GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

AUGUST 31, 2018

GREATER OUACHITA WATER COMPANY

MONROE, LOUISIANA

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HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 28, 2019

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, 2018, 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, 2018, 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, and Statement of Administrative Expenses on pages 16 to 19 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, 2019 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, LLC

Shreveport, Louisiana

GREATER OUACHITA WATER COMPANY

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018

A S S E T S

Plant and equipment:	
Cost of systems-Note 3	79,322,573
Accumulated depreciation	(34,791,022)
Net plant and equipment	44,531,551
Investments-current:	
Bond interest fund	494,869
Reserve fund	194,211
Renewals, replacements and extensions fund	209,825
Bond fund principal	1,236,523
Total investments-current	2,135,428
Current assets:	
General fund cash	734,371
Accounts receivable-customers (net of allowance for bad debts of $509,523)	2,434,621
Prepaid expense	130,122
Total current assets	3,299,114
Other assets:	
Unamortized bond issue expense-Note 2	179,440
Total other assets	179,440
Total assets	50,145,533

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

LIABILITIES AND NET ASSETS

Long-term debt-Note 4	
Bonds payable-Series 2003	6,235,000
Bonds payable-Series 2009	9,860,000
Bonds payable-Series 2013	9,780,000
Less-current maturities of long-term debt	(1,235,000)
Total long-term debt	24,640,000
Funded liabilities:	
Interest payable	457,698
Total funded liabilities	457,698
Current liabilities:	
Accounts payable-trade	968,169
Accounts payable-other sewer districts	988,986
Current maturities of long-term debt	1,235,000
Payroll and sales taxes payable	6,938
Accrued insurance	63,026
Line of credit-Chase	12,371,673
Total current liabilities	15,633,792
Deferred liabilities:	
Customer meter deposits	1,313,612
Pension fund liability	2,322
Total deferred liabilities	1,315,934
Total liabilities	42,047,424
Net assets:	
Unrestricted net assets (surplus)	8,098,109
Total liabilities and net assets	50,145,533

GREATER OUACHITA WATER COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Operating revenues:	
Charge for services	12,410,685
Late payment charges	330,575
Reconnect charges	116,980
Sewer inspection fees	30
Water connect charges	170,356
Tapping fees	163,985
Operations maintenance fees	288,974
Total operating revenues	13,481,585
Cost of sales:	
Water purchased	2,144,214
Gross profit	11,337,371
Functional expenses:	
Operating expenses	11,530,706
Administrative expenses	1,314,349
Total functional expenses	12,845,055
Net operating (loss)	(1,507,684)
Other revenues:	
Interest	3,395
Sewer maintenance agreement	283,247
Safe drinking water fees program	15,170
Miscellaneous	1,806,225
Total other revenues	2,108,037
Net (decrease) in net assets	600,353
Net assets at beginning of year	7,497,756
Net assets at end of year	8,098,109

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, 2018

	Administrative Expenses	Operating Expenses	Total
Operating contract	-	4,281,884	4,281,884
Tapping charges	-	14,389	14,389
Power	-	982,558	982,558
Maintenance	-	956,570	956,570
Chemicals	-	376,306	376,306
Testing	-	55,425	55,425
Water used in sewer plant	-	5,750	5,750
Service and franchise fees	-	1,895	1,895
Accounting	57,629	-	57,629
Consulting fees	102,120	-	102,120
Bank charges	53,465	-	53,465
Dues and subscriptions	521	-	521
Engineering fees	-	70,014	70,014
Inspection and supervision fees	25,779	-	25,779
Insurance	139,756	-	139,756
Interest	-	1,312,095	1,312,095
Legal and administrative	571,542	-	571,542
Office expenses	35,200	-	35,200
Postage	298	-	298
Rent	53,780	-	53,780
Right of way	-	8,492	8,492
Salaries	211,638	-	211,638
Taxes and licenses	40,882	-	40,882
Miscellaneous	7,181	-	7,181
Trustee fees	8,680	-	8,680
Provision for bad debts	-	574,353	574,353
Interest paid on customer accounts	-	56,714	56,714
Pension expense	5,878	-	5,878
Amortization	-	9,185	9,185
Depreciation	-	2,825,076	2,825,076
Total functional expenses	1,314,349	11,530,706	12,845,055

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, 2018

Cash flows from operating activities:	
Increase in net assets	600,353
Noncash items included in net income:	
Depreciation and amortization	2,834,261
Changes in:	
Accounts receivable-net	90,141
Prepaid expenses	(25,802)
Interest payable	(19,032)
Accounts payable-trade	(760,747)
Payroll and other taxes	4,573
Total adjustments	2,723,747
Net cash provided by operating activities	
Cash flows from investing activities:	
Plant and equipment	(1,669,831)
Investment in special funds	(197,814)
Net cash (used) by investing activities	(1,867,645)
Cash flows from financing activities:	
Customer meter deposits	(96,898)
Redemption of bonds payable	(1,055,000)
Accounts payable-sewers	(450,822)
Net increase on line of credit	156,173
Net cash provided by financing activities	(1,446,547)
Net (decrease) in cash	(590,445)
Cash at beginning of year	1,324,816
Cash at end of year	734,371
Supplemental disclosures:	
Interest paid	1,331,127

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

GREATER OUACHITA WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

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 Severn Trent Environmental Services, Inc. of Florida to operate the system.

Officers and directors of the Company and salaries paid to them as officers during the period under audit were:

Philip McQueen, President	105,600
Barry Webb, Treasurer	60,000
	165,600

The above information is in compliance with Act 706.

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.

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

(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

(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, 2018, the balance in the Interest Fund was $494,869. Interest payable at August 31, 2018 was $457,698.

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, 2018 will be $1,235,000.

(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, 2017	539,101
Add: 2017 bond cost	-
Less: Prior year amortization	(350,476)
Current year amortization	(9,185)
Balance at August 31, 2018	179,440

(e) Cash and Cash Equivalents

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

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

(f) ***Accounts Receivable-Customers***
Accounts receivable are reported net of an allowance for doubtful accounts of $509,523. 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 $441,819, which consist of revenues earned but not billed.

(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, 2018 were immaterial.

(j) ***Contributions***
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized.

Donated services are recognized as contributions in accordance with professional standards (FASB ASC 958-605-25-16), 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 (FASB ASC 958-605-52-24).

During the fiscal year ended August 31, 2018, no contributions were received by the Company that meet the criteria for recognition in these 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, 2018, totaled $1,669,837. Shown below is an analysis of the cost of the system by expenditures from various funds:

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

	Balance 2017	During Year	Balance 2018
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	48,665,098	1,669,832	50,334,930
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
	77,884,007	1,669,832	79,553,839
Less-retirements Gas System Transferred	(231,266)	-	(231,266)
Total	77,652,741	1,669,832	79,322,573

The details of plant and equipment are as follows:

Water mains and extensions	30,319,225
Water service lines	6,046,350
Water meters	1,333,987
Water wells	16,702,565
Water chlorine equipment	1,118,087
Meter stations	170,637
Sewer	20,579,860
Other equipment/buildings	1,076,432
Land	1,975,430
	79,322,573

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.

4. Long-Term Debt (Continued)

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, 2018 was $12,371,673. The line of credit is renewed annually.

During the year ended August 31, 2018, $1,055,000 in bonds were redeemed, bringing the total of all bonds redeemed to $25,445,000. The balance of bonds outstanding at August 31, 2018 was $25,875,000. The bonds are secured by water system assets of the Company.

Principal payments for the next five years are as follows:

Year Ended August 31	Amount
2019	1,235,000
2020	1,275,000
2021	1,320,000
2022	1,355,000
2023	1,400,000

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, 2018, 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.

5. **Regulatory Compliance-LDHH (Continued)**

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, 2018, the breakdown of the fair value of Plan assets held is as follows:

	Amount	Percentage
Cash Equivalents	36,775	2.89%
Mutual Funds-Equities	515,623	40.52%
Fixed Income	720,065	56.59%
Total Plan Assets (all Level 1 assets)	1,272,463	100.000%

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

For the year ended August 31, 2018, the net return on the Plan assets was $37,131. 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, 2018. The Plan was frozen as of August 31, 2017.

6. Pension Plan (Continued)

1. Changes in Benefit Obligation	
a. Benefit obligation at August 31, 2016	1,130,779
b. Employer service cost	31,623
c. Employee contributions for the year	-
d. Interest cost	10,523
e. Amendments	-
f. Actuarial (gain) loss	(15,881)
g. Changes in actuarial cost methods and/or systems	-
h. Benefits paid	(67,695)
i. Benefit obligation at August 31, 2017 (sum a through h)	1,089,349
2. Change in Plan Assets	
a. Assets at August 31, 2017	1,087,027
b. Actual return on Plan assets	61,334
c. Expenses	(24,203)
d. Employer contributions for fiscal year 2017	216,000
e. Employee contributions	-
f. Benefits paid and transfers	(67,695)
g. Assets at August 31, 2018 (sum a through f)	1,272,463
3. Funded (Unfunded) Status at August 31, 2017	
a. (Accrued) prepaid pension cost	(224,949)
b. Balance in accumulated other comprehensive income account	
1) Unrecognized net actuarial gain (loss)	222,627
2) Unrecognized prior service (cost) income	-
3) Unrecognized transition (obligation) asset	-
4) Total unrecognized (expense) asset	222,627
c. Funded status (unfunded PBO) at August 31, 2018 (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%
d. Salary scale to calculate NPPC for FY that began September 1, 2017	5.00%
e. Salary scale for disclosure information as of August 31, 2018	5.00%
5. Components of Net Periodic Benefit Cost	
a. Service Cost	31,623
b. Interest cost	10,523
c. Expected return on plan assets	63,623
d. Amortization of transition (asset) obligation	-
e. Amortization of prior service cost	15,881
f. Recognized net actuarial loss	11,002
g. Net periodic benefit cost	5,406

6. Pension Plan (Continued)

6. Projection of Benefits for Next Ten Fiscal Years

Fiscal Years	Projected Benefits
2019	90,800
2020	88,686
2021	100,033
2022	110,036
2023	111,456
Sum of fiscal years 2024 through 2026	424,524

Contributions for the fiscal year beginning September 1, 2018 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, 2018 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, 2018, the Company's uninsured cash balance was $919,354.

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.

Dimos Erskine, LLP (of which Philip McQueen is a Partner), earned $58,813 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. Other Income

The Company changed the vendor that perform billing and collection services during the year ended August 31, 2018. A dispute arose as to the charges due that vendor. The Company accrued the fee for the entire time they had the contract (majority of 2018 year). The Company settled with the vendor and the vendor forgave $1,583,211 of charges and that amount is included under other revenue in Miscellaneous income.

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, 2019, the date the report was available for issue, and concluded no subsequent events require recognition in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

Schedule I

GREATER OUACHITA WATER COMPANY

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2018

	Water System	Sewer System	Total
Operating revenue:			
Charges for services	9,785,143	2,625,542	12,410,685
Late payment charges	330,575	-	330,575
Reconnect charges	116,980	-	116,980
Sewer inspection fees	-	30	30
Water connect charges	170,356	-	170,356
Tapping fees	157,260	6,725	163,985
Operations maintenance fees	204,531	84,443	288,974
Total operating revenue	10,764,845	2,716,740	13,481,585
Direct operating expenses:			
Operating contract	3,527,082	754,802	4,281,884
Tapping charges	10,889	3,500	14,389
Power	590,465	392,093	982,558
Maintenance	554,624	401,946	956,570
Chemicals	277,217	99,089	376,306
Testing-sewer	-	55,425	55,425
Engineering services	70,014	-	70,014
Water purchased	2,144,214	-	2,144,214
Water used in sewer plant	-	5,750	5,750
Service and franchise fees	(3,481)	5,376	1,895
Right of way	6,492	2,000	8,492
Total direct operating expenses	7,177,516	1,719,981	8,897,497
Net operating income	3,587,329	996,759	4,584,088
Administrative expenses	1,119,493	194,856	1,314,349
Net operating profit	2,467,836	801,903	3,269,739
Other income	1,766,687	341,350	2,108,037
Other expenses	1,640,965	302,197	1,943,162
Net income before amortization and depreciation	2,593,558	841,056	3,434,614

GREATER OUACHITA WATER COMPANY

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2018

	Water System	Sewer System	Total
Amortization and depreciation:			
Amortization of Bond Issue Exp.-2003	2,782	696	3,478
Amortization of Bond Series-2009	4,566	1,141	5,707
Depreciation expense	2,029,031	796,045	2,825,076
Total amortization and depreciation	2,036,379	797,882	2,834,261
Excess (deficit) of revenues over expenses	557,179	43,174	600,353
Net increase for the year	557,179	43,174	600,353

GREATER OUACHITA WATER COMPANY

STATEMENT OF FUNCTIONAL EXPENSES-BY PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2018

	Admini-strative Expenses	Water System	Sewer System	Total
Operating contract	-	3,527,082	754,802	4,281,884
Tapping charges	-	10,889	3,500	14,389
Power	-	590,465	392,093	982,558
Maintenance	-	554,624	401,946	956,570
Chemicals	-	277,217	99,089	376,306
Testing	-	-	55,425	55,425
Water used in sewer plants	-	-	5,750	5,750
Service and franchise fees	-	(3,481)	5,376	1,895
Accounting	57,629	-	-	57,629
Consulting fees	102,120	-	-	102,120
Bank charges	53,465	-	-	53,465
Dues and subscriptions	521	-	-	521
Engineering fees	-	70,014	-	70,014
Inspection and supervision fees	25,779	-	-	25,779
Insurance	139,756	-	-	139,756
Interest	-	1,096,210	215,885	1,312,095
Legal and administrative	571,542	-	-	571,542
Office expenses	35,200	-	-	35,200
Postage	298	-	-	298
Rent	53,780	-	-	53,780
Right of way	-	6,492	2,000	8,492
Salaries	211,638	-	-	211,638
Taxes and licenses	40,882	-	-	40,882
Miscellaneous	7,181	-	-	7,181
Trustee fees	8,680	-	-	8,680
Provision for bad debts	-	488,041	86,312	574,353
Interest paid on customer accounts	-	56,714	-	56,714
Pension expense	5,878	-	-	5,878
Amortization	-	7,348	1,837	9,185
Depreciation	-	2,029,031	796,045	2,825,076
Total	1,314,349	8,710,646	2,820,060	12,845,055

GREATER OUACHITA WATER COMPANY

STATEMENT OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2018

	Water System	Sewer System	Total
Accounting	45,438	12,191	57,629
Consulting fees	80,516	21,604	102,120
Bank charges	42,154	11,311	53,465
Dues and subscriptions	411	110	521
Inspection and supervision fees	20,325	5,454	25,779
Insurance	110,190	29,566	139,756
Legal and administrative	555,120	16,422	571,542
Office expenses	27,754	7,446	35,200
Postage	235	63	298
Rent	42,403	11,377	53,780
Salaries	166,865	44,773	211,638
Taxes and licenses	12,966	27,916	40,882
Miscellaneous	5,662	1,519	7,181
Trustee fees	4,340	4,340	8,680
Pension expense	5,114	764	5,878
Total administrative expenses	1,119,493	194,856	1,314,349

GREATER OUACHITA WATER COMPANY

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

FOR THE YEAR ENDED AUGUST 31, 2018

Agency Head: Philip McQueen, President

Salary	$105,600
Benefits insurance	14,530

OTHER REPORTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 28, 2019

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, 2018, 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, 2019.

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.

HMV
A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI
hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GREATER OUACHITA WATER COMPANY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018.

Section B - Financial Statement Findings

No matters were reported.

GREATER OUACHITA WATER COMPANY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE YEAR ENDED AUGUST 31, 2018

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

Board of Directors
Greater Ouachita Water Company
801 Stubbs Avenue
Monroe LA, 71201

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of by Greater Ouachita Water Company, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Greater Ouachita Water 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, 2017 through August 31, 2018. 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 findings obtained are described in the attachment to this report.

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, LLC

Shreveport, Louisiana
February 28, 2019

SUPPLEMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Greater Ouachita Water Company
Agreed-Upon Procedures and Findings
Year Ended August 31, 2018

Written Policies and Procedures

Procedures

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

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

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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

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

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

   f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

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

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

Findings

The entity's doesn't have any written policies and procedures.

Board (or Finance Committee, if applicable)

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

There are only two board members and they discuss issues as needed. No minutes are maintained.

Bank Reconciliations

Procedures

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

   a) Bank reconciliations have been prepared;

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

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

Findings

Management provided a listing of five bank accounts. HMV traced them to the general ledger for completeness. Management represented that the listing was complete.

The reconciliations are reviewed by treasurer, after being prepared by an outside person.

HMV discussed the outstanding check policy with client. Efforts are made to contact payee, void, or reissue outstanding checks.

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

Collections

Procedures

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
   a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
   b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
   c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
      - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
      - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings

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

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

Procedures

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

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

   a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
   b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
   c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

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

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

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

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

Findings

Management provided a detail general ledger for the year ending August 31, 2018, asserting that it was complete.

Purchase orders are not used.

President can initiate and approve purchases and signs 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

Procedures

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

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

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

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

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

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

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

   - An original itemized receipt (i.e., identifies precisely what was purchased)
   - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
   - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

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

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

Findings

Management indicated they don't use credit cards, bank debit cards, fuel cards, and P-cards (cards).

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

Travel and Expense Reimbursement

Procedures

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

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

20. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and

choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

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

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

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

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

Findings

Management provided the general ledger detail for travel and reimbursement expenses and represented that the list is complete.

Reimbursements were paid as approved by the President.

Very limited amount of travel cost reimbursed during the 2018 year. Examined the reimbursement and found them in order.

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

Contracts

Procedures

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

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

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

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

    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

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

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

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

Findings

Management provided a list of Contracts. HMV viewed general ledger detail to make selections. Management represented that the list is complete.

We reviewed documentation noting that all of the contracts were personal services contracts – obtaining additional quotes not applicable.

No contract selected was amended and the contracts selected did not require Board Approval.

No exceptions were identified in the performance of the procedures listed above.

23. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

    Randomly select five employees/officials, obtain their personnel files, and:

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

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

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

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

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

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

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

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

<u>Findings</u>

Management provided a listing of active employees and terminated employees with their related compensation and represented that the listing is complete.

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure and pay rate or salary changes were approved in writing and in accordance with written policy.

No exceptions were identified in the performance of the procedures listed above.

Other

27. 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.

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

29. 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.

Management's Response

Management will look at procedures that are currently in place that do not meet the LLA's requirements to determine the changes necessary for compliance in future periods.