# GREATER OUACHITA WATER COMPANY

## MONROE, LOUISIANA

## AUGUST 31, 2019

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

TABLE OF CONTENTS

## AUDITED FINANCIAL STATEMENTS



## SUPPLEMENTARY INFORMATION



## OTHER REPORTS

# AUDITED FINANCIAL STATEMENTS

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February 28, 2020

Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

## Independent Auditor's Report

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Greater Ouachita Water Company, which comprise the statement of financial position, as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Greater Ouachita Water Company as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenue and Expenses, Statement of Functional Expenses-By Program, Statement of Administrative Expenses on pages 16 to 19 and agency head compensation (page 20) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 on our consideration of Greater Ouachita Water Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering Greater Ouachita Water Company's internal control over financial reporting and compliance.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

GREATER OUACHITA WATER COMPANY

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2019

## ASSETS

| | |
|---|---|
| **Plant and equipment:** | |
| Cost of systems-Note 3 | 80,400,844 |
| Accumulated depreciation | (37,647,980) |
| Net plant and equipment | 42,752,864 |
| **Investments-current:** | |
| Bond interest fund | 476,751 |
| Reserve fund | 195,469 |
| Renewals, replacements and extensions fund | 218,230 |
| Bond fund principal | 1,274,033 |
| Total investments-current | 2,164,483 |
| **Current assets:** | |
| General fund cash | 1,022,577 |
| Accounts receivable-customers (net of allowance for bad debts of $629,523) | 3,397,961 |
| Prepaid expense | 389,430 |
| Total current assets | 4,809,968 |
| **Other assets:** | |
| Unamortized bond issue expense-Note 2 | 72,406 |
| Total other assets | 72,406 |
| Total assets | 49,799,721 |

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

| | |
|---|---|
| **Long-term debt**-Note 4 | |
| Bonds payable-Series 2003 | 5,445,000 |
| Bonds payable-Series 2009 | 9,605,000 |
| Bonds payable-Series 2013 | 9,590,000 |
| Less-current maturities of long-term debt | (1,275,000) |
| Total long-term debt | 23,365,000 |
| **Funded liabilities:** | |
| Interest payable | 440,225 |
| Total funded liabilities | 440,225 |
| **Current liabilities:** | |
| Accounts payable-trade | 679,649 |
| Accounts payable-other sewer districts | 1,035,161 |
| Current maturities of long-term debt | 1,275,000 |
| Payroll and sales taxes payable | 8,893 |
| Accrued insurance | 63,026 |
| Line of credit-Chase | 12,371,673 |
| Total current liabilities | 15,433,402 |
| **Deferred liabilities:** | |
| Customer meter deposits | 1,491,910 |
| Pension fund liability | 2,322 |
| Total deferred liabilities | 1,494,232 |
| Total liabilities | 40,732,859 |
| **Net assets:** | |
| Net assets without restrictions | 9,066,862 |
| Total liabilities and net assets | 49,799,721 |

GREATER OUACHITA WATER COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

| | |
|---|---|
| **Operating revenues:** | |
| Charge for services | 14,481,829 |
| Late payment charges | 180,598 |
| Reconnect charges | 49,150 |
| Water connect charges | 139,650 |
| Tapping fees | 105,935 |
| Operations maintenance fees | 514,953 |
| Total operating revenues | 15,472,115 |
| **Cost of sales:** | |
| Water purchased | 1,830,448 |
| **Gross profit** | 13,641,667 |
| **Functional expenses:** | |
| Operating expenses | 11,790,864 |
| Administrative expenses | 1,324,901 |
| Total functional expenses | 13,115,765 |
| **Net operating income** | 525,902 |
| **Other revenues:** | |
| Interest | 6,363 |
| Sewer maintenance agreement | 311,070 |
| Safe drinking water fees program | 3,613 |
| Miscellaneous | 121,805 |
| Total other revenues | 442,851 |
| **Net increase in net assets** | 968,753 |
| **Net assets at beginning of year** | 8,098,109 |
| **Net assets at end of year** | 9,066,862 |

The accompanying notes are an integral part of the financial statements.

GREATER OUACHITA WATER COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2019

| | Administrative Expenses | Operating Expenses | Total |
|---|---|---|---|
| Operating contract | - | 4,894,300 | 4,894,300 |
| Tapping charges | - | - | - |
| Power | - | 873,518 | 873,518 |
| Maintenance | - | 1,090,962 | 1,090,962 |
| Chemicals | - | 461,853 | 461,853 |
| Testing | - | 47,955 | 47,955 |
| Water used in sewer plant | - | 517 | 517 |
| Service and franchise fees | - | 3,042 | 3,042 |
| Accounting | 31,500 | - | 31,500 |
| Consulting fees | 75,091 | - | 75,091 |
| Bank charges | 17,824 | - | 17,824 |
| Dues and subscriptions | 528 | - | 528 |
| Engineering fees | - | 50,152 | 50,152 |
| Inspection and supervision fees | 22,140 | - | 22,140 |
| Insurance | 103,713 | - | 103,713 |
| Interest | - | 1,371,181 | 1,371,181 |
| Legal and administrative | 328,414 | - | 328,414 |
| Office expenses | 139,817 | - | 139,817 |
| Postage | 419 | - | 419 |
| Rent | 55,320 | - | 55,320 |
| Right of way | - | 2,729 | 2,729 |
| Salaries | 250,116 | - | 250,116 |
| Taxes and licenses | 42,019 | - | 42,019 |
| Miscellaneous | 28,576 | - | 28,576 |
| Trustee fees | 12,230 | - | 12,230 |
| Provision for bad debts | - | 120,000 | 120,000 |
| Interest paid on customer accounts | - | 8,512 | 8,512 |
| Pension expense | 217,194 | - | 217,194 |
| Amortization | - | 9,185 | 9,185 |
| Depreciation | - | 2,856,958 | 2,856,958 |
| Total functional expenses | 1,324,901 | 11,790,864 | 13,115,765 |

The accompanying notes are an integral part of the financial statements.

GREATER OUACHITA WATER COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2019

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Increase in net assets | 968,753 |
| Noncash items included in net income: | |
| Depreciation and amortization | 2,866,143 |
| Changes in: | |
| Accounts receivable-net | (963,340) |
| Prepaid expenses | (161,459) |
| Interest payable | (17,473) |
| Accounts payable-trade | (288,520) |
| Payroll and other taxes | 1,955 |
| Total adjustments | 1,437,306 |
| Net cash provided by operating activities | 2,406,059 |
| **Cash flows from investing activities:** | |
| Plant and equipment | (1,078,271) |
| Investment in special funds | (29,055) |
| Net cash (used) by investing activities | (1,107,326) |
| **Cash flows from financing activities:** | |
| Customer meter deposits | 178,298 |
| Redemption of bonds payable | (1,235,000) |
| Accounts payable-sewers | 46,175 |
| Net increase on line of credit | - |
| Net cash (used) by financing activities | (1,010,527) |
| **Net increase in cash** | 288,206 |
| **Cash at beginning of year** | 734,371 |
| **Cash at end of year** | 1,022,577 |
| **Supplemental disclosures:** | |
| Interest paid | 1,353,708 |

The accompanying notes are an integral part of the financial statements.

GREATER OUACHITA WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

## 1. Nature of Operations

The Greater Ouachita Water Company was incorporated May 29, 1963, under the laws of the State of Louisiana, as a nonprofit organization. The Company was organized to consolidate various water companies operating in Ouachita Parish (Ouachita Parish Police Jury), a political subdivision of the State of Louisiana, into a single company in order to provide better service to the area residents.

By a contract dated June 12, 1963, between the Greater Ouachita Water Company and the Parish of Ouachita, the Company agreed to acquire and construct a waterworks, sewerage and natural gas system within the Parish. Under terms of the contract, the Parish recognizes the Company's title to the system until all indebtedness of the Company, together with accrued interest thereon, incurred by the Company in the financing of the purchase, extension and improvement of the Company is paid in full. When all such indebtedness of the Company is paid in full, all rights, title and interest of the Company and the system shall vest in the Parish.

An indenture of Mortgage, dated September 1, 1964, was made by and between the Greater Ouachita Water Company and the First National Bank of Commerce in New Orleans, now J.P. Morgan, a national banking association having an office in New Orleans, Louisiana, as trustee. Supplemental Indentures of Mortgage have been made covering additions to the system.

Revenue bonds were issued in seven series. Proceeds of the first series (series 1964) were received on September 23, 1964, and the first purchase of systems was made. Proceeds of the second series (Series 1965) were received on April 12, 1965, and additional properties were added to the system. Proceeds of the third series (Series 1994A) were received on March 16, 1994, and of the fourth series (Series 97A&B) were received on December 11, 1997. Proceeds of the fifth Series (Series 2003) were received on August 7, 2003. Proceeds of the sixth series (Series 2009) were received on December 9, 2009. Proceeds from the seventh series (Series 2013) were received December 13, 2013.

The Company began operations September 28, 1964. Currently, it has an agreement with North East Louisiana Utilities of Louisiana to operate the system.

## 2. Summary of Significant Accounting Policies

### *(a) Method of Accounting*

The Company uses the accrual method of accounting in accordance with generally accepted accounting principles in the United States for non-profit organizations.

### *(b) Depreciation*

Depreciation was computed using the straight-line method in amounts sufficient to amortize the cost of the depreciable assets over their estimated useful lives. The estimated useful lives used in computing depreciation are:

| | |
|---|---|
| Cost of System | 25 to 50 Years |
| Various Equipment | 5 to 20 Years |

## 2. Summary of Significant Accounting Policies (Continued)

### (c) *Special Funds*

The Indentures of Mortgage require the Company twice each month to transfer from the general or operating bank accounts all monies in excess of a minimum amount that is shown by the annual budget to be necessary for operating expenses for the current fiscal year to the Trustee for credit to the Principal Fund and Interest Fund.

Special bond funds held by the Trustee are computed as follows:

1) Interest Fund until at least six months interest on all outstanding bonds is accumulated or restored. On August 31, 2019, the balance in the Interest Fund was $476,751. Interest payable at August 31, 2019 was $440,225.

2) Construction Improvement Fund, created in the indenture to pay for capital improvements to the system. During the period under review, additions and expenditures made to and from this fund for improvements to the system resulted in a balance of $-0-.

3) Principal Fund, an amount which when multiplied by the number of such monthly deposits to be made during the next twelve month period will equal the annual requirement for that year. To date, adequate deposits have been made and the requirements of the Indenture of Mortgage have been met.

   The annual amount due on September 1, 2019 will be $1,275,000.

### (d) *Deferred Charges and Amortization*

Discounts on bonds issued by the Company are being amortized over the term of the bonds. Shown below is an analysis of unamortized bond discounts.

Costs of issuing bonds are being amortized over the term of the bonds:

| | |
|---|---|
| Total cost at August 31, 2018 | 539,101 |
| Add: 2019 bond cost | - |
| Less: Prior year amortization | (457,510) |
| Current year amortization | (9,185) |
| Balance at August 31, 2019 | 72,406 |

### (e) *Cash and Cash Equivalents*

For Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

### (f) *Accounts Receivable-Customers*

Accounts receivable are reported net of an allowance for doubtful accounts of $629,523. Management believes that accounts receivable are substantially collectible and requires customers to provide meter deposits. Accounts are reviewed monthly, and management determines which accounts are not collectible. Accounts receivable also includes unbilled revenues of $1,212,099, which consist of revenues earned but not billed.

2. **Summary of Significant Accounting Policies** **(Continued)**

***(g) Use of Estimates***

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

***(h) Income Taxes***

The Company, a nonprofit corporation, is exempt from federal and state income taxes under Internal Revenue Code 501(a). Accordingly, no provision for income taxes has been made in the financial statements.

***(i) Advertising Expenses***

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended August 31, 2019 were immaterial.

***(j) Contributions***

The Company reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Board for specific purposes.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Company, and/or by the passage of time. Generally, the Company does not have any donor restricted assets.

Contributions received are recorded based on the existence and/or nature of any donor restrictions.

Donated services are recognized as contributions in accordance with professional standards, if the services create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and would need to be purchased if they were not donated.

Donated facilities are recognized as contributions in accordance with professional standards.

During the fiscal year ended August 31, 2019, no contributions were received by the Company that meet the criteria for recognition in these financial statements.

***(k) Liquidity and Availability***

The Company strives to maintain liquid financial assets sufficient to meet its general operating expenditures. At August 31, 2019, the Company estimates that it has approximately one month of expenses in liquid assets. Accounts receivable are managed closely to ensure they are being paid promptly in order to provide for payment of accounts payable, and ongoing operations.

The Company has $6,585,021 of financial assets available within one year of the balance sheet date, comprised of cash, accounts receivable and short term investments as noted on page 3. None of the financial assets is subject to donor restrictions or contractual restrictions that make them unavailable within one year.

2. **Summary of Significant Accounting Policies** **(Continued)**

(l) ***New Financial Statement Presentation***
In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017. The Company adopted this standard for the year ended August 31, 2019 and its implementation is reflected in the financial statements.

3. **Plant and Equipment**
Plant and equipment is stated at the acquisition costs of the assets of the Company, with the exception of the systems of Lakeview Utilities, Inc., North Louisiana Production Corporation, and B & W Utilities, Inc., which were contributed by their owners and are stated at their appraised value. Maintenance and repairs are charged to operations currently and major renewals and betterments are capitalized. Additions to the system during the year ended August 31, 2019, totaled $1,078,271. Shown below is an analysis of the cost of the system by expenditures from various funds:

| | Balance 2018 | During Year | Balance 2019 |
|---|---|---|---|
| Bond Proceeds Series 2013 | 10,950,199 | - | 10,950,199 |
| Bond Proceeds Series 1964 | 1,922,208 | - | 1,922,208 |
| Bonds Proceeds Series 1965 | 907,211 | - | 907,211 |
| General Fund | 50,334,930 | 1,078,271 | 51,413,201 |
| Renewals, Replacements and Extensions Fund | 3,272,892 | - | 3,272,892 |
| Improvements Fund | 8,237,642 | - | 8,237,642 |
| Revenue Fund | 35,016 | - | 35,016 |
| 1994A Fund | 1,670,072 | - | 1,670,072 |
| 97A&B Fund Contributions | 1,911,211 | - | 1,911,211 |
| Lakeview Utilities, Inc. Water and Sewer System | 196,000 | - | 196,000 |
| North Louisiana Production Corp. Water System | 71,800 | - | 71,800 |
| B & W Utilities, Inc. Water System | 44,658 | - | 44,658 |
| | 79,553,839 | 1,078,271 | 80,632,110 |
| Less-retirements Gas System Transferred | (231,266) | - | (231,266) |
| Total | 79,322,573 | 1,078,271 | 80,400,844 |

The details of plant and equipment are as follows:

| | |
|---|---|
| Water mains and extensions | 30,805,932 |
| Water service lines | 6,162,527 |
| Water meters | 1,333,987 |
| Water wells | 16,717,391 |
| Water chlorine equipment | 1,118,087 |
| Meter stations | 170,637 |

**3. Plant and Equipment (Continued)**

| | |
|---|---|
| Sewer | 20,976,131 |
| Other equipment/buildings | 1,140,722 |
| Land | 1,975,430 |
| | 80,400,844 |

**4. Long-Term Debt**

The Company originally issued bonds known as "Waterworks and Natural Gas System Revenue Bonds" in two series. For 1964, bonds totaled $2,270,000 and were issued September 1, 1964. They were paid off as of September 1, 1999. Series 1965 bonds totaled $1,050,000 and were issued March 1, 1965. They were paid off as of September 1, 1999.

On March 16, 1994, the Company issued bonds known as "Greater Ouachita Water Company Waterworks and Natural Gas System Bonds, Series 1994A" in the amount of $2,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate is 6.25% through December 10, 1997, and thereafter shall bear interest at the rate determined by the Trustee on March 1, 2000, by adding 400 basis points to the five-year constant maturity treasury and multiplying such amount by the remainder of one minus the corporate tax rate applicable to Central Bank, J. P. Morgan, Monroe, Louisiana on such date. Principal shall be payable annually on September 1 in each year commencing September 1, 1995. Final payment was made in September 2013.

On December 11, 1997, the Company issued bonds known as "Waterworks and Natural Gas Revenue Bonds of the Greater Ouachita Water Company Series 1997" in the amount of $3,500,000. Interest is paid semi-annually on March 1 and September 1. The interest rate shall begin at 5.675%. Final payment was made in September 2017.

On August 7, 2003, the Company issued bonds known as "Waterworks and Natural Gas System Revenue Bonds Series 2003" in the amount of $9,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate began at 3.950%. Final payment is due in September 2024.

On December 9, 2009, the Company issued bonds known as "Waterworks and Natural Gas System Revenue Bonds Series 2009" in the amount of $11,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate began at 4.100%. Final payment is due in September 2029.

On December 13, 2013, the Company issued bonds knows as "Waterworks and Natural Gas System Revenue Bonds Series 2013" in the amount of $10,000,000. Interest is paid semi-annually on March 1 and September 1. The interest rate is 3.25% through September 1, 2024; principal payments are September 1 of each year. The bonds are subject to mandatory redemption starting in September 2024. The bonds have limited covenants.

The Company has a $15,000,000 line of credit with Chase Bank. The line of credit is unsecured with interest at one month LIBOR rate plus 1.25%. This line of credit was obtained to fund system improvements until new bonds are issued. The balance of the line of credit at August 31, 2019 was $12,371,673. The line of credit is renewed annually.

During the year ended August 31, 2019, $1,235,000 in bonds were redeemed, bringing the total of all bonds redeemed to $26,680,000. The balance of bonds outstanding at August 31, 2019 was $24,640,000. The bonds are secured by water system assets of the Company.

## 4. Long-Term Debt (Continued)

Principal payments for the next five years are as follows:

| Year Ended August 31 | Amount |
|---|---|
| 2020 | 1,275,000 |
| 2021 | 1,320,000 |
| 2022 | 1,355,000 |
| 2023 | 1,400,000 |
| 2024 | 1,435,000 |

All the above outstanding bonds and the line of credit were paid off in September 2019 with a new bond issue Series 2019. See footnote 12.

The fair value of the long-term debt is estimated based on the current rates offered to the Company for debt of the same remaining maturities. At August 31, 2019, the fair value of the long-term debt approximates the amounts recorded in the financial statements.

## 5. Regulatory Compliance-LDHH

The Greater Ouachita Water Company is regulated by the Louisiana Department of Health and Hospitals (LDHH), the United States Environmental Protection Agency (EPA) and/or the Louisiana Department of Environmental Quality (LDEQ) regarding the water systems owned and/or operated by the Company.

The Company is subject to various inspections and possible orders from those agencies. The Company has corrected or is working to correct various inspection issues (orders) from regulatory agencies.

## 6. Pension Plan

A non-contributory defined benefit pension plan (the Plan) was put into effect on October 1, 2010. All employees of the Company are eligible to participate. The Company's funding policy is to contribute to the pension plan a monthly amount necessary to meet or exceed the minimum funding standards under the Employee Retirement Income Security Act.

Contributions to the benefit plan are invested in a managed asset portfolio consisting of cash and bonds. The investments are conservative and require maximum income from their investments. Moderate growth will occur since the portfolio has an income with growth objective. Short-term volatility will come from changes in bond prices due to interest rate fluctuations in the marketplace.

The Plan's investment policy is periodically reviewed and revised to reflect the best interest of the Plan's participants and beneficiaries. At present, investments of the Plan's assets are divided into four categories: Cash Equivalents, Mutual Funds – Fixed Income, Mutual Funds – Equity, and Mutual Funds – International Stock Fund.

At August 31, 2019, the breakdown of the fair value of Plan assets held is as follows:

| | Amount | Percentage |
|---|---|---|
| Cash Equivalents | 50,159 | 4.02% |
| Mutual Funds-Equities | 508,456 | 40.75% |
| Fixed Income | 689,130 | 55.23% |
| Total Plan Assets (all Level 1 assets) | 1,247,745 | 100.000% |

6. **Pension Plan (Continued)**

All investments, excluding Cash Equivalents, are valued using market prices. Cash Equivalents are reported at cost.

For the year ended August 31, 2019, the net return on the Plan assets was $-0-. Greater Ouachita Water Company expects the long-term rate of return on the assets to be 5.00%. The assumed overall rate of return takes into account long-term return expectations of the underlying asset classes within the investment portfolio mix, and the expected duration of the Plan's liabilities. Return expectations are forward looking and, in general, not much weight is given to short-term experience. Unless there is a drastic change in investment policy or market environment, the assumed investment return of 5.00% on the Plan assets is expected to remain broadly the same each year. Generally accepted accounting principles require an actuarially determined assessment of the periodic cost.

The following table sets forth information on the funded status, amounts recognized in the financial statements, and weighted average assumptions related to Greater Ouachita Water Company's pension plan for the year ended August 31, 2019. The Plan was frozen as of August 31, 2017.

| | |
|---|---|
| 1. Changes in Benefit Obligation | |
| a. Benefit obligation at August 31, 2018 | 1,089,349 |
| b. Employer service cost | 38,031 |
| c. Employee contributions for the year | - |
| d. Interest cost | 11,472 |
| e. Amendments | - |
| f. Actuarial (gain) loss | 148,590 |
| g. Changes in actuarial cost methods and/or systems | - |
| h. Benefits paid | (85,592) |
| i. Benefit obligation at August 31, 2019 (sum a through h) | 1,201,850 |
| 2. Change in Plan Assets | |
| a. Assets at August 31, 2018 | 1,167,012 |
| b. Actual return on Plan assets | (41,775) |
| c. Expenses | (9,094) |
| d. Employer contributions for fiscal year 2018 | 217,194 |
| e. Employee contributions | - |
| f. Benefits paid and transfers | (85,592) |
| g. Assets at August 31, 2019 (sum a through f) | 1,247,745 |
| 3. Funded (Unfunded) Status at August 31, 2018 | |
| a. (Accrued) prepaid pension cost | (2,322) |
| b. Balance in accumulated other comprehensive income account | |
| 1) Unrecognized net actuarial gain (loss) | - |
| 2) Unrecognized prior service (cost) income | - |
| 3) Unrecognized transition (obligation) asset | - |
| 4) Total unrecognized (expense) asset | - |
| c. Funded status (unfunded PBO) at August 31, 2019 (a. + b.4.) | (2,322) |
| 4. Weighted-Average Assumptions at Year-End | |
| a. Interest rate used to calculate net periodic pension cost | 3.83% |
| b. Interest rate used to calculate year-end disclosure information (discount rate) | 3.83% |
| c. Expected return on plan assets | 5.00% |

## 6. Pension Plan (Continued)

| | |
|---|---|
| d. Salary scale to calculate NPPC for FY that began September 1, 2018 | 5.00% |
| e. Salary scale for disclosure information as of August 31, 2019 | 5.00% |

5. Components of Net Periodic Benefit Cost

| | |
|---|---|
| a. Service Cost | 38,031 |
| b. Interest cost | 11,472 |
| c. Expected return on plan assets | 44,702 |
| d. Amortization of transition (asset) obligation | - |
| e. Amortization of prior service cost | - |
| f. Recognized net actuarial loss | 4,676 |
| g. Net periodic benefit cost | 9,477 |

6. Projection of Benefits for Next Ten Fiscal Years

| Fiscal Years | Projected Benefits |
|---|---|
| 2020 | 88,686 |
| 2021 | 100,033 |
| 2022 | 110,036 |
| 2023 | 111,456 |
| 2024 | 141,508 |
| Sum of fiscal years 2025 through 2028 | 454,576 |

Contributions for the fiscal year beginning September 1, 2019 are not available until that valuation report is completed. In the meantime, a reasonable projection of the minimum contribution for the fiscal year beginning September 1, 2019 would be $100,000.

## 7. Lawsuits

The Company, from time to time, is involved in various lawsuits incurred by operating in the normal course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

## 8. Concentration of Risk

The Company maintains its cash balances at institutions which are insured by the Federal Deposit Insurance Corporation up to $250,000. At August 31, 2019, the Company's uninsured cash balance was $764,397.

Concentration of credit risk with respect to water and sewer billing receivables is limited due to the large number of customers and small balances. The risk is minimized further by customer meter deposits.

## 9. Related Party Transactions

The following related party transactions were incurred in the normal course of business:

Webb & Webb, owned by Barry Webb, CPA, director, earned $9,000 for accounting services performed for the Company.

Stewart Law Group (of which Philip McQueen is a Partner) earned $42,400 for legal services performed for the Company.

10. **Functional Allocation of Expenses**
The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. The Company has determined that fund-raising costs are not material.

11. **New Accounting Guidance Not Yet Adopted**
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The effective date for the Company will be for our year ending August 31, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

12. **Subsequent Events**
Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through February 28, 2020, the date the report was available for issue, and concluded that an event required recognition in the notes to the financial statements.

During late September 2019, the Company issued Revenue Bonds (Series 2019 (Insured) in the amount of $73,000,000 payable over 30 years at a net interest cost of approximately 3%. The Company paid off (retired) the three current bond issues and the line of credit at Chase totaling approximately $37,000,000. The first payment is September 1, 2020 for $500,000 principal plus interest of about $2.5 million.

## SUPPLEMENTARY INFORMATION

Schedule I

GREATER OUACHITA WATER COMPANY

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2019

| | Water System | Sewer System | Total |
|---|---|---|---|
| **Operating revenue:** | | | |
| Charges for services | 11,511,757 | 2,970,072 | 14,481,829 |
| Late payment charges | 180,598 | - | 180,598 |
| Reconnect charges | 49,150 | - | 49,150 |
| Sewer inspection fees | - | - | - |
| Water connect charges | 139,650 | - | 139,650 |
| Tapping fees | 94,005 | 11,930 | 105,935 |
| Operations maintenance fees | 393,953 | 121,000 | 514,953 |
| Total operating revenue | 12,369,113 | 3,103,002 | 15,472,115 |
| **Direct operating expenses:** | | | |
| Operating contract | 4,015,126 | 879,174 | 4,894,300 |
| Tapping charges | - | - | - |
| Power | 485,254 | 388,264 | 873,518 |
| Maintenance | 567,359 | 523,603 | 1,090,962 |
| Chemicals | 348,978 | 112,875 | 461,853 |
| Testing-sewer | - | 47,955 | 47,955 |
| Engineering services | 45,217 | 4,935 | 50,152 |
| Water purchased | 1,830,448 | - | 1,830,448 |
| Water used in sewer plant | - | 517 | 517 |
| Service and franchise fees | (2,334) | 5,376 | 3,042 |
| Right of way | 729 | 2,000 | 2,729 |
| Total direct operating expenses | 7,290,777 | 1,964,699 | 9,255,476 |
| **Net operating income** | 5,078,336 | 1,138,303 | 6,216,639 |
| **Administrative expenses** | 1,099,218 | 225,683 | 1,324,901 |
| **Net operating profit** | 3,979,118 | 912,620 | 4,891,738 |
| **Other income** | 131,500 | 311,351 | 442,851 |
| **Other expenses** | 1,274,105 | 225,588 | 1,499,693 |
| **Net income before amortization and depreciation** | 2,836,513 | 998,383 | 3,834,896 |

GREATER OUACHITA WATER COMPANY

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2019

| | Water System | Sewer System | Total |
|---|---|---|---|
| **Amortization and depreciation:** | | | |
| Amortization of Bond Issue Exp.-2003 | 2,782 | 696 | 3,478 |
| Amortization of Bond Series-2009 | 3,112 | 2,595 | 5,707 |
| Depreciation expense | 2,043,305 | 813,653 | 2,856,958 |
| Total amortization and depreciation | 2,049,199 | 816,944 | 2,866,143 |
| **Excess (deficit) of revenues over expenses** | 787,314 | 181,439 | 968,753 |
| **Net increase for the year** | 787,314 | 181,439 | 968,753 |

Schedule II

GREATER OUACHITA WATER COMPANY

STATEMENT OF FUNCTIONAL EXPENSES-BY PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2019

| | Administrative Expenses | Water System | Sewer System | Total |
|---|---|---|---|---|
| Operating contract | - | 4,015,126 | 879,174 | 4,894,300 |
| Tapping charges | - | - | - | - |
| Power | - | 485,254 | 388,264 | 873,518 |
| Maintenance | - | 567,359 | 523,603 | 1,090,962 |
| Chemicals | - | 348,978 | 112,875 | 461,853 |
| Testing | - | - | 47,955 | 47,955 |
| Water used in sewer plants | - | - | 517 | 517 |
| Service and franchise fees | - | (2,334) | 5,376 | 3,042 |
| Accounting | 31,500 | - | - | 31,500 |
| Consulting fees | 75,091 | - | - | 75,091 |
| Bank charges | 17,824 | - | - | 17,824 |
| Dues and subscriptions | 528 | - | - | 528 |
| Engineering fees | - | 45,217 | 4,935 | 50,152 |
| Inspection and supervision fees | 22,140 | - | - | 22,140 |
| Insurance | 103,713 | - | - | 103,713 |
| Interest | - | 1,163,841 | 207,340 | 1,371,181 |
| Legal and administrative | 328,414 | - | - | 328,414 |
| Office expenses | 139,817 | - | - | 139,817 |
| Postage | 419 | - | - | 419 |
| Rent | 55,320 | - | - | 55,320 |
| Right of way | - | 729 | 2,000 | 2,729 |
| Salaries | 250,116 | - | - | 250,116 |
| Taxes and licenses | 42,019 | - | - | 42,019 |
| Miscellaneous | 28,576 | - | - | 28,576 |
| Trustee fees | 12,230 | - | - | 12,230 |
| Provision for bad debts | - | 101,752 | 18,248 | 120,000 |
| Interest paid on customer accounts | - | 8,512 | - | 8,512 |
| Pension expense | 217,194 | - | - | 217,194 |
| Amortization | - | 5,894 | 3,291 | 9,185 |
| Depreciation | - | 2,043,305 | 813,653 | 2,856,958 |
| Total | 1,324,901 | 8,783,633 | 3,007,231 | 13,115,765 |

GREATER OUACHITA WATER COMPANY

STATEMENT OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2019

| | Water System | Sewer System | Total |
|---|---|---|---|
| Accounting | 24,677 | 6,823 | 31,500 |
| Consulting fees | 58,826 | 16,265 | 75,091 |
| Bank charges | 13,963 | 3,861 | 17,824 |
| Dues and subscriptions | 412 | 116 | 528 |
| Inspection and supervision fees | 17,345 | 4,795 | 22,140 |
| Insurance | 81,248 | 22,465 | 103,713 |
| Legal and administrative | 320,465 | 7,949 | 328,414 |
| Office expenses | 109,531 | 30,286 | 139,817 |
| Postage | 328 | 91 | 419 |
| Rent | 43,337 | 11,983 | 55,320 |
| Salaries | 195,938 | 54,178 | 250,116 |
| Taxes and licenses | 15,925 | 26,094 | 42,019 |
| Miscellaneous | 22,386 | 6,190 | 28,576 |
| Trustee fees | 6,115 | 6,115 | 12,230 |
| Pension expense | 188,722 | 28,472 | 217,194 |
| Total administrative expenses | 1,099,218 | 225,683 | 1,324,901 |

GREATER OUACHITA WATER COMPANY

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED AUGUST 31, 2019

Agency Head: Philip McQueen, President

| | |
|---|---|
| Salary | $105,600 |
| Benefits insurance | 16,632 |

# OTHER REPORTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
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February 28, 2020

To the Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

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

We were engaged to audit, 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 Greater Ouachita Water Company (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2020.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of Greater Ouachita Water Company, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Ouachita Water Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

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

**Compliance and Other Matters**

In connection with our engagement to audit Greater Ouachita Water Company's financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Shreveport, Louisiana

Heard, McElroy & Vestal, L.L.C.

GREATER OUACHITA WATER COMPANY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2019

**Section A - Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Greater Ouachita Water Company.

2. No material weakness or significant deficiencies were noted, relating to the engagement to perform an audit of the basic financial statements. One significant deficiency was noted, which is a material weakness.

3. No instances of noncompliance relating to the basic financial statements of the Greater Ouachita Water Company were disclosed during the audit.

4. The Greater Ouachita Water Company was not subject to a federal single audit for the year ended August 31, 2019.

**Section B - Financial Statement Findings**

No matters were reported.

HEARD, MCELROY, & VESTAL
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February 28, 2020

Board of Directors
Greater Ouachita Water Company
Monroe, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Greater Ouachita Water Company (the Company) 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 September 1, 2018 through August 31, 2019. The Company'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,* issued by the Comptroller General of the United States. 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)

   *N/A – The Company doesn't have credit cards.*

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.

   *N/A – non-profit organization*

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.

   *Per discussion with the client, all data is backed up daily and stored off site. Antivirus is installed on all systems.*

*The Company doesn't have written policies.*

***Board or Finance Committee***

Procedures

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

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

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

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

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

Findings

No exceptions noted.

***Bank Reconciliations***

*Not applicable because of no exceptions in previous year.*

***Collections***

3. 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).

4. 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.

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.

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

6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #4 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.

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

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

   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).

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

<u>Findings</u>

Management outsources all billing and collection to an outside third party. We obtained their procedures for billing and collection which appeared reasonable.

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

7. 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).

   *A listing of locations that process payments for the fiscal year was obtained from management. Only one location processes payments for the entity.*

8. For each location selected under #7 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.

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

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

   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.

9. For each location selected under #7 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.

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

<u>Findings</u>

Management provided a detail general ledger for the year ending August 31, 2019, asserting that it was complete.

Purchase orders are not used.

President can initiate and approve purchases and sign checks.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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

*Not applicable because they don't use credit cards*

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

*Not applicable because of no exceptions in previous year*

***Contracts***

*Not applicable because of no exceptions in previous year*

***Payroll and Personnel***

*Not applicable because of no exceptions in previous year*

***Ethics***

*Not applicable as a non-profit organization*

***Debt Service (excluding non-profits)***

*Not applicable because of no exceptions in previous year*

***Other***

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

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

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

Findings

Client does not have the Fraud Hotline posted on the entity's website.

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.

HEARD, MCELROY & VESTAL, L.L.C.

Shreveport, Louisiana