

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

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

For the Year Ended December 31, 2019

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	36
Schedule of Employer's Proportionate Share of Net Pension Liability	37
Schedule of Employer Contribution	38
Schedule of Changes in Total OPEB Liability and Related Ratios	39
Notes to the Required Supplementary Information	40
Schedule of Compensation, Benefits and Other Payments to Agency Head	42
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>	43
Schedule of Findings and Questioned Costs	45
Summary Schedule of Current and Prior Year Audit Findings And Corrective Action Plan	46

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH, LOUISIANA
December 31, 2019

COMMISSIONERS

Michael Wittler – President
Darby Quinn – Vice President
T.A. Jones – Secretary- Treasurer
Donny Greene – Commissioner
Clinton Leger – Commissioner
Gary Gobert – Commissioner
Craig Schultz – Commissioner

ADMINISTRATION OFFICIALS

Mike Polk – Superintendent
Sandra Echterhoff – Office Manager

LEGAL COUNSEL

Cade Cole

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
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LAKE CHARLES, LOUISIANA 70605-1625
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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
SARAH CLARK WERNER

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 ("District") of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2019, 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.

Auditors' 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, 2019, 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 36, the Schedule of Employer's Proportionate Share of Net Pension Liability on page 37, the Schedule of Employer Contribution on page 38, the schedule of changes in total OPEB liability and related ratios on page 39, and 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 District'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 September 21, 2020, 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.

Joyly Williams Co., P.C.

Lake Charles, Louisiana
September 21, 2020

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

**STATEMENT OF NET POSITION
December 31, 2019**

ASSETS

Cash and cash equivalents	\$ 10,471,567
Investments	8,012,092
Ad valorem taxes receivable, net of allowance for doubtful accounts of \$56,462	5,357,413
Other receivables	78,299
Prepaid assets	136,175
Land and other capital assets not being depreciated	2,191,578
Capital assets, net of accumulated depreciation	<u>12,946,013</u>
Total assets	<u>39,193,137</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB related	73,207
Pension related	<u>444,194</u>
	<u>517,401</u>

Total assets and deferred outflows of resources \$ 39,710,538

LIABILITIES

Accounts payable	\$ 311,339
Other current liabilities	45,295
Long-term liabilities:	
Other post employment benefit payables	507,616
Net pension liability	<u>495,886</u>
Total liabilities	1,360,136

DEFERRED INFLOWS OF RESOURCES

Pension related	45,793
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NET POSITION

Investment in capital assets	15,137,591
Unrestricted	<u>23,167,018</u>

Total Net Position 38,304,609

Total liabilities, deferred inflows of resources and net position \$ 39,710,538

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 2019**

Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Drainage	\$ 3,453,177	\$ -	\$ -	\$ (3,453,177)
Administration	1,190,335	-	-	(1,190,335)
Total governmental activities	\$ 4,643,512	\$ -	\$ -	(4,643,512)
General revenues:				
Ad valorem taxes				5,176,490
State revenue sharing				78,853
Interest income				8,398
Investment income				424,720
Intergovernmental				510,166
Total general revenues				6,198,627
Change in net position				1,555,115
Net position at beginning of year				36,749,494
Net position at end of year				\$ 38,304,609

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, 2019**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 10,471,567
Investments	8,012,092
Ad valorem taxes receivable, net of allowance for doubtful accounts of \$56,466	5,357,413
Other receivables	78,299
Prepaid assets	136,175
	<hr/>
Total assets	\$ 24,055,546
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 311,339
Other current liabilities	45,295
Total liabilities	<hr/> 356,634
Fund balance:	
Unassigned	<hr/> 23,698,912
	<hr/> <hr/>
Total liabilities and fund balance	\$ 24,055,546

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, 2019**

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 23,698,912
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital asset used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and other capital assets not being depreciated	\$ 2,191,578	
Cost of capital assets	26,561,584	
Less - accumulated depreciation	<u>(13,615,571)</u>	
		15,137,591

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.

Other post retirement benefits	(507,616)
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In accordance with Governmental Accounting Standards Board No. 68, the net pension asset (liability) related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net pension liability	(495,886)	
Deferred outflows - OBEP related	73,207	
Deferred outflows - pension related	444,194	
Deferred inflows - pension related	<u>(45,793)</u>	
		<u>(24,278)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 38,304,609</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, 2019**

	<u>General Fund</u>
Revenue:	
Ad valorem taxes	\$ 5,176,490
State revenue sharing	78,853
Interest income	8,398
Investment gain	424,720
Intergovernmental revenue	510,166
Total revenues	6,198,627
Expenditures:	
Current:	
Administrative	
Salaries and benefits	182,657
Materials	41,847
Operating services	88,098
Other program expenses	690,167
Drainage and flood control:	
Salaries and benefits	926,775
Operating services	1,731,842
Materials and supplies	210,707
Capital outlay	937,446
Total expenditures	4,809,539
Excess of revenues and over expenditures	1,389,088
Fund balance at beginning of year	22,309,824
Fund balance at end of year	\$ 23,698,912

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, 2019

Total net change in fund balances - governmental fund-per the
Statement of Revenues, Expenditures, and Changes in Fund Balance

\$ 1,389,088

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

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	\$	937,446	
Depreciation expense		(666,332)	
			271,114

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

Pension expense		(188,310)	
Contributions from non-employer contributing entities		8,538	
Pension contribution subsequent to the measurement date		79,814	
			(99,958)

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			(5,129)
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Change in net position of governmental activities

\$ 1,555,115

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. These criteria include:

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’s 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's 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. BUDGET PRACTICES

- a. The proposed budget is prepared and submitted to the Advisory Board for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
- b. The proposed budget is made available for public inspection.
- c. The budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- d. All budgetary appropriations lapse at the end of each fiscal year.
- e. The budget is adopted on a basis consistent with GAAP. Budgeted amounts are as originally adopted or as finally amended by the Board.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

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.

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. AD VALOREM TAX RECEIVABLE

Ad valorem tax receivable totaled \$5,357,413 as of December 31, 2019. Uncollectible amounts due for ad valorem taxes are recognized as uncollectible using the allowance method. The allowance for uncollectible accounts at December 31, 2019, was \$54,662.

G. 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. CAPITAL ASSETS – (Continued)

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.

H. 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 consists of other post-retirement benefits.

I. EQUITY CLASSIFICATION

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

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

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District. These amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed.
- Unassigned: includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District board has provided otherwise in its commitment or assignment actions.

K. ESTIMATES

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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. 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.

M. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, “Leases.” The statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after June 15, 2021. The effect of implementation on the District’s financial statements has not yet been determined.

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, 2019, the fair value of the District’s investment in U.S. agency securities was \$3,000,000.

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).

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

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS – (Continued)

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, 2019, the weighted-average yield on the deposits at LAMP was 1.71% and the weighted-average maturity was less than 90 days.

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, 2019. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

<u>Investment</u>	<u>Uninsured, unregistered and Held by the Counterparty</u>	<u>Uninsured Unregistered and Held by the Counterparty's Trust Dept. or Agent but not in the Entity's Name</u>	<u>All Investments- Reported Amount</u>	<u>All Investments- Fair Value</u>
U.S. Agency Obligations	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000
LAMP	-	-	2,708,455	2,708,455
Certificate of Deposits	-	-	2,303,637	2,303,637
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,012,092</u>	<u>\$ 8,012,092</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, 2019 are summarized below:

Investment	Fair Value	0-1 Years Before Maturity	1-5 Years Before Maturity
U.S. Agency Obligations	\$ 3,000,000	\$ 1,500,000	\$ 1,500,000
LAMP	2,708,455	2,708,455	-
Certificate of Deposits	2,303,637	2,303,637	-
	<u>\$ 8,012,092</u>	<u>\$ 6,512,092</u>	<u>\$ 1,500,000</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 2019 levy are accrued as receivable and as revenue in the current year (2019). For budget purposes, property taxes collected in 2019 are designated as revenue appropriate in the 2019 budget year.

For the year ended December 31, 2019, taxes of 5.790 mills were levied on property with assessed valuations totaling approximately \$909,889,047. Total taxes levied for the year ended December 31, 2019 were \$5,268,296.

During the year, the tax assessor made adjustments to previous year taxpayer valuations and decreased a total of \$76,239 worth of taxes. This amount was netted with current year ad valorem taxes along with \$3,622 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, 2019, was as follows:

	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 12/31/19</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,365,164	\$ 366,393	\$ -	\$ -	\$ 1,731,557
Construction in progress	114,099	352,701	-	(6,779)	460,021
Total capital assets not being depreciated	<u>\$ 1,479,263</u>	<u>\$ 719,094</u>	<u>\$ -</u>	<u>\$ (6,779)</u>	<u>\$ 2,191,578</u>
Capital assets being depreciated:					
Buildings	\$ 225,502	\$ -	\$ -	\$ -	\$ 225,502
Furniture and fixtures	45,109	-	-	-	45,109
Light equipment	491,440	57,815	-	-	549,255
Heavy equipment	1,706,109	79,296	-	-	1,785,405
Infrastructure	23,868,293	81,242	-	6,779	23,956,314
Total capital assets being depreciated	26,336,453	218,353	-	6,779	26,561,585
Less accumulated depreciation:					
Buildings	56,422	7,600	-	-	64,022
Furniture and fixtures	44,845	264	-	-	45,109
Light equipment	273,773	37,951	-	-	311,724
Heavy equipment	1,192,161	92,166	-	-	1,284,327
Infrastructure	11,382,039	528,351	-	-	11,910,390
Total accumulated depreciation	<u>12,949,240</u>	<u>666,332</u>	<u>-</u>	<u>-</u>	<u>13,615,572</u>
Total capital assets being depreciated, net	<u>\$ 13,387,213</u>	<u>\$ (447,979)</u>	<u>\$ -</u>	<u>\$ 6,779</u>	<u>\$ 12,946,013</u>

Depreciation expense as of December 31, 2019 was charged to governmental activities as follows:

Governmental activities:	
Drainage	\$ 663,667
Administration	2,665
Total depreciation - governmental activities	<u>\$ 666,332</u>

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

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

In 2018, the Police Jury implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." the statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This statement replaces the requirements Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. 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.

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 District 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 District OPEB plan alone and therefore no separate annual report is issued, the District 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.

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 as of January 1, 2018 with a measurement date of December 31, 2018. For the Parish plan, the actuarial valuation is required every other year therefore the actuarial valuation prepared will be utilized for the two-year periods of 2018 and 2019 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.

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Benefits Provided: The District’s OPEB Plan provides health (medical and prescription), dental and life insurance programs for retirees and their dependents. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a self-insured basis. Benefits are subsidized by the Parish. Dental and life insurance coverage are available to retirees, but these coverages are not subsidized by the Parish. The Parish does not reimburse for Medicare Part B or Part D premium for Medicare eligible retirees and

Employees covered by benefit terms – At January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	13
 Total	 15

Total OPEB Liability

The District’s total OPEB liability of \$507,616 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and other inputs – The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.5%, including inflation
Discount rate	2.9%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 74/75 using an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GA AA 20 Years) as of December 31, 2019 and rounded to the nearest 0.1%.

RP 2014 Healthy Male and Female Tables are based on the Employee and Healthy Annuitant Tables for both pre & post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2019 to December 31, 2019.

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

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Changes in Total OPEB Liability

Balance as of December 31, 2018	\$ 429,280
Changes for the year:	
Service cost	5,886
Interest	14,353
Change in assumptions	73,207
Difference between expected and actual experience	-
Benefit payments and net transfers	<u>(15,110)</u>
Net change in total OPEB liability	<u>78,336</u>
Balance as of December 31, 2019	<u><u>\$ 507,616</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.9%) or 1-percentage-point higher (3.9%) than the current discount rate:

	<u>1% Decrease 1.90%</u>	<u>Current Discount Rate 2.90%</u>	<u>1% Increase 3.90%</u>
Total OPEB liability	\$ 655,889	\$ 507,616	\$ 406,155

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current healthcare trend rates:

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Total OPEB liability	\$ 388,238	\$ 507,616	\$ 680,976

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

NOTES TO FINANCIAL STATEMENTS

5. OTHER POSTEMPLOYMENT BENEFITS – (Continued)

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	73,207	-
Net difference between projected and actual earnings on pension plan investments	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	\$ 73,207	\$ -

Amortization of impact due to changes in assumptions is over 10 years or \$7,321 per year.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

Retirement Benefits:

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

For employees hired 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

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.

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, 2018, the actuarially determined contribution rate was 9.99% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2018 was 11.5% for Plan A. The actual rate differs from the 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 $\frac{1}{4}$ 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.

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

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

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

At December 31, 2019, the District reported a liability of \$495,886 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of December 31, 2018 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, 2018, the District's proportion was 0.111727%, which was an increase of 0.4305% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the District recognized pension expense of \$188,310. The District recognized revenue of \$8,538 as its proportionate share of non-employer contributions for the year ended December 31, 2019.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 30,211
Change of assumptions	123,987	-
Net difference between projected and actual earnings on pension plan investments	237,382	-
Change in proportion and differences between employer contributions and proportionate share of contributions	3,011	15,582
Employer contributions subsequent to the measurement date	79,814	-
Total	<u>\$ 444,194</u>	<u>\$ 45,793</u>

The \$79,814 reported as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

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

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

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,

2020	\$	107,390
2021		51,014
2022		50,138
2023		105,177
		\$ 313,719

Actuarial Assumptions:

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018 is as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	6.50%, net of investment expense
Projected salary increases	4.75% (2.40% inflation, 2.35% 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.

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

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

The discount rate used to measure the total pension liability was 6.5% 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 7.43% for the year ended December 31, 2018.

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

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS – (Continued)

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, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternative	11%	0.65%
Real assets	2%	0.11%
Total	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

Sensitivity to Change in Discount Rate:

The following presents the net pension liability (asset) of the participating employers calculated using the discount rate of 6.50%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower 5.50% or one percentage point higher 7.50% than the current rate:

	Change in Discount Rate:		
	2018		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportinate share of the net pension liability (asset)	\$ 1,053,126	\$ 495,886	\$ 30,079

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, 2019, the District has a payable to the System in the amount of \$6,559.

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

NOTES TO FINANCIAL STATEMENTS

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.

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. SCHEDULE OF COMMISSIONERS' COMPENSATION

Comissioner:	
Donny Greene	\$ 2,800
Holland Guillory	2,800
Bill Miller	3,200
Mike Wittler	2,600
Bernadette Stevens	<u>2,700</u>
Total	<u><u>\$ 14,100</u></u>

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

9. 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:

2020	\$ 80,641
2021	80,641
2022	80,641
2023	80,641
2024	<u>22,834</u>
Total	<u><u>\$ 345,399</u></u>

Rent expenditures were \$117,730 for the year ending December 31, 2019.

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

NOTES TO FINANCIAL STATEMENTS

10. 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, 2019, the District has \$10,593,488 in deposits (collected bank balances) that were secured from risk by \$250,000 of federal deposit insurance and \$10,343,548 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The District had no cash and cash equivalents that was uninsured and uncollateralized.

Custodial Credit Risk – Certificate of Deposits

At December 31, 2019, the District has a total of \$2,303,637 in certificate of deposits (collected balances) that were secured from risk by \$2,303,637 of federal deposit insurance.

11. COMMITMENTS

In the normal course of business, the District has approved funding of various projects that have been started in 2019 or that will be to be started throughout 2020.

The District's total remaining commitment for the projects at December 31, 2019 is \$2,051,640.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

NOTES TO FINANCIAL STATEMENTS

13. SUBSEQUENT EVENTS

The recent global outbreak of the Coronavirus (COVID-19) has raised concerns regarding business and the financial markets have recently experienced significant volatility. While District has been immediately impacted by the adverse conditions in the financial markets, the long-term impact on the District's operations are uncertain at this time.

On August 27, 2020, Hurricane Laura made landfall in Southwest Louisiana. As a result, there was significant damage across the region. The financial impact of this event on the District has yet to be determined.

Management of the District has evaluated its December 31, 2019 financial statements for subsequent events through the date of the independent auditors' report, the date the financial statements were available to be issued. Except for the items above, management is not aware of any subsequent events which would require recognition or 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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 4,500,000	\$ 4,500,000	\$ 5,176,490	\$ 676,490
State revenue sharing	65,000	65,000	78,853	13,853
Interest income	8,500	8,500	8,398	(102)
Investment earnings	7,885	7,885	424,720	416,835
Intergovernmental	-	-	510,166	510,166
	<u>4,581,385</u>	<u>4,581,385</u>	<u>6,198,627</u>	<u>1,617,242</u>
Total revenues				
Expenditures:				
Current:				
Administrative				
Salaries and benefits	192,243	192,243	182,657	9,586
Operating services	166,187	166,187	88,098	78,089
Materials and supplies	34,481	34,481	41,847	(7,366)
Other program expenses	131,480	131,480	690,167	(558,687)
Drainage and flood control:				
Salaries and benefits	975,415	975,415	926,775	48,640
Operating services	3,266,925	3,266,925	1,731,842	1,535,083
Materials and supplies	173,619	173,619	210,707	(37,088)
Capital outlay	1,652,000	1,652,000	937,446	714,554
	<u>6,592,350</u>	<u>6,592,350</u>	<u>4,809,539</u>	<u>1,782,811</u>
Total expenditures				
Excess of expenditures over revenues - budget basis	(2,010,965)	(2,010,965)	1,389,088	3,400,053
Fund balance at beginning of year	<u>22,309,824</u>	<u>22,309,824</u>	<u>22,309,824</u>	<u>-</u>
Fund balance at end of year	<u>\$ 20,298,859</u>	<u>\$ 20,298,859</u>	<u>\$ 23,698,912</u>	<u>\$ 3,400,053</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, 2019**

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
2019	0.111727%	\$ 495,886	\$ 746,016	66.4712%	88.8618%
2018	0.107422%	\$ (79,734)	\$ 682,594	-11.6810%	101.9768%
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.

See accompanying independent auditors' report and the accompanying notes to the required supplemental information.

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

**SCHEDULE OF EMPLOYER CONTRIBUTION
For the Year Ended December 31, 2019**

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
2019	\$ 85,792	\$ 85,792	\$ -	\$ 746,016	11.500%
2018	\$ 78,498	\$ 78,498	\$ -	\$ 682,594	11.500%
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.

See accompanying independent auditors' report and the accompanying notes to the required supplemental information.

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

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2019**

Total OPEB Liability	2018	2019
Service cost	\$ 4,900	\$ 5,886
Interest	16,220	14,353
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	-	73,207
Benefit payments	(15,489)	(15,110)
Net change in total OPEB liability	<u>5,631</u>	<u>78,336</u>
Total OPEB liability - beginning	<u>423,649</u>	<u>429,280</u>
Total OPEB liability - ending	<u><u>\$ 429,280</u></u>	<u><u>\$ 507,616</u></u>
Covered-employee payroll	\$ 499,737	\$ 746,016
Net OPEB liability as a percentage of cover-employee payroll	85.90%	68.04%

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

See accompanying independent auditors' report and the accompanying notes to the required supplemental information.

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

**Notes to the Required Supplementary Information
For the Year Ended December 31, 2019**

1. BUDGET PRACTICES

- a. The proposed budget is prepared and submitted to the Advisory Board for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
- b. The proposed budget is made available for public inspection.
- c. The budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- d. All budgetary appropriations lapse at the end of each fiscal year.
- e. The budget is adopted on a basis consistent with GAAP. Budgeted amounts are as originally adopted or as finally amended by the Board.

2. PENSION PLAN

Changes of Assumptions - Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Amounts reported in the year ended December 31, 2018 for the Parochial Employees' Retirement System of Louisiana reflect an adjustment in the discount rate used to measure the total pension liability. The discount rate for the System was reduced by 0.25 % to 6.50% as of the valuation date December 31, 2018.

3. OPEB PLAN

Changes of Benefit Terms –

There were no changes of benefit terms for the year ended December 31, 2019.

Changes of Assumptions –

There were no changes of assumptions for the year ended December 31, 2019.

Change from Prior Valuation –

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of three 20-year bond indices as of December 31, 2019 and rounded to the nearest 0.1%. This average discount rate is 2.9%, which is a change from the prior valuation discount rate of 3.9%.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of the Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

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, 2019**

Agency Head Name: Michael Wittler

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0
Benefits	0
Per Diem	2,600
Travel	0
Other	0
	<u>\$ 2,600</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 ("District") as of and for the year ended December 31, 2019, 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 September 21, 2020.

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. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 19-01(IC) that we consider to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 19-01(C), 19-02(C), 19-03(C) and 19-04(C).

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.

Joseph, Walker & Co., P.C.

Lake Charles, Louisiana
September 21, 2020

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019**

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes

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, 2019

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 (12/31/2019)						
Internal Control:						
19-01 (IC)	Unknown	Segregation of duties and management oversight	Yes	The District has turned all accounting functions over to the Police Jury where there is proper internal controls and segregation of duties.	Tammy Bufkin	1/28/2020
Compliance:						
19-01 (C)	2019	Alleged misappropriation of payroll funds	Yes	The District has turned all accounting functions over to the Police Jury where there is proper internal controls and segregation of duties. Management will review in more detail payroll transactions to check for accuracy.	Tammy Bufkin	1/28/2020
19-02 (C)	2019	Bank statement and bank reconciliation alterations	Yes	The District has turned all accounting functions over to the Police Jury where there is proper internal controls and segregation of duties.	Tammy Bufkin	1/28/2020
19-03 (C)	2019	Timely and inaccurate filing of payroll returns	Yes	The District has turned all accounting functions over to the Police Jury where there is proper internal controls and segregation of duties. All payroll returns were amended and corrected. All payroll returns in the future will be properly and accurately filed.	Tammy Bufkin	1/28/2020
19-04 (C)	2019	During 2019 the District had purchases that were subject to LA Public Bid Law, that they had no documentation showing compliance with LA Public Bid Law.	Yes	The District has turned all accounting functions over to the Police Jury where there is proper internal controls and segregation of duties. All documents will be kept for support.	Tammy Bufkin	1/28/2020

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, 2018

Prior year (12/31/2018)

Internal Control:

18- 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
18- 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:						
18 -01 (C)	2018	For the year ended December 31, 2018. Gravity Drainage District No.4 had uninsured cash.	Yes	The bank caught this error the next business day and pledged more securities to get them in compliance with state law.	Sandra Echterhoff	1/2/2019

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: Gravity Drainage District No. 4 of Calcasieu Parish

FISCAL YEAR END: December 31, 2019

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	Gravity Drainage District No. 4 of Calcasieu Parish’s (“GD#4”) office manager made unauthorized salary payments to herself, in addition to her regular biweekly payroll, in four consecutive pay periods.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Misappropriation of payroll funds.
3	The amount of funds or approximate value of assets involved.	Total funds identified was \$6,495.52
4	The department or office in which the fraud or misappropriation occurred.	There are no separate department in GD#4 due to the size of the entity, but the misappropriation of funds were in the payroll account.
5	The period of time over which the fraud or misappropriation occurred.	Payroll for the month of July and August of 2019
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	She was the office manager / bookkeeper for GD#4.
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	Sandra Echterhoff
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	NO
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	N/A
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	The District Attorney and Legislative Auditor were both notified in a letter dated May 28, 2020.
11	What is the status of the investigation at the date of the auditor’s/accountant’s report?	Resolved with Ms. Echterhoff paying the whole amount back to the GD#4.
12	If the investigation is complete and	As of the time of the audit report, the Police Jury and GD#4

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: Gravity Drainage District No. 4 of Calcasieu Parish

FISCAL YEAR END: December 31, 2019

	the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	was not aware of any formal charges being filed, but stated that they did not know for certain.
13	What is the status of any related adjudication at the date of the auditor’s/accountant’s report?	Resolved with Ms. Echterhoff reimbursing GD#4 the whole amount on January 30, 2020.
14	Has restitution been made or has an insurance claim been filed?	Ms. Echterhoff reimbursed GD#4 the whole amount on January 30, 2020.
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	Yes the Calcasieu Parish Police Jury, who now does the books for GD#4 notified the Louisiana Legislative Auditor.
16	Did the agency’s internal controls allow the detection of the fraud or misappropriation in a timely manner?	No
17	If the answer to the last question is “no,” describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	There is a lack of segregation of duties because of this agency being small. All transactions are reviewed by board members and board members routinely initials the payroll information. GD#4’s superintendent approved each of these four unauthorized salary payments but stated that he did not look at the individual transactions only the totals which could vary from payroll to payroll. This is a clear management oversight to approve these transactions without proper review. It is not unreasonable to expect that each employee’s payroll would be reviewed for, at least, the number of hours paid as well as the gross salary.
18	Management’s plan to ensure that the fraud or misappropriation does not occur in the future	Management turned over all books to the Calcasieu Parish Police Jury in January of 2020. They believe that the Police Jury’s accounting department has good internal controls and segregation of duties that this misappropriation of payroll funds will not happen again.



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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 from January 1, 2019 through December 31, 2019. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exception: No disaster recovery/business continuity policies as well as certain items in the above procedures.

Management's response: Although the formal written policies and procedures do not address several items noted above, management asserted that these processes are in place. These written policies and procedures are in the process of being developed to address the excluded disaster recovery/business continuity policy and procedure.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
The board met on a monthly basis for the fiscal period with a quorum in attendance at all meetings.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Exception: The minutes obtained from management do not reference or include monthly budget-to-actual comparisons on the General Fund every month.

Management's response: Management acknowledges that all minutes do not state that they go over monthly financials, but have stated that they indeed go over the financials monthly. Going forward they will make sure that this is stated in the minutes.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Per the prior year audit report the unrestricted fund balance in the general fund did not have a negative ending balance; therefore, this procedure is not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

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

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

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

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Exception: For two of three bank accounts selected for testing there were no evidence of management reviewing the reconciliations for the month selected.

Management's Response: In the future, a member of management will review and sign off on every monthly reconciliation for all bank accounts and not just the operating account.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

Collections

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

Obtained a listing of all deposit sites for the fiscal period and management's representation that the listing is complete.

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

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

Each employee responsible for cash collections does not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Exception: The person responsible for collecting cash is responsible for preparing/making bank deposits, posting collection entries to the general ledger and reconciling cash collections to the general ledger.

Management's response: Prior to January 1, 2020, management had determined that it was not cost effective to achieve complete segregation of duties in the accounting department. They did, however, segregated as many duties as possible and the board reviewed all financial documents at their monthly board meetings. After January 1, 2020, the District moved all accounting functions over to the Calcasieu Parish Police Jury where there is proper segregation of duties.

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

All employees who have access to cash are bonded.

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

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

The entity only receives money from advalorem taxes and other periodic payments; therefore, they will not have a system in place to issue sequentially pre-numbered receipts thus making this procedure not applicable.

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

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

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

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

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

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

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

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

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

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

Per discussion with management, LWC noted only one location processes payments for the fiscal period.

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

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

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

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

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

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

Exception: LWC noted the employee responsible for processing payments is responsible for adding or modifying vendor files without a periodic review of those files.

Management's response: Prior to January 1, 2020, management had determined that it was not cost effective to achieve complete segregation of duties in the accounting department. They did, however, segregate as many duties as possible and the board reviewed all financial documents at their monthly board meetings. After January 1, 2020, the District moved all accounting functions over to the Calcasieu Parish Police Jury where there is proper segregation of duties.

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

Exception: LWC noted the employee responsible for processing payments is responsible for mailing the payments.

Management's response: Prior to January 1, 2020, management had determined that it was not cost effective to achieve complete segregation of duties in the accounting department. They did, however, segregated as many duties as possible and the board reviewed all financial documents at their monthly board meetings. After January 1, 2020, the District moved all accounting functions over to the Calcasieu Parish Police Jury where there is proper segregation of duties.

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

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

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

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

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

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

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

We obtained a listing of active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period and management's representation that the listing is complete.

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

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [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) Observe that finance charges and late fees were not assessed on the selected statements.

Exception: LWC noted on one of the credit cards selected for testing there were late fees and interest charged on the statement.

Management's response: Management will make sure that all credit card balances will be paid in full every month.

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

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

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

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

Obtained a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete.

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

None of the expenses were reimbursed using a per diem; therefore, this procedure is not applicable.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exception: For the transaction selected, there was no itemized receipt to support the transaction, no documentation of the business or public purpose, and no evidence that the reimbursement was reviewed and approved by someone other than the person receiving the reimbursement.

Management's response: Management has implemented a procedure to insure that all reimbursements are supported by all the necessary documentation going forward.

Contracts

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

We obtained an active vendor list from management and management's representation that the listing is complete.

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

None of the selected contracts were subject to the Louisiana Public Bid Law; therefore, this procedure is not applicable.

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

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

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

There were no amendments during the fiscal period.

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

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

Payroll and Personnel

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

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

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

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

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

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

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

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

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

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

The entity does not issue any termination payments; therefore, this procedure is not applicable.

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

Exception: Management stated that for the year ended December 31, 2019, they did not meet all required deadlines to file payroll tax returns.

Management's response: Management will implement a procedure that will insure all payroll returns be filing correctly and timely before all deadlines. After January 1, 2020, the District moved all accounting functions over to the Calcasieu Parish Police Jury where they will be performing all tax filings.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

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

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

Exception: There was no documentation to demonstrate that each employee attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Management's response: Management will implement a procedure that will insure that each employee read the entity's ethics policy each year.

Debt Service

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

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

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

No debt outstanding during the fiscal period. Therefore, this procedure is not applicable.

Other

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

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

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

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

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., LLP

Langley, Williams & Co. LLC
Lake Charles, Louisiana
October 12, 2020