurance or the pledge of securities owned by the bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount of deposit with the bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk – Cash and Cash Equivalents

At December 31, 2017, the District has \$1,577,825 in deposits (collected bank balances) that were secured from risk by \$250,000 of federal deposit insurance and \$1,327,938 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Custodial Credit Risk – Certificate of Deposits

At December 31, 2017, the District has a total of \$3,500,000 in certificate of deposits (collected balances) that were secured from risk by \$3,500,000 of federal deposit insurance.

13. COMMITMENTS

In the normal course of business, the District has approved funding of various projects that have been started in 2017 or that will be to be started throughout 2018.

The District's total remaining commitment for the projects at December 31, 2017 is \$1,298,151.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

14. SUBSEQUENT EVENTS

Management of the District has evaluated its December 31, 2017 financial statements for subsequent events through June 25, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition of disclosure in the financial statements.

Required Supplemental Information

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE (GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 4,123,974	\$ 4,123,974	\$ 4,758,283	\$ 634,309
State revenue sharing	77,816	77,817	80,384	2,567
Interest income	8,107	8,107	8,313	206
Investment earnings	61,655	589,708	86,888	(502,820)
Intergovernmental	500,000	-	-	-
Proceeds from sale of assets	27,593	41,592	41,241	(351)
Total revenues	4,799,145	4,841,198	4,975,109	133,911
Expenditures:				
Current:				
Administrative				
Salaries and benefits	163,993	172,642	148,121	24,521
Operating services	79,304	48,346	33,648	14,698
Materials and supplies	36,490	45,428	43,058	2,370
Other program expenses	119,436	119,536	145,637	(26,101)
Drainage and flood control:				
Salaries and benefits	904,376	952,072	816,846	135,226
Operating services	2,256,608	1,375,677	957,454	418,223
Materials and supplies	182,072	226,667	214,841	11,826
Capital outlay	1,147,550	763,394	751,606	11,788
Total expenditures	4,889,829	3,703,762	3,111,211	592,551
Excess (deficit) of revenue over expenditures - budget basis	(90,684)	1,137,436	1,863,898	726,462
Fund balance at beginning of year	18,208,033	18,208,033	18,208,033	-
Fund balance at end of year	<u>\$ 18,117,349</u>	<u>\$ 19,345,469</u>	<u>\$ 20,071,931</u>	<u>\$ 726,462</u>

**GRAVITY DRAINAGE DISTRICT NO. 3
OF CALCASIEU PARISH, LOUISIANA**

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Year Ended December 31, 2017**

Fiscal Year	Employers Proportion of the Net Pension Liability (Assets)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate share of the Net Pension Liability (Asset) as a Percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.130684%	\$ 269,146	\$ 664,283	40.5168%	94.1489%
2016	0.073310%	\$ 192,973	\$ 639,916	30.1560%	92.2301%
2015	0.108940%	\$ 29,554	\$ 528,214	5.5951%	99.1464%

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

**GRAVITY DRAINAGE DISTRICT NO. 3
OF CALCASIEU PARISH, LOUISIANA**

**SCHEDULE OF EMPLOYER CONTRIBUTION
For the Year Ended December 31, 2017**

Fiscal Year	Contractually required contribution	Contribution in relation to contractually required contributions	Contribution deficiency (excess)	Employer's Covered Employee Payroll	Contribution as a % of Covered Employee Payroll
2017	\$ 83,035	\$ 83,035	\$ -	\$ 664,283	12.500%
2016	\$ 83,189	\$ 83,189	\$ -	\$ 639,916	13.000%
2015	\$ 76,591	\$ 76,591	\$ -	\$ 528,214	14.500%

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

Other Supplemental Information

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
For the Year Ended December 31, 2017**

Agency Head Name: Donny Greene

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0
Benefits	0
Per Diem	4,800
Travel	0
Other	0
	<u>\$ 4,800</u>



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

Board of Commissioners
Gravity Drainage District No. 4
of Calcasieu Parish
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gravity Drainage District No. 4 of Calcasieu Parish as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise of the District's basic financial statements and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior audit findings and corrective action plan that we consider to be significant deficiencies. We consider items 17-01(IC) and 17-02(IC) to be significant deficiencies.

Compliance and Other Matters

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

Gravity Drainage District No.4 of Calcasieu Parish's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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

This report is intended 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.

Jerry R. Williams, Co., LLP

Lake Charles, Louisiana
June 25, 2018

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017**

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Gravity Drainage District No. 4
of Calcasieu Parish, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan

For the Year Ended December 31, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Current year (12/31/2017)						
Internal Control:						
17- 01 (IC)	Unknown	Gravity Drainage District No. 4 did not have adequate segregation of duties within the accounting system.	No	The District's management has determined that it is not cost effective to achieve complete segregation of duties in the accounting department. They have, however, segregated as many duties as possible. No plan is considered necessary.	Sandra Echterhoff	NA
17- 02 (IC)	2007	Gravity Drainage District No. 4 does not have a staff person 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 related notes.	No	The District's management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with (GAAP) and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Sandra Echterhoff	NA

Compliance:

There were no matters involving compliance to be reported.

Gravity Drainage District No. 4
of Calcasieu Parish, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan - Continued

For the Year Ended December 31, 2016

Prior year (12/31/16)

Internal Control:

16- 01 (IC)	Unknown	Gravity Drainage District No. 4 did not have adequate segregation of duties within the accounting system.	No	The District's management has determined that it is not cost effective to achieve complete segregation of duties in the accounting department. They have, however, segregated as many duties as possible. No plan is considered necessary.	Sandra Echterhoff	NA
16- 02 (IC)	2007	Gravity Drainage District No. 4 does not have a staff person 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 related notes.	No	The District's management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with (GAAP) and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Sandra Echterhoff	NA
16- 01 (C)	2016	For the year ended December 31, 2016, the District had one project that did not follow the requirement that public works be advertised and let be contracted to the lowest responsible and responsive bidder. R.S. 38:2212(V)		All board members were given a copy of the Louisiana Public Bid Law for review. They will monitor all planned projects carefully and make sure that they are in compliance with the Louisiana Bid Law.	Sandra Echterhoff	6/7/2017



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Gravity Drainage District No. 4 of Calcasieu Parish
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by Gravity Drainage District No. 4 of Calcasieu Parish ("District") and the Louisiana Legislative Auditor ("LLA") on the control and compliance ("C/C") areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C 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. 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.

Exception: There were no written policies and procedures.

Management's response: Management is in the process of implementing a set of formal written policies and procedures that will cover all sections from above.

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.

There were no exceptions noted as a result of applying this procedure.

- 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).

There were no exceptions noted as a result of applying this procedure.

- 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.

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions 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.

We obtained a list of bank accounts from management and management's representation that the list was complete.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 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;

There were no exceptions noted as a result of applying this procedure.

- 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

There were no exceptions noted as a result of applying this procedure.

- 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.

Exception: In reviewing the selected bank reconciliations, there was no evidence of management's research into items that have been outstanding for 6 months or more.

Management's response: Management is in the process of writing their policy and procedures to include the written documentation of research of reconciling items outstanding more than six months.

Collections

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

We obtained a listing of cash collection locations and management's representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 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.

1) **There were no exceptions noted as a result of applying this procedure.**

2) **Exception: The person responsible for collecting cash is responsible for depositing the cash and reconciling the account.**

Management's response: Management has determined that it is not cost effective to achieve complete segregation of duties in the accounting department. They have, however, segregated as many duties as possible and the board reviews all financial documents at their monthly board meetings.

3) **There were no exceptions as a result of applying this procedure.**

- 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.

Exception: The entity does not have a formal process to reconcile cash collections to the general ledger.

Management’s response: Management is in the process of developing written policies and procedures to include collections reconciliations.

- 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.

<u>Location</u>	<u>Number of Receipts</u>	<u>Number of Days from Collection to Deposit</u>
Gravity Drainage District No. 4	1	2-3 days

Exception: The entity does not keep a complete record of daily cash collections. As a result of this we were not able to accurately determine the number of days between the day of collection and the day of deposit for the week selected.

Management’s response: Due to the low volume of receipts collected during the week at the noted collection site and limited number of employees, it is not economically feasible for employees to travel to the bank. Deposits not made within one day of collection will be kept in a locked safe until taken to the bank.

- 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.

There were no exceptions noted as a result of applying this procedure.

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.

Exception: There is no formal written procedure that determines the completeness of all collections.

Management's response: Management is in the process of developing written policies and procedures to include their procedures over the completeness of revenue.

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.

We obtained a listing of disbursements and management's representation that the list was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The District uses hand written purchase orders for the purchases of material, supplies and contract services. Although there is an approval signature, we can not determine who initiated the purchase. For the 25 items selected there was only one item that did not have a purchase order attached to the invoice.

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

We noted that there was a signature for the approval of the purchase but there was no way to determine who initiated 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.

There was a copy of the hand-written purchase order attached to the invoice that was paid, however there was no documentation that the Districted had received the item purchased. The board approves all payments of invoices.

Management's response: Management is in the process of developing written policies and procedures to include their procedures over the completeness of the purchasing process.

- 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.

Exception: The individual responsible for processing payments is allowed to add vendors into the purchasing/disbursement system.

Management's response: The District has control activities over the approval of purchases that is deemed adequate by management. These controls include the board reviewing of all invoices and approving them for payment.

- 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.

There were no exceptions 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.

There were no exceptions 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.

The entity does not use a signature stamp or signature machine, therefore making this procedure not applicable.

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.

We obtained a listing of active credit cards and management's representation that the list was complete.

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized 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.])

There were no exceptions noted as a result of applying this procedure.

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

For the statement that was selected for review, we found that they had a \$8.19 finance charge on the statement.

Managements response: The finance charge was from a previous bill that was not paid in full. In the future management will ensure that they pay all credit card bills in full.

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.)

For all credit cards tested, there were original itemized receipts for all transactions, there was written evidence of the documentation of the business purpose of the transactions and per discussion with management there is nothing else required.

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.

Exception: We were not able to compare transaction details to the entity's written policies due to the lack of formal written policies for purchasing/disbursements, however, none of the transactions tested were subject to Louisiana Public Bid Law.

Management's response: Management is in the process of developing written policies and procedures that will cover this procedure.

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.

There were no exceptions 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.

We obtained a listing of all travel and related expense reimbursements and management's representation that the listing is complete.

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

Exception: There are no written policies to compare to the U.S. General Services Administration rates.

Management's response: Management is in the process of developing policies and procedures that will cover this procedure.

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.

Exception: There are no written policies to verify the expense was reimbursed in accordance with.

Management's response: Management is in the process of developing policies and procedures that will cover this procedure.

- 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)

There were no exceptions noted as a result of applying this procedure.

- 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.

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions 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.

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

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Exception: Of the five vendors selected, only three vendors had a formal written contracts.

Management's response: Management will implement procedures that will require the acquisition of a formal written contract for all service arrangements entered into by the entity.

- 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)

Two of the five contracts selected was subject to Louisiana Public Bid Law or Procurement Code and complied with all legal requirements.

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

There were no exceptions noted as a result of applying this procedure.

- 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.

None of the contracts selected were amended during the current fiscal period.

- 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.

Payments made on each contract were made within the terms and conditions of the contract and or invoice.

- 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).

All contracts entered into by the District are approved by the board in the board minutes.

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:

We obtained a listing of employees and management's representation that the listing is complete.

- 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.

There were no exceptions noted as a result of applying this procedure.

- 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.

There were no exceptions noted as a result of applying this procedure.

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.)

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

- 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.

There were no exceptions 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.

Exception: There are no written policies or procedures on termination payments to employees so we were not able to verify the payments were made in strict accordance with policy.

Management's response: Management will implement a set of formal written policies and procedures that will cover 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.

There were no exceptions 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.

Exception: Of the five employees selected, none had the required ethics compliance documentation.

Management's response: Management will implement a policy that requires all employees and officials to complete annual required ethics training and turn in the required documentation to management demonstrating they attended and completed the training.

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.

Management has asserted that they have not received any allegations of ethics violations during the fiscal period.

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.

No debt was issued during the fiscal period. Therefore, this procedure was not applicable.

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.

The District does not have any outstanding debt; therefore, this procedure was not applicable.

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.

The District had no tax millages related to debt service; therefore, this procedure was not applicable.

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.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

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.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

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

There were no exceptions noted as a result of applying these procedures.

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



Langley, Williams & Co. LLC
Lake Charles, Louisiana
June 22, 2018