

South Grant Water Corporation, Inc.

Bentley, Louisiana

December 31, 2017 and 2016

South Grant Water Corporation, Inc.

December 31, 2017 and 2016

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
Financial Statements		
Statements of Financial Position	A	4
Statements of Activities	B	5
Statements of Cash Flows.....	C	6
Notes to Financial Statements.....		7-12
Supplementary Information.....		13
	<u>Schedule</u>	
Schedule of Expenditures of Federal Awards, December 31, 2017	1	14
Schedule of Expenditures of Federal Awards, December 31, 2016.....	2	15
Schedule of Revenues, Other Support and Operating Expenses - Budget and Actual, December 31, 2017.....	3	16
Schedule of Revenues, Other Support and Operating Expenses - Budget and Actual, December 31, 2016.....	4	17
Schedule of Compensation, Benefits, and Other Payments to the Agency Head.....	5	18
Unaudited Summary of Service Customers, December 31, 2017.....	6	19
Unaudited Summary of Service Customers, December 31, 2016.....	7	20
Unaudited List of Board of Directors - Positions and Terms, December 31, 2017	8	21
Unaudited List of Board of Directors - Positions and Terms, December 31, 2016	9	22
Unaudited Schedule of Insurance in Force, December 31, 2017.....	10	23
Unaudited Schedule of Insurance in Force, December 31, 2016.....	11	24
Unaudited Schedule of Water Rates in Force, December 31, 2017.....	12	25
Unaudited Schedule of Water Rates in Force, December 31, 2016.....	13	26
Other Reports Required by <i>Government Auditing Standards</i> and the Uniform Guidance		27
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 <i>Government Auditing Standards</i>		28-29
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.....		30-32
Schedule of Findings and Questioned Costs, December 31, 2017		33-34
Management's Corrective Action Plan, December 31, 2017.....		35
Schedule of Findings and Questioned Costs, December 31, 2016		36-37



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

To the Board of Directors of
South Grant Water Corporation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of South Grant Water Corporation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 our audits. We conducted our audits 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.

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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

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 above present fairly, in all material respects, the financial position of South Grant Water Corporation, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards (Schedules 1 and 2) for the years ended December 31, 2017 and 2016, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of revenues, other support, and operating expenses – budget and actual (Schedules 3 and 4) and schedule of compensation, benefits, and other payments to the agency head (Schedule 5) are also 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 the auditing procedures applied in the audit of the financial statements and 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 as a whole.

The unaudited summary of service customers (Schedules 6 and 7), the unaudited list of board of directors – positions and terms (Schedules 8 and 9), the unaudited schedule of insurance in force (Schedules 10 and 11), and the unaudited schedule of water rates in force (Schedules 12 and 13) have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on these schedules.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, on our consideration of the Corporation'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 audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Payne, Moore + Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 9, 2018

South Grant Water Corporation, Inc.
Statements of Financial Position
December 31, 2017 and 2016

Exhibit A

	2017	2016
Assets		
Cash and cash equivalents	\$ 276,542	\$ 255,226
Accounts receivable	92,059	86,258
Grant receivable	13,000	-
Certificates of deposit	57,950	57,490
Inventories	9,895	12,174
Other current assets	11,395	9,683
Designated cash and certificates of deposit	498,395	427,368
Property, plant, and equipment - net	3,296,325	3,230,742
Total Assets	\$ 4,255,561	\$ 4,078,941
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 69,509	\$ 11,288
Accrued expenses	32,500	23,861
Customer deposits	80,720	80,795
Notes payable	2,517,551	2,470,391
Total Liabilities	2,700,280	2,586,335
Net Assets		
Unrestricted		
Designated for		
System improvements	264,933	211,760
Employee benefits	60,139	79,520
Future debt service	173,323	136,088
Undesignated	1,056,886	1,065,238
Total Net Assets	1,555,281	1,492,606
Total Liabilities and Net Assets	\$ 4,255,561	\$ 4,078,941

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

South Grant Water Corporation, Inc.
Statements of Activities
Years Ended December 31, 2017 and 2016

Exhibit B

	2017	2016
Changes in Unrestricted Net Assets		
Revenues and Other Support		
Operating Revenues		
Water sales	\$ 795,259	\$ 680,011
Connection fees	18,740	22,450
Delinquent surcharges	29,337	24,511
Interest income	1,919	1,879
Membership certificates	5,850	5,900
Other	39,423	27,174
Total Operating Revenues	890,528	761,925
Other Support		
Net realized gain (loss) on sale of equipment	(707)	2,440
Grants and contributions	35,608	-
Total Revenues and Other Support	925,429	764,365
 Operating Expenses		
Salaries	264,511	213,757
Payroll taxes	21,476	17,231
Employee benefits	50,568	37,928
Bad debts	13,796	10,417
Supplies	75,245	62,639
Repairs and maintenance	29,489	36,222
Utilities	47,238	42,143
Depreciation	130,846	153,941
Insurance	13,455	12,603
Professional services	23,070	25,358
Office supplies and expenses	42,587	37,451
Truck expenses	17,916	19,509
Interest expense	85,275	87,297
Safe drinking water program	20,238	5,082
Other	27,044	51,275
Total Operating Expenses	862,754	812,853
 Increase (Decrease) in Unrestricted Net Assets	 62,675	 (48,488)
 Net Assets, Beginning of Year	 1,492,606	 1,541,094
 Net Assets, End of Year	 \$ 1,555,281	 \$ 1,492,606

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

South Grant Water Corporation, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

Exhibit C

	2017	2016
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 62,675	\$ (48,488)
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	130,846	153,941
Net realized loss (gain) on sale of property and equipment	707	(2,440)
Capital grants and contributions	(22,608)	-
Changes in operating assets and liabilities:		
Accounts receivable	(5,801)	(18,305)
Grant receivable	(13,000)	-
Inventories	2,280	(2,121)
Other current assets	(1,712)	3,044
Accounts payable	6,171	(2,033)
Accrued expenses	8,639	4,656
Customer deposits	(75)	1,780
Net Cash Provided by Operating Activities	168,122	90,034
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	100	2,440
Purchase of certificates of deposit	(460)	(457)
Purchase or construction of property, plant, and equipment	(145,187)	(39,941)
Net Cash Used in Investing Activities	(145,547)	(37,958)
Cash Flows from Financing Activities		
Revolving loan proceeds	90,430	-
Capital grants and contributions	22,608	-
Designated for system improvements - net	(53,174)	(1,015)
Designated for future debt service - net	(37,235)	(137)
Designated for employee benefits - net	19,382	19,931
Principal payments on notes payable	(43,270)	(41,252)
Net Cash Used in Financing Activities	(1,259)	(22,473)
Net Increase (Decrease) in Cash and Cash Equivalents	21,316	29,603
Cash and Cash Equivalents, Beginning of Year	255,226	225,623
Cash and Cash Equivalents, End of Year	\$ 276,542	\$ 255,226

Additional Required Disclosures:

1. Interest paid during 2017 and 2016 was \$85,358 and \$87,376, respectively.
2. There were no income taxes paid during 2017 or 2016.
3. There were no material noncash investing or financing transactions during 2017 or 2016 that affected recognized assets and liabilities.

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

South Grant Water Corporation, Inc.
December 31, 2017 and December 31, 2016

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

South Grant Water Corporation, Inc. was incorporated in 1972 as a nonprofit corporation, on a non-stock basis, under the provisions of the Louisiana Revised Statutes. The Corporation maintains and operates a private water system for its members.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The Corporation utilizes the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation does not have any temporarily or permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as certificates of deposit with a maturity date within three months of the date acquired by the Corporation, except for amounts designated for future debt service in accordance with the requirements of the note covenants and for future construction or employee benefits. The note covenants require the Corporation to maintain cash designated for future debt service in a separate bank account.

Accounts Receivable and Bad Debts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Invoices for water sales are mailed on or about the first business day of each month for the prior month's service. Accounts not paid by the fifteenth of the month are considered delinquent. Accounts not paid by the twenty-second of the month are subject to disconnection for non-payment.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after three years are written off through a charge to the valuation allowance and a credit to accounts receivable. The amount charged to the valuation allowance is presented in Note 2.

Grant Receivable

Grant receivable consists entirely of grant funds due from the Grant Parish Police Jury. The Corporation considers the grant receivable at December 31, 2017, to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

South Grant Water Corporation, Inc.
December 31, 2017 and December 31, 2016

Notes to Financial Statements

Certificates of Deposit

Investments, which consist of certificates of deposit with maturity dates greater than three months from the date acquired by the Corporation, are stated at cost, which approximates market value.

Inventories

Inventories, consisting of pipes, fittings, meters, and other supplies, are valued at the lower of cost or market by use of the first-in, first-out method of accounting.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost when purchased or constructed. The minimum capitalization threshold is any individual item with a total cost greater than \$250 for furniture, fixtures, and equipment and \$2,500 for all other items. Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Corporation did not receive any donated assets in 2017 or 2016.

The Corporation capitalizes interest as a component of the cost of property, plant, and equipment constructed for its own use. Capitalization stops when the asset is substantially complete and ready for its intended use. The amount of interest capitalized is determined by applying the applicable rate to average accumulated expenditures. Interest in the amount of \$455 was required to be capitalized for 2017. No interest was required to be capitalized for 2016.

Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Customer Deposits

Customer deposits represent refundable deposits received from customers to guarantee payment of their water bills.

Membership Certificates

Membership certificates represent membership in the Corporation. The Corporation admits as members those persons who are owners, or part owners, or have a substantial possessory interest in property desired to be served by the Corporation's water system. Membership may be denied if the capacity of the Corporation's water system is exhausted by the needs of its existing members or if it would interfere with existing uses previously authorized by the Board of Directors. Each membership certificate represents one vote. Memberships are recorded as unrestricted support when received.

South Grant Water Corporation, Inc.
December 31, 2017 and December 31, 2016

Notes to Financial Statements

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. When the Corporation has a choice of using restricted or unrestricted net assets, restricted net assets are used first.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code and from state income taxes under applicable Louisiana Revised Statutes. The Corporation is not a private foundation.

As of December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2014. Tax returns for 2014, 2015, and 2016 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

Estimates

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

Subsequent Events

Management has evaluated subsequent events through February 9, 2018, the date which the financial statements were available for issue.

2. Accounts Receivable

Receivables arising from water service furnished to members consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to members between billing cycles. At December 31, 2017 and 2016, these receivables were as follows:

	<u>2017</u>	<u>2016</u>
Uncollected cycle billings	\$ 54,833	\$ 40,343
Estimated service between billing cycles	68,912	71,173
Allowance for uncollectible accounts	(31,686)	(25,458)
Advance to employee	-	200
	<u>\$ 92,059</u>	<u>\$ 86,258</u>

**South Grant Water Corporation, Inc.
December 31, 2017 and December 31, 2016**

Notes to Financial Statements

3. Designated Cash and Certificates of Deposit

At December 31, 2017 and 2016, cash and certificates of deposit were designated for the following purposes:

	<u>2017</u>	<u>2016</u>
Designated for future debt service		
Cash and cash equivalents	\$ 136,323	\$ 136,088
Certificates of deposit	37,000	-
Designated for employee benefits		
Cash and cash equivalents	60,139	79,520
Designated for system improvements and maintenance		
Cash and cash equivalents	52,114	-
Certificates of deposit	<u>212,819</u>	<u>211,760</u>
Totals	<u>\$ 498,395</u>	<u>\$ 427,368</u>

In accordance with the terms of the note covenants, funds designated for future debt service may be used to finance emergency repairs, system improvements, and debt service. The bond covenants require that the Corporation accumulate a maximum of \$165,628 designated for future debt service. At year-end the amount designated for future debt service exceeded the maximum required amount.

4. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31, 2017 and 2016:

	<u>Estimated Life</u>	<u>2017</u>	<u>2016</u>
Land		\$ 34,002	\$ 34,462
Plant and distribution system	3-50 years	5,103,895	5,097,547
Furniture, fixtures, and equipment	3-7 years	343,054	339,912
Trucks	5 years	111,743	113,409
Construction in progress		<u>165,544</u>	<u>-</u>
Less:		5,758,238	5,585,330
Accumulated depreciation		<u>2,461,913</u>	<u>2,354,588</u>
		<u>\$ 3,296,325</u>	<u>\$ 3,230,742</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$130,846 and \$153,941, respectively.

Property, plant, and equipment serve as collateral for the U. S. Department of Agriculture notes payable (See Note 5).

**South Grant Water Corporation, Inc.
December 31, 2017 and December 31, 2016**

Notes to Financial Statements

5. Notes Payable

Notes payable at December 31, 2017 and 2016 consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/17</u>	<u>Balance 12/31/16</u>
U. S. Department of Agriculture	5.750%	10/20/2029	\$ 199,929	\$ 211,925
U. S. Department of Agriculture	4.875	03/04/2038	297,516	305,972
U. S. Department of Agriculture	4.250	11/19/2047	1,370,131	1,392,950
Louisiana Department of Health, Office of Public Health, revolving loan	2.450	08/04/2037	90,431	-
Louisiana Department of Transportation and Development	None	Open ended	<u>559,544</u>	<u>559,544</u>
			<u>\$2,517,551</u>	<u>\$ 2,470,391</u>

All property, plant, and equipment of the Corporation serve as collateral for the U. S. Department of Agriculture (USDA) notes (See Note 4).

All available revenues of the Corporation serve as collateral for the Louisiana Department of Health, Office of Public Health (LDH) note.

The Corporation entered into agreements with the Louisiana Department of Transportation and Development (LA DOTD) for utility relocation assistance funding. Issuance of future permits to the Corporation by the LA DOTD for location of additional longitudinal facilities within any state owned right of way is contingent upon repayment of this funding. The Corporation must show a good faith effort to repay the debt by making annual payments to the LA DOTD. The LA DOTD provided a payment schedule for these agreements with 10% of the original balance due each year beginning in January 2012. However, management continues to negotiate with the LA DOTD for a more favorable payment schedule. No payments were made to the LA DOTD during 2017 or 2016.

Aggregate maturities, based upon terms in effect at December 31, 2017, for notes payable to USDA and LDH, but excluding the note payable to LA DOTD, are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 49,386
2019	51,610
2020	53,945
2021	56,397
2022	58,972
2023-2047	<u>1,687,697</u>
	<u>\$ 1,958,007</u>

Interest expense incurred, for the years ended December 31, 2017 and 2016, was \$85,275 and \$87,297, respectively. Interest in the amount of \$455 was required to be capitalized for 2017. No interest was required to be capitalized for 2016.

South Grant Water Corporation, Inc.
December 31, 2017 and December 31, 2016

Notes to Financial Statements

6. Designated Net Assets

The Board has designated net assets for the following purposes:

	<u>2017</u>	<u>2016</u>
System improvements	\$ 264,933	\$ 211,760
Employee benefits	60,139	79,520
Future debt service	<u>173,323</u>	<u>136,088</u>
	\$ 498,395	\$ 427,368

7. Significant Concentrations of Credit Risk

The Corporation extends credit in the ordinary course of business to its members, which are primarily located in the southern part of Grant Parish, Louisiana.

At various times during both years, the Corporation's cash in bank balances exceeded the federally insured limits. At December 31, 2017 and 2016, the Corporation's uninsured cash balances were \$439,996 and \$494,120, respectively. At December 31, 2017, the uninsured amount of \$439,996 was secured by pledged securities held in the name of the pledging fiscal agent bank in holding or custodial banks with market values of \$513,070. At December 31, 2016, the uninsured amount of \$494,120 was secured by pledged securities held in the name of the pledging fiscal agent bank in holding or custodial banks with market values of \$524,708. Management does not believe that the Corporation is exposed to significant risks of loss due to the uninsured cash balances.

Supplementary Information

**South Grant Water Corporation, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017**

Schedule 1

<u>Federal Agency and Program Title</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Amount</u>
U. S. Department of Agriculture Rural Utilities Service Water and Waste Disposal Systems for Rural Communities			
Loan balance outstanding	10.760	91.06	\$ 211,925
Loan balance outstanding	10.760	91.08	305,972
Loan balance outstanding	10.760	91.12	<u>1,392,950</u>
Agency Totals			<u>1,910,847</u>
U.S Environmental Protection Agency Office of Water Passed-through the State of Louisiana Capitalization Grants for Clear Water State Revolving Funds			
	66.468	1043008-01	<u>53,251</u>
Agency Totals			<u>53,251</u>
Totals			<u><u>\$ 1,964,098</u></u>

Notes: The Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of South Grant Water Corporation, Inc. (the Corporation) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, change in net position, or cash flow of the Corporation.

Expenditures of federal awards are reported on the accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the Corporation's accounting policies.

Outstanding USDA loan balances are amounts as of the beginning of the year.

Outstanding USDA loan balances for the end of the year totaled \$1,867,576.

No federal funds were awarded to subrecipients during the year ended December 31, 2017.

The Corporation did not elect to use the ten percent (10%) *de minimus* indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

**South Grant Water Corporation, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016**

Schedule 2

<u>Federal Agency and Program Title</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Amount</u>
U. S. Department of Agriculture Rural Utilities Service Water and Waste Disposal Systems for Rural Communities			
Loan balance outstanding	10.760	91.06	\$ 223,252
Loan balance outstanding	10.760	91.08	314,026
Loan balance outstanding	10.760	91.12	1,414,821
			<u>\$ 1,952,099</u>

Notes: The Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of South Grant Water Corporation, Inc. (the Corporation) under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, change in net position, or cash flow of the Corporation.

Expenditures for CFDA #10.760 are reported on the accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the Corporation's accounting policies.

Outstanding loan balances are amounts as of the beginning of the year.

Outstanding loan balances for the end of the year totaled \$1,910,847.

No federal funds were awarded to subrecipients during the year ended December 31, 2016.

The Corporation did not elect to use the ten percent (10%) *de minimus* indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

South Grant Water Corporation, Inc.
Schedule of Revenues, Other Support and Operating Expenses -
Budget and Actual
Year Ended December 31, 2017

Schedule 3

	Budget	Actual	Variance with Budget - Positive (Negative)
Revenues and Other Support			
Operating Revenues			
Water sales	\$ 750,000	\$ 795,259	\$ 45,259
Connection fees	23,000	18,740	(4,260)
Delinquent surcharges	25,000	29,337	4,337
Interest income	2,000	1,919	(81)
Memberships	6,800	5,850	(950)
Other	28,000	39,423	11,423
Other Support			
Net realized gain (loss) on sale of equipment	-	(707)	(707)
Grants and contributions	-	35,608	35,608
Total Revenues and Other Support	834,800	925,429	90,629
Operating Expenses			
Salaries	250,000	264,511	14,511
Payroll taxes	18,000	21,476	3,476
Employee benefits	30,000	50,568	20,568
Bad debts	-	13,796	13,796
Supplies	65,000	75,245	10,245
Repairs and maintenance	36,000	29,489	(6,511)
Utilities	42,000	47,238	5,238
Depreciation	150,000	130,846	(19,154)
Insurance	15,800	13,455	(2,345)
Professional services	27,000	23,070	(3,930)
Office supplies and expenses	37,800	42,587	4,787
Truck expenses	20,000	17,916	(2,084)
Interest expense	82,000	85,275	3,275
Safe drinking water program	12,000	20,238	8,238
Other	49,200	27,044	(22,156)
Total Operating Expenses	834,800	862,754	27,954
Increase (Decrease) in Unrestricted Net Assets	\$ -	\$ 62,675	\$ 62,675

See independent auditor's report.

South Grant Water Corporation, Inc.
Schedule of Revenues, Other Support and Operating Expenses -
Budget and Actual
Year Ended December 31, 2016

Schedule 4

	Budget	Actual	Variance with Budget - Positive (Negative)
Revenues and Other Support			
Operating Revenues			
Water sales	\$ 700,000	\$ 680,011	\$ (19,989)
Connection fees	15,000	22,450	7,450
Delinquent surcharges	23,000	24,511	1,511
Interest income	2,000	1,879	(121)
Memberships	6,800	5,900	(900)
Other	25,500	27,174	1,674
Other Support			
Net realized gain on sale of equipment	-	2,440	2,440
Total Revenues and Other Support	772,300	764,365	(7,935)
Operating Expenses			
Salaries	220,000	213,757	(6,243)
Payroll taxes	18,000	17,231	(769)
Employee benefits	13,000	37,928	24,928
Bad debts	-	10,417	10,417
Supplies	55,000	62,639	7,639
Repairs and maintenance	30,000	36,222	6,222
Utilities	46,000	42,143	(3,857)
Depreciation	150,000	153,941	3,941
Insurance	20,000	12,603	(7,397)
Professional services	22,000	25,358	3,358
Office supplies and expenses	36,200	37,451	1,251
Truck expenses	20,000	19,509	(491)
Interest expense	92,000	87,297	(4,703)
Safe drinking water program	5,500	5,082	(418)
Other	44,600	51,275	6,675
Total Operating Expenses	772,300	812,853	40,553
Increase (Decrease) in Unrestricted Net Assets	\$ -	\$ (48,488)	\$ (48,488)

See independent auditor's report.

**South Grant Water Corporation, Inc.
Schedule of Compensation, Benefits, and Other
Payments to the Agency Head
December 31, 2017**

Schedule 5

Agency Head: William Smith, President

Purpose	Amount
Salary	\$ 25,976
Benefits - medicare	377
Benefits - social security	1,610
Car allowance	3,162
Cell phone allowance	480
Total	\$ 31,605

Note: South Grant Water Corporation, Inc.'s audit report is required to be submitted to the Louisiana Legislative Auditor beginning with the year ended December 31, 2017. The audit report was not required to be submitted to the Louisiana Legislative Auditor for year ended December 31, 2016; therefore, this schedule has not been presented for that period.

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Summary of Service Customers
December 31, 2017

Schedule 6

<u>Type of Customers</u>	<u>Number of Customers</u>
Residential	1,757
Commercial	36
Governmental	11
	<u>1,804</u>

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Summary of Service Customers
December 31, 2016

Schedule 7

<u>Type of Customers</u>	<u>Number of Customers</u>
Residential	1,745
Commercial	34
Governmental	12
	<u>1,791</u>

See independent auditor's report.

Do not print here down:
See 7100-20 for customer count

**South Grant Water Corporation, Inc.
Unaudited List of Board of Directors -
Positions and Terms
December 31, 2017**

Schedule 8

Name	Position	Address	Telephone Number	Term Expires
William Smith	President	182 Crooks Lane, Dry Prong, LA 71423	(318) 451-4140	January 2020
J. C. Brunson	Vice-President	712 Grays Creek Road, Dry Prong, LA 71423	(318) 446-6008	January 2019
Wilton Baxley	Director	6286 Hwy 8, Bentley, LA 71407	(318) 899-3800	January 2020
Jerry Bell	Director	165 Parsonage Road, Colfax, LA 71417	(318) 613-7459	January 2020
Gary Edwards	Director	571 Stuart Lake Road, Pollock, LA, 71467	(318) 446-3475	January 2021
Leroy Hart	Director	589 Firetower Road, Colfax, LA 71417	(318) 899-3790	January 2021
Arnold Murrell	Director	161 Bob Johnson Road, Dry Prong, LA 71423	(318) 446-4139	January 2019
Susan Walters	Secretary/Treasurer	600 Hyde Landing Road, Dry Prong, LA 71423	(318) 715-0726	None

See independent auditor's report.

**South Grant Water Corporation, Inc.
Unaudited List of Board of Directors -
Positions and Terms
December 31, 2016**

Schedule 9

Name	Position	Address	Telephone Number	Term Expires
William Smith	President	182 Crooks Lane, Dry Prong, LA 71423	(318) 451-4140	January 2017
Brittton Carroll	Vice-President	501 Hwy 1241, Colfax, LA 71417	(318) 419-4815	January 2018
Wilton Baxley	Director	6286 Hwy 8, Bentley, LA 71407	(318) 899-3800	January 2017
Jerry Bell	Director	165 Parsonage Road, Colfax, LA 71417	(318) 899-5232	January 2017
J. C. Brunson	Director	712 Grays Creek Road, Dry Prong, LA 71423	(318) 446-6008	January 2019
Leroy Hart	Director	589 Firetower Road, Colfax, LA 71417	(318) 899-3790	January 2018
Arnold Murrell	Director	161 Bob Johnson Road, Dry Prong, LA 71423	(318) 446-4139	January 2019
Susan Walters	Secretary/Treasurer	600 Hyde Landing Road, Dry Prong, LA 71423	(318) 715-0726	None

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Insurance in Force
December 31, 2017

Insurer	Expiration Date	Coverage	Schedule 10 Limits
Allied World Assurance Company	June 2, 2018	Commercial general liability General aggregate limit Products/completed operations aggregate limit Personal and advertising injury limit Each occurrence limit Medical expense	\$ 3,000,000 3,000,000 1,000,000 1,000,000 10,000
Allied World Assurance Company	June 2, 2018	Commercial crime coverage Each occurrence Computer fraud Deductible	250,000 100,000 1,000
Allied World Assurance Company	June 2, 2018	Property coverage Real and business personal property blanket limit Coverage extension blanket limit Mobile equipment Deductible per occurrence	2,313,377 750,000 191,460 1,000
23 Allied World Assurance Company	June 2, 2018	Public officials and management liability Coverage A Wrongful acts - each claim Employee Practices - each claim Employee benefit plans - each claim Coverage A deductible - each claim Coverage B Each action for injunctive relief Aggregate for Coverage B Aggregate limit	1,000,000 1,000,000 1,000,000 1,000 5,000 5,000 3,000,000
Regions Insurance	June 2, 2018	Automobile liability Combined single limit Deductible	1,000,000 500
Louisiana Workers' Compensation Corporation	February 14, 2018	Workers compensation and employers' liability Bodily injury by accident - each accident Bodily injury by disease - policy limit Bodily injury by disease - each employee	100,000 500,000 100,000

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Insurance in Force
December 31, 2016

<u>Insurer</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Schedule 11 Limits</u>
Allied World Assurance Company	June 2, 2017	Commercial general liability General aggregate limit Products/completed operations aggregate limit Personal and advertising injury limit Each occurrence limit Medical expense	\$ 3,000,000 3,000,000 1,000,000 1,000,000 10,000
Allied World Assurance Company	June 2, 2017	Commercial crime coverage Each occurrence Computer fraud Deductible	250,000 100,000 1,000
Allied World Assurance Company	June 2, 2017	Property coverage Real and business personal property blanket limit Coverage extension blanket limit Mobile equipment Deductible per occurrence	2,000,743 750,000 208,334 1,000
Allied World Assurance Company	June 2, 2017	Public officials and management liability Coverage A Wrongful acts - each claim Employee Practices - each claim Employee benefit plans - each claim Coverage A deductible - each claim Coverage B Each action for injunctive relief Aggregate for Coverage B Aggregate limit	1,000,000 1,000,000 1,000,000 1,000 5,000 5,000 3,000,000
Darwin National Insurance Company	June 2, 2017	Automobile liability Combined single limit Deductible	1,000,000 500
Louisiana Workers' Compensation Corporation	February 14, 2017	Workers compensation and employers' liability Bodily injury by accident - each accident Bodily injury by disease - policy limit Bodily injury by disease - each employee	100,000 500,000 100,000

24

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Water Rates in Force
December 31, 2017

Schedule 12

<u>Rate</u>	<u>Charge</u>
Residential	\$21.00 from zero to two thousand gallons \$4.60 per thousand gallons thereafter
Commercial	\$28.00 from zero to five thousand gallons \$5.00 per thousand gallons thereafter
Governmental	\$19.50 from zero to five thousand gallons \$2.50 per thousand gallons thereafter

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Water Rates in Force
December 31, 2016

Schedule 13

<u>Rate</u>	<u>Charge</u>
Residential	\$18.00 from zero to two thousand gallons \$3.50 per thousand gallons thereafter
Commercial	\$25.00 from zero to five thousand gallons \$4.00 per thousand gallons thereafter
Governmental	\$19.50 from zero to five thousand gallons \$2.50 per thousand gallons thereafter

See independent auditor's report.

**Other Reports Required by
Government Auditing Standards
and the Uniform Guidance**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**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**

To the Board of Directors of
South Grant Water Corporation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Grant Water Corporation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2018.

Internal Control Over Financial Reporting

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





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a material weakness. We did not identify any deficiencies in internal control during our audit for the year ended December 31, 2016.

Compliance and Other Matters

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

South Grant Water Corporation, Inc.'s Response to Finding

South Grant Water Corporation, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. South Grant Water Corporation, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Payne, Moore + Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 9, 2018



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**Independent Auditor's Report
on Compliance for Each Major Program and on
Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Directors of
South Grant Water Corporation, Inc.

Report on Compliance for Each Major Federal Program

We have audited South Grant Water Corporation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the years ended December 31, 2017 and 2016. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Corporation's compliance.

Opinion on the Major Federal Program

In our opinion, South Grant Water Corporation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2017 and 2016.

Report on Internal Control over Compliance

Management of South Grant Water Corporation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Payne, Moore + Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 9, 2018

**South Grant Water Corporation, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? X Yes No
 Significant deficiencies identified
 that are not considered to be
 material weaknesses? Yes X None reported

Possible noncompliance material to the
 financial statements noted? Yes X No

Management's Corrective Action Plan See Attached

*Management's Summary Schedule of Prior
 Audit Findings* Not applicable

*Memorandum of Recommendations
 and Other Comments* None

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes X No
 Significant deficiencies identified
 that are not considered to be
 material weaknesses? Yes X None reported

Type of auditor's report issued on
 compliance for major programs: Unmodified

Any audit findings disclosed that are
 required to be reported in accordance
 with the Uniform Guidance? Yes X No

Identification of major programs:
 CFDA # 10.760: Water and Waste Disposal Systems for Rural Communities

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

South Grant Water Corporation, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section II – Financial Statement Findings

Finding 2017-001 Recording Additions to Fixed Assets

Criteria: The objectives of internal controls include providing management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition and Context: We noted instances of omitted or incomplete recording of construction in progress and instances in which fixed asset additions were charged to operating accounts. These instances resulted in material proposed audit adjustments, which were approved by management.

Cause and Effect: In some instances, non-routine transactions are not properly recorded by management. Without the above approved audit adjustments, the financial statements would have been materially misstated.

Recommendation: We recommend that management consult with their bookkeeping service about recording non-routine transactions so that these transactions can be properly reflected in the financial statements.

Management's Response: See Management's Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

None.



South Grant Water Corporation
P.O. Box 118
Bentley, L.A. 71407
Telephone: (318)899-5726 & (318)899-1232
Fax Number: (318)899-7498
Email:sgrantwater@bellsouth.net

**Management's Corrective Action Plan
Year Ended December 31, 2017**

The South Grant Water Corporation, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2017.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P. O. Box 13200
Alexandria, LA 71315-3200

Auditee Contact Person: Mr. William Smith
President
South Grant Water Corporation, Inc.
(318) 899-5726

Audit Period: January 1, 2017 through December 31, 2017

The findings from the Schedule of Findings and Questioned Costs are discussed below, numbered consistently with the numbers assigned in the Schedule. See Part II, Schedule of Findings and Questioned Costs, for criteria, condition and context, cause and effect, and auditor recommendations relating to the findings to the financial statements.

Findings Related to the Financial Statements

Finding 2017-001 Recording Additions to Fixed Assets

Summary: We noted instances of omitted or incomplete recording of construction in progress and instances in which fixed asset additions were charged to operating accounts. These instances resulted in material proposed audit adjustments, which were approved by management.

Recommendation: We recommend that management consult with their bookkeeping service about recording non routine transactions so that these transactions can be properly reflected in the financial statements.

Management's Response:

The finding from the Schedule of Finding and Questions costs and South Grant Water Corporation Ins's response are:

Finding 2017-001 Recording Additions to Fixed Assets. SGW management will be more diligent in assuring all expenditures are correctly coded to make sure there are no disconnects between SGW and our accounting firm. SGW will make sure that any office equipment purchase of \$250.00 or more and any other equipment purchase \$2500.00 or more are entered as depreciating assets. SGW will assure that all expenditures relating to the East Station project are project are recorded and coded properly.

**South Grant Water Corporation, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_____ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Possible noncompliance material to the financial statements noted?	_____ Yes <u> X </u> No
<i>Management's Corrective Action Plan</i>	Not applicable
<i>Management's Summary Schedule of Prior Audit Findings</i>	Not applicable
<i>Memorandum of Recommendations and Other Comments</i>	None

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	_____ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ Yes <u> X </u> No
Identification of major programs:	
CFDA # 10.760: Water and Waste Disposal Systems for Rural Communities	
Dollar Threshold used to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

**South Grant Water Corporation, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.