

VINTON PUBLIC POWER AUTHORITY  
A Component Unit of the Town of Vinton, Louisiana  
Annual Financial Report and Independent Auditors' Report  
Year Ended September 30, 2017

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VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis

Within this section of the Vinton Public Power Authority's (Authority) annual financial report, the Authority's management is pleased to provide this narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2017. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$23,014,999 (net position), \$21,146,961 for 2016, for the fiscal year reported.
- Total revenues of \$4,167,595 exceeded total expenditures of \$2,889,813, which resulted in a current year surplus of \$1,868,038 compared to prior year surplus of \$2,666,794.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, of \$6,516,937 include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase of capital assets.
  - (2) Restricted for debt service of \$3,649,475.
  - (3) Unrestricted net position of \$12,848,587.
- Overall, the Authority continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

**Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the Authority's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

**Basic Financial Statements**

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long term portions of assets and liabilities separately. Total assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources is net position, and it may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position is reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

**Notes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

**Financial Analysis of the Authority as a Whole**

The Authority's net position at fiscal year-end is \$23,014,999. The following table provides a summary of the Authority's net position:

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 17,077,061	\$ 16,789,519
Capital assets	13,551,937	12,895,805
Other assets	-	-
Total assets	<u>\$ 30,628,998</u>	<u>\$ 29,685,324</u>
Deferred outflows of resources	<u>\$ 19,393</u>	<u>\$ 1,279</u>
Liabilities:		
Current liabilities	\$ 1,810,630	\$ 1,501,051
Long-term liabilities	5,821,794	7,038,479
Total liabilities	<u>\$ 7,632,424</u>	<u>\$ 8,539,530</u>
Deferred inflows of resources	<u>\$ 968</u>	<u>\$ 112</u>
Net position:		
Net investment in capital assets	\$ 6,516,937	\$ 4,690,805
Restricted	3,649,475	3,158,795
Unrestricted	12,848,587	13,297,361
Total net position	<u>\$ 23,014,999</u>	<u>\$ 21,146,961</u>

28%, (22% for 2016), of the Authority's net position is tied up in capital assets. The Authority uses these capital assets to provide services to its customer.

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Authority's changes in net assets:

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 2,406,920	\$ 2,422,034
Nonoperating Revenues	<u>2,350,931</u>	<u>2,832,949</u>
Total Revenues	4,757,851	5,254,983
Depreciation Expense	391,099	376,018
Other Operating Expenses	2,203,586	1,870,310
Nonoperating Expenses	<u>295,128</u>	<u>341,861</u>
Total Expenses	<u>2,889,813</u>	<u>2,588,189</u>
Change in Net Position	1,868,038	2,666,794
Beginning Net Position	<u>21,146,961</u>	<u>18,480,167</u>
Ending Net Position	<u>\$ 23,014,999</u>	<u>\$ 21,146,961</u>

**Capital Assets and Debt Administration**

***Capital Assets***

The Authority's investment in capital assets as of September 30, 2017, was \$13,551,937. See Note B for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2017</u>	<u>2016</u>
Nondepreciable assets:		
Construction in progress	\$ <u>63,242</u>	\$ <u>128,845</u>
Depreciable assets:		
Distribution system	18,770,621	17,657,787
Less accumulated depreciation	<u>5,281,926</u>	<u>4,890,827</u>
Book value-depreciable assets	<u>\$ 13,488,695</u>	<u>\$ 12,766,960</u>
Percentage depreciated	<u>28%</u>	<u>28%</u>
Book value-all assets	<u>\$ 13,551,937</u>	<u>\$ 12,895,805</u>

VINTON PUBLIC POWER AUTHORITY  
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

**Long-Term Debt**

At the end of the fiscal year, the Authority had total debt obligations outstanding of \$7,035,000. During the year, the Authority retired \$1,170,000 of the outstanding debt balance. See Note C for additional information regarding long-term debt.

**Economic Factors**

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Authority's office, Ms. Mary Vice, Clerk at (337) 589-7453.



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
GRAHAM A. PORTUS, E.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BARLOW, C.P.A.  
BRIAN MCCAIN, C.P.A.  
BLAKE MANUEL, C.P.A.

INDEPENDENT AUDITORS' REPORT

February 20, 2018

Board of Directors  
Vinton Public Power Authority  
Vinton, Louisiana

We have audited the accompanying financial statements of the business-type activities of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**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 the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of employer's proportionate share of pension liability, and schedule of employer's contributions on pages 3 through 7 and 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VPPA's basic financial statements. The schedule of compensation, benefits and other payments to chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits and other payments to chief executive officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

Board of Directors  
Vinton Public Power Authority  
February 20, 2018  
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to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Accounting Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the Vinton Public Power Authority's internal control over financial reporting and 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 Vinton Public Power Authority's internal control over financial reporting and compliance.

*Dragsom, Casiday & Guillory*

VINTON PUBLIC POWER AUTHORITY

Statement of Net Position

September 30, 2017

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 12,986,026	\$ 13,156,125
Accounts receivable	277,009	285,840
Prepaid insurance	17,857	18,793
	<u>13,280,892</u>	<u>13,460,758</u>
Restricted assets		
Cash	3,796,169	3,328,761
Total current assets	<u>17,077,061</u>	<u>16,789,519</u>
Fixed assets, at cost, net of accumulated depreciation of \$5,281,926 for 2017		
	13,551,937	12,895,805
<b>TOTAL ASSETS</b>	<u><b>\$ 30,628,998</b></u>	<u><b>\$ 29,685,324</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u><b>\$ 19,393</b></u>	<u><b>\$ 1,279</b></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 418,936	\$ 161,085
Payable from restricted assets		
Interest payable	146,694	169,966
Current maturities of long-term debt	1,245,000	1,170,000
Total current liabilities	<u>1,810,630</u>	<u>1,501,051</u>
Net pension liability	31,794	3,479
Long-term debt, net of current maturities	5,790,000	7,035,000
<b>TOTAL LIABILITIES</b>	<u><b>\$ 7,632,424</b></u>	<u><b>\$ 8,539,530</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	<u><b>\$ 968</b></u>	<u><b>\$ 112</b></u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 6,516,937	\$ 4,690,805
Net position - Restricted for debt service	3,649,475	3,158,795
Net position - Unrestricted	12,848,587	13,297,361
<b>TOTAL NET POSITION</b>	<u><b>\$ 23,014,999</b></u>	<u><b>\$ 21,146,961</b></u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in Net Position

Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services, less rebate of \$321,563	\$ 2,406,920	\$ 2,422,034
OPERATING EXPENSES		
Advertising	404	387
Depreciation	391,099	376,018
Dues	5,383	3,500
Insurance	47,366	51,390
Miscellaneous	16,968	4,600
Power cost	1,289,233	1,307,640
Professional fees	683,384	409,702
Repairs and maintenance	122,297	55,627
Secretarial	29,578	27,000
Telephone	8,419	10,337
Travel	554	127
Total operating expenses	<u>2,594,685</u>	<u>2,246,328</u>
Operating Income	(187,765)	175,706
NONOPERATING REVENUES (EXPENSES)		
Interest income	21,334	16,295
NISCO revenue	2,252,083	2,765,514
Intergovernmental - SRG&T	21,294	34,594
Other income	56,220	16,546
Interest expense	(295,128)	(341,861)
Total nonoperating revenues (expenses)	<u>2,055,803</u>	<u>2,491,088</u>
Changes in Net Position	1,868,038	2,666,794
NET POSITION-BEGINNING	<u>21,146,961</u>	<u>18,480,167</u>
NET POSITION-ENDING	<u>\$ 23,014,999</u>	<u>\$ 21,146,961</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows

Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,415,751	\$ 2,391,126
Cash payments to suppliers for goods and services	<u>(1,957,014)</u>	<u>(1,863,011)</u>
Net cash from operating activities	458,737	528,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(1,047,231)	(110,513)
Payment of principal on bonds	(1,170,000)	(1,125,000)
Interest paid on bonds	(295,128)	(341,861)
Proceeds from NISCO and intergovernmental	<u>2,329,597</u>	<u>2,816,654</u>
Net cash from capital and related financing activities	(182,762)	1,239,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>21,334</u>	<u>16,295</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	297,309	1,783,690
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>16,484,886</u>	<u>14,701,196</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,782,195</u>	<u>\$ 16,484,886</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 318,400</u>	<u>\$ 353,050</u>

Continued

See accompanying notes

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows (Continued)

Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (187,765)	\$ 175,706
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	391,099	376,018
(Increase) decrease in accounts receivable	8,831	(30,908)
(Increase) decrease in prepaid insurance	936	89
Increase (decrease) in accounts payable	257,851	18,273
Increase (decrease) in interest payable	(23,272)	(11,189)
Increase (decrease) in net pension liability	11,057	126
Net cash flow from operating activities	<u>\$ 458,737</u>	<u>\$ 528,115</u>

See accompanying notes

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2017

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vinton Public Power Authority (VPPA) is a public power authority created pursuant to Article VI, Section 19 of the Louisiana Constitution of 1974, Louisiana Revised Statutes of 1950, as amended, Title 33, Section 4172 and by Ordinance No. 295, adopted by the Mayor and the Board of Aldermen of the Town of Vinton, LA on September 2, 1980. Louisiana Revised Statutes 33:4172 authorizes public power authorities to contract with the municipality creating it or any other public power authority for the sale of electric power for a term not exceeding 40 years on such terms and conditions as may be specified in a written contract which the power authority may negotiate and execute and provides authority for all other contractual arrangements incidental to the sale of such power. Resolutions were approved by the Mayor and Board of Aldermen of the Town of Vinton, LA, acting ex officio as the Board of Directors of VPPA. The Directors receive no compensation for serving on the board. The Authority has no employees and utilizes Town of Vinton, Louisiana employees for any operating and administrative duties through a joint service agreement, to which Vinton Public Power Authority has paid the Town \$294,000 in administrative fees for the year.

#### 1. Reporting Entity

The Authority is a component unit of the Town of Vinton, Louisiana, the financial reporting entity. The Town is financially accountable for the Authority because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the Town, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### 2. Basis of Presentation

The accompanying financial statements of the Vinton Public Power Authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the Authority are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2017

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Authority come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

#### 3. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2017, the Authority has \$16,819,034 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance, and \$16,319,034 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

#### 4. Accounts Receivable

Of the total accounts receivable of \$277,009, is due from the Town of Vinton, LA, a related party and the Authority's only customer. Due to the nature of this transaction an allowance for bad debts is not recorded.

#### 5. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$16,782,195 which represents unrestricted amounts of \$12,986,026 and restricted amounts of \$3,796,169.

# VINTON PUBLIC POWER AUTHORITY

## Notes to the Financial Statements

September 30, 2017

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 6. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

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

The proposed budget is presented to the Authority's Board of Directors for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

#### 7. Net Position

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Authority's policy is to first apply the expense toward the restricted resource and then toward the unrestricted resources.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

10. Subsequent Events

Management has evaluated subsequent events through February 20, 2018, the date the financial statements were available to be issued.

NOTE B – FIXED ASSETS

A summary of changes in fixed assets for the year follows:

	<u>Beginning of year</u>	<u>Net Additions (Deletions)</u>	<u>End of Year</u>
Plant	\$ 17,537,101	\$ 1,112,834	\$ 18,649,935
Transportation equipment	120,686	-	120,686
Construction in progress	<u>128,845</u>	<u>(65,603)</u>	<u>63,242</u>
	17,786,632	<u>\$ 1,047,231</u>	18,833,863
Less accumulated depreciation	<u>4,890,827</u>		<u>5,281,926</u>
TOTALS	<u>\$ 12,895,805</u>		<u>\$ 13,551,937</u>

Depreciation expense was \$391,099 for the year ended September 30, 2017.

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset, materially extend asset lives or exceed \$2,500 are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE B – FIXED ASSETS - CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant	50 years
Equipment	3-10 years

Major fixed asset additions for the year include line extension from substation to Coon Gully Bridge.

Construction in progress of \$63,242 at September 30, 2017 consists of \$63,242 for a new line to Vinton High School (additional cost of \$30,000 is expected and completion is expected in the fiscal year ending September 30, 2018).

NOTE C – LONG-TERM DEBT

A. Debt Outstanding

The following is a summary of debt transactions of the Authority for the year ended September 30, 2017:

Bonds payable, September 30, 2016	\$ 8,205,000
Bonds paid	(1,170,000)
Bonds issued	-
Bonds payable, September 30, 2017	<u>\$ 7,035,000</u>

Debt payable at September 30, 2017 are comprised of the following individual issue:

\$11,805,000 Bonds dated May 1, 2012, due in annual installments of \$1,245,000-\$3,070,000 through October 1, 2021, interest at 1.0-4.5%	\$ 7,035,000
Less currently payable	<u>1,245,000</u>
Total Long-Term Debt	<u>\$ 5,790,000</u>

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE C – LONG-TERM DEBT - CONTINUED

B. Debt Services Requirements to Maturity

The annual requirements, including interest, to amortize all debts outstanding as of September 30, 2017 are as follows:

Year Ending September 30,	
2018	\$ 1,515,100
2019	1,535,500
2020	1,554,300
2021	122,800
2022	3,131,400

C. Section 6.11 Compliance

VPPA has complied for the year ended September 30, 2017 with the net revenue requirements of Section 6.11 of the loan agreement. Compliance with section 6.11 of the loan agreement allows VPPA to receive monies accumulated in the "Refund Fund."

With respect to section 6.11 of the loan agreement, net revenues available for debt service for the year ended September 30, 2017 (\$3,468,618) is in excess of the total debt service requirement (\$1,537,016) by at least 1.15 times, actual is 2.26 times.

NOTE D – COMPONENTS OF RESTRICTED NET POSITION

Restricted Assets – Cash at September 30, 2017 is detailed as follows:

Revenue Fund	\$ 335,889
Debt Service Fund	1,394,679
Reserve Fund	1,182,945
Refund Fund	-
Operating Reserve Fund	83,874
Renewal & Replacement Fund	255,406
Non-Routine Maintenance Fund	543,376
Total Cash	<u>\$ 3,796,169</u>

Certain proceeds of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue fund" account is used to aggregate resources for power costs and net resources available for debt service. The "debt service fund" account is used to segregate resources accumulated for debt service payments over the next twelve months.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE D – COMPONENTS OF RESTRICTED NET POSITION-CONTINUED

The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the debt service fund account, up to a maximum amount of \$1,180,500. The "refund fund" account is used to accumulate excess funds in other restricted asset funds and is payable to the Authority once a year. The "operating reserve fund" account is used to accumulate funds for non-routine maintenance, up to a maximum amount of approximately \$48,000. The "renewal and replacement fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements, up to a maximum of \$250,000. The "non-routine maintenance fund" account is used to accumulate funds for payment of extraordinary repairs and maintenance, with a \$50,000 contribution required each year.

The amount of net position restricted for debt service is detailed as follows:

Restricted assets-cash	\$ 3,796,169
Less: Accrued interest, payable from restricted assets	<u>146,694</u>
Net Position Restricted	<u>\$ 3,649,475</u>

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

Previously the Sam Rayburn Municipal Power Authority (SRMPA) provided all of the power requirement to VPPA for VPPA's wholesale load. VPPA, in turn, supplied all of the power requirements of the Town of Vinton, LA. The Town in turn sold the power to the end use customers. The SRMPA, VPPA, and the Town are all independent entities bound together through power supply and sales contracts and have been contractually bound in this manner since 1981. Developments in 2002 made it attractive for VPPA to exit its long-standing contractual relationship with the SRMPA after securing its own financing and power supplies. VPPA continues its relationship as the Town of Vinton, LA's sole power supplier.

VPPA and the SRMPA has fixed its debt load and taken full advantage of expected growth to insure that the rates the Town must charge will be competitive with or below those that would be charged had VPPA remained in the SRMPA, assuming like growth rates and eliminate dependence on the SRMPA board. In addition, VPPA simultaneously transferred its interest in the Nelson Unit No. 6 project to Entergy Power, Inc. (EPI), which was originally obtained from SRMPA on December 18, 1992.

Under a Power Sales Contract, dated as of July 1, 2002, VPPA agrees to sell, and the Town agrees to buy on a "take or pay" basis, all power and energy which the Town shall require for its electric system. VPPA however, shall not be required to supply and the Town shall not be required to purchase power and energy in excess of the maximum power available to VPPA pursuant to the Exit Agreement. Under the Power Sales Contract, the Town agrees to take its all requirements power supply from VPPA and to pay for such supply as an operating expense.

## VINTON PUBLIC POWER AUTHORITY

### Notes to the Financial Statements

September 30, 2017

#### NOTE E – POWER SUPPLY/SALES ARRANGEMENTS - CONTINUED

The Town covenants in its Power Sales Contract with VPPA that the Town will establish and collect rates and charges for the electric services sufficient with other revenues and reserves to meet all of the obligations of the Town, including all amounts payable to VPPA under the Power Sales Contract, all operation and maintenance expenses, and debt service on any related revenue bonds.

VPPA has accepted an assignment from SRMPA of certain rights and benefits in, and assumed a payment obligation under, the Requirements Power Supply Agreement ("RPSA"), dated November 1, 1998, as amended by Amendment No. 1, dated November 1, 1998, between Entergy Power Marketing Corp. ("EPMC", now merged into Entergy-Kock Trading LP or "EKT"), and SRMPA as assigned without novation by EPMC to EWO Marketing LP ("EWOM"). VPPA will thereafter purchase all its requirements power supply, net of certain hydroelectric power resources, under the RPSA. The term of the RPSA expires September 30, 2021. SRMPA will likewise also assign to VPPA certain rights and benefits with respect to the R.D. Willis Hydro Project. VPPA will retain an entitlement to the output of the Sam Rayburn Dam Project.

#### NOTE F – CONCENTRATIONS

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer. VPPA has only one retail customer assigned from Entergy Gulf States, Inc. (EGSI).

#### NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD

VPPA together with SRMPA developed a separate wholesale power enterprise (Cambridge Project) which became effective on December 1, 2011. The Cambridge Project utilized VPPA's historical Nelson Industrial Steam Company (NISCO) Project as a basis for its development by adding loan and wholesale power supplies made with Entergy operating companies to create an expanded project which included SRMPA. As with the NISCO Project, the Cambridge Project is distinct and separate from VPPA's primary wholesale power supply obligation serving the Town of Vinton, LA. after the Requirements Power Supply Agreement (RPSA) expires in 2021.

In the original NISCO Project agreement for the assignment of retail load between Entergy Gulf States Louisiana LLC (EGSL) and VPPA, EGSL assigned the rights to serve certain retail industrial load to VPPA. VPPA agreed to take assignment from WSGL of the purchase and delivery of the electrical output from the NISCO generation facilities for service to the assigned load. The original NISCO Project agreement was finalized on May 25, 2001 and was suspended and replaced as of October 1, 2011 under the Cambridge Project agreement and will end on December 31, 2035. This Long Term Retail

## VINTON PUBLIC POWER AUTHORITY

### Notes to the Financial Statements

September 30, 2017

#### NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD - CONTINUED

Assignment agreement is subject to review and action by the Louisiana Public Service Commission.

The additional power supply resources to the Cambridge Project include generation from third parties and power supply purchases from EGSL and EWOM. The Cambridge Project loads include the assignment of industrial load from EGSL to VPPA and the new wholesale load requirements to Entergy Texas Inc. (ETI). The Cambridge Project supplements the existing VPPA system under the RPSA. EGSL coordinates and delivers energy and VPPA will purchase energy sufficient to fulfill those contracts assigned to VPPA by EGSL. The loads include three retail industrial loads as with the NISCO Project; two large oil refineries and a chemical company (also known as the Industrial Participants or IP's) plus the wholesale power supply load requirement serving ETI.

Under the Supplemental RPSA (SRPSA) agreement with EWOM, VPPA replaced the right to increase purchases for load growth at a maximum 3% annual rate for a 2% annual growth rate, which is more in line with anticipated growth rates. The SRPSA only serves VPPA municipal loads in excess of 2% annual cumulative load growth through September 30, 2021 and the full load, net of hydro, after September 30, 2021 through 2035. Should any of the Cambridge Project contractual arrangements be terminated, the Cambridge contracts would terminate and the VPPA system reverts to their original condition with wholesale energy provided under the RPSA for VPPA to serve the Town of Vinton, LA.

The profit potential from the Cambridge Project provides for the opportunity to reduce long-term power supply costs, build reserves and for the potential distribution of funds to the Town of Vinton, LA. VPPA receives a load ration share (9.39%) of the Cambridge Project's net revenues available for distribution. In addition, the terms of the project's agreements specify that VPPA will retain one-third of a certain fee amount from the Jasper/Vinton Settlement Trust. The total net payments for the year ended September 30, 2017 were \$2,252,083. In accordance with an agreement between SRMPA and VPPA, \$1.5 million of net revenues from the Cambridge Project will be placed in operating reserves (based on load ration shares) for the first 5 years of operation to be maintained through the life of the contracts; however, this agreement is subject to change by mutual consent of the two parties.

#### NOTE H - PENSION PLAN

Employees of the Vinton Public Power Authority are members of the Municipal Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plans administered by a separate boards of trustees. Pertinent information relative to the plan follows:

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE H - PENSION PLAN - CONTINUED

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipality funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of credible service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 60 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the VPPA is required to contribute at an actuarially determined rate. The current rate is 22.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the VPPA are established and may be amended by state statute. As provided by R. S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The VPPA contributions to the System under Plan A for the year ending September 30, 2017 was \$3,337.

At September 30, 2017, Vinton Public Power Authority reported a liability of \$31,794 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. VPPA's proportion of the net

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE H - PENSION PLAN - CONTINUED

pension liability was based on a projection of the VPPA's long-term share of contributions to their pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, VPPA's proportion was .0076000%.

For the year ended September 30, 2017, VPPA recognized pension expense (benefit) of \$11,057. At September 30, 2017, the VPPA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 968
Difference between expected and actual investment	6,412	-
Difference between expected and actual assumptions	532	-
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	9,112	-
Contributions subsequent to the measurement date	3,337	-
Total	<u>\$ 19,393</u>	<u>\$ 968</u>

\$3,337 reported as deferred outflows of resources related to pensions resulting from VPPA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Amount
2018	\$ 5,029
2019	5,029
2020	5,030
2021	-
2022	-
Thereafter	-

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE H - PENSION PLAN - CONTINUED

Actuarial methods and assumption. The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components on net pension liability of the System's employers as of June 30, 2017 are as follows:

Total Pension Liability	\$	1,115,400,101
Plan Fiduciary Net Pension		697,057,939
Total Net Pension Liability	\$	<u>418,342,162</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.4% (Net of investment expense)
Expected Remaining Service Lives	3 years
Projected Salary Increases	5.0% (2.775% Inflation)
Annuitant and Beneficiary Mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex District Mortality Tables set forward 1 year for females projected to 2028 using scale AA.
Employee Mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled Lives Mortality	For disabled Annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2017

NOTE H - PENSION PLAN - CONTINUED

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems'

Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to changes in discount rate. The following presents the net pension liability of the System calculated using the discount rate of 7.4%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.4% or one percentage point higher 8.4% than the current rate.

	Changes in Discount Rate 2016		
	1% Decrease 6.4%	Current Discount Rate 7.4%	1% Increase 8.4%
Net Pension Liability (Asset)	\$ 40,516	\$ 31,794	\$ 24,354

REQUIRED SUPPLEMENTAL INFORMATION

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in  
Net Position - Budget and Actual

Year Ended September 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 2,380,000	\$ 2,406,920	\$ 26,920
OPERATING EXPENSES			
Advertising	500	404	96
Depreciation	360,000	391,099	(31,099)
Dues	4,500	5,383	(883)
Insurance	59,500	47,366	12,134
Miscellaneous	3,600	16,968	(13,368)
Power cost	1,332,400	1,289,233	43,167
Professional fees	679,350	683,384	(4,034)
Repairs and maintenance	150,000	122,297	27,703
Secretarial	29,537	29,578	(41)
Telephone	11,000	8,419	2,581
Travel	2,500	554	1,946
TOTAL OPERATING EXPENSES	<u>2,632,887</u>	<u>2,594,685</u>	<u>38,202</u>
OPERATING INCOME	<u>(252,887)</u>	<u>(187,765)</u>	<u>65,122</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	15,770	21,334	5,564
NISCO revenue	1,600,000	2,252,083	652,083
Intergovernmental - SRG&T	32,400	21,294	(11,106)
Other income	-	56,220	56,220
Interest expense	(295,000)	(295,128)	(128)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,353,170</u>	<u>2,055,803</u>	<u>702,633</u>
CHANGES IN NET POSITION	1,100,283	1,868,038	767,755
NET POSITION-BEGINNING	<u>21,146,961</u>	<u>21,146,961</u>	<u>-</u>
NET POSITION-ENDING	<u>\$22,247,244</u>	<u>\$23,014,999</u>	<u>\$ 767,755</u>

VINTON PUBLIC POWER AUTHORITY

Schedule of Employer's Proportionate Share of Net Pension Liability

September 30, 2017

Municipal Employees' Retirement System of Louisiana:

	September 30, 2017	September 30, 2016	September 30, 2015
Employer's portion of the net pension liability (asset)	0.007600%	0.006159%	0.008808%
Employer's proportionate share of the net pension liability (asset)	\$ 31,794	\$ 25,244	\$ 2,969
Employer's covered payroll	\$ 13,483	\$ 1,610	\$ 1,448
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	161.64%	1,567.95%	205.04%
Plan fiduciary net position as a percentage of the total pension liability	62.49%	63.34%	74.0%

VINTON PUBLIC POWER AUTHORITY

Schedule of Employer's Contributions

September 30, 2017

Municipal Employees' Retirement System of Louisiana:

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	\$ 285	\$ 285	\$ -	\$ 1,448	19.68%
2016	\$ 318	\$ 318	\$ -	\$ 1,610	19.75%
2017	\$ 3,337	\$ 3,337	\$ -	\$ 13,483	24.75%

OTHER INFORMATION

VINTON PUBLIC POWER AUTHORITY

Schedule of Compensation, Benefits and Other Payments  
To Chief Executive Officer

Year Ended September 30, 2017

Chief Executive Officer: Kenneth Stinson, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	167
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
GRAHAM A. PORTUS, E.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BARLOW, C.P.A.  
BRIAN MCCAIN, C.P.A.  
BLAKE MANUEL, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 20, 2018

Board of Directors  
Vinton Public Power Authority  
Vinton, Louisiana

We have audited, 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, the financial statements of the business-type activities of the Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Vinton Public Power Authority's basic financial statements, and have issued our report thereon dated February 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Vinton Public Power Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances of the Vinton Public Power Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vinton Public Power Authority's internal control.

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

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

Board of Directors  
Vinton Public Power Authority  
February 20, 2018  
Page Two

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Vinton Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.



VINTON PUBLIC POWER AUTHORITY

Schedule of Findings and Responses

Year Ended September 30, 2017

1. Summary of Auditors' Results:

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified?        \_\_\_ yes     X  no
- Control deficiency(s) identified that are  
not considered to be material weakness(es)? \_\_\_ yes     X  none reported

Noncompliance material to financial  
statements noted?                                \_\_\_ yes     X  no

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

Finding 2016-01:

Condition: Inadequate budgeting procedures resulted in expenditures being over budget by 5% or more

Status:        Satisfactorily corrected



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INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

February 14, 2018

To the Board of Directors  
Vinton Public Power Authority

We have performed the procedures included enumerated below, which were agreed to by Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUP's) for the fiscal year October 1, 2016 through September 30, 2017. The Authority's management is responsible for those C/C areas identified in the SAUP's.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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1. Obtain the Authority'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 Authority does not have any written policies and procedures), as applicable:
  - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.  
***The Authority does not have a policies and procedures manual.***
  - 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.  
***The Authority does not have a policies and procedures manual.***
  - c) *Disbursements*, including processing, reviewing, and approving.  
***The Authority does not have a policies and procedures manual.***
  - d) *Receipts*, including receiving, recording, and preparing deposits.  
***The Authority does not have a policies and procedures manual.***

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

***The Authority does not have a policies and procedures manual.***

- 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.

***The Authority does not have a policies and procedures manual.***

- 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.

***The Authority does not have a policies and procedures manual.***

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

***The Authority does not have a policies and procedures manual.***

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Authority's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

***The Authority does not have a policies and procedures manual.***

- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***The Authority does not have a policies and procedures manual.***

**Board (or Finance Committee, if applicable)**

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- 2. Obtain and review the board minutes for the fiscal year, 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.

***The Board met monthly in the fiscal year.***

- 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 Authority's prior audit (GAAP-basis).

- 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 year reflect that the board is monitoring the plan.

*The minutes did not reference nor include monthly budget-to-actual comparisons.*

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

*Minutes, where applicable, contained approval of non-budgetary financial information.*

### ***Bank Reconciliations***

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

*The listing was provided by management.*

4. Using the listing provided by management, select all of the Authority's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal year and report whether:

- a) Bank reconciliations have been prepared;

*Bank reconciliations were prepared for all of the selected bank accounts for all months in the fiscal year.*

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

*There is no documentation that a member of management or a board member has reviewed each bank reconciliation.*

- 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.

*Not applicable, for the accounts tested, there were no items outstanding for more than 6 months as of the end of the fiscal period.*

### ***Collections***

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

*The listing was provided by management.*

6. Using the listing provided by management, select all of the Authority's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*The employee accepting payments is bonded. The employee who collects cash is responsible for depositing the cash in the bank. An outside party records the transaction and reconciles the bank accounts. Cash register/drawers are not maintained.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Authority 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.

*The Authority has a formal process to reconcile cash collections to the subsidiary ledger and to the general ledger by revenue source by a person who is not responsible for cash collections.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Authority 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.

*All deposits were made within one day of collections.*

- 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.

*No evidence of exceptions was found during the testing.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Authority 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.

*The Authority does not have a policies and procedures manual.*

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

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

*The listing was provided by management.*

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 Authority 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:

**Randomly selected 25 disbursements and obtained supporting documentation for each transaction.**

- 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.

*When applicable, purchases were initiated using a purchase order system.*

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

*Purchase orders were approved by someone other than the person who initiated the purchase.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*Purchase orders were approved before any payments for purchases were made and payments had an approved invoice.*

10. Using Authority 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 Authority's purchasing/disbursement system.

*The individual responsible for processing payment is prohibited from adding vendors to the system.*

11. Using Authority 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.

*The individuals with signatory authority and authorization for disbursements have no responsibility to initiate or record 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 Authority documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*The Authority's checks are electronically printed on blank check stock. Blank check stock is maintained in a locked location with restricted access. Persons with signatory authority do not 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.

*The City Clerk has a signature stamp, maintained under her control and used only with her knowledge and consent. Checks are maintained under the control of the signer or authorized user until mailed.*

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

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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.

*Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.*

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of

certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

***Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.***

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

***Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.***

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased).

***Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.***

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

***Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.***

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

***Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.***

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Authority'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.

***Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.***

c) For each transaction, compare the Authority'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.

*Not applicable. The Authority does not have active credit cards, bank debit cards, fuel cards, nor P-cards.*

### ***Travel and Expense Reimbursement***

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

*The listing was provided by management.*

18. Obtain the Authority'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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The Authority reimburses per diem and mileage at the GSA rates.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

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

*For the expense reimbursements tested, those did not exceed the GSA 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.]

*Each expense was reimbursed based on an established per diem amount.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*Each expense was supported by documentation of business/public purpose.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*All documentation appeared to be in order.*

- c) Compare the Authority'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.

*The Authority's documentation of business/public purpose for tested expenses appeared to comply with the requirements of Article 7, Section 14 of the Louisiana Constitution.*

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

*Each expense tested was supported by documentation, approval in writing by someone other than the person receiving reimbursement.*

### Contracts

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

*The listing was provided by management.*

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

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

*Of the five highest paid vendors, two did not have formal/written contracts. However, invoices were present for each payment.*

- 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 Authority complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*The contracts/vendors complied with public bid law when applicable.*

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

*Solicited quotes were not obtained.*

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

*None of the contracts were amended.*

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

*Payments complied with the invoices/contracts.*

- 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).

*Documentation provided reflected approval by the Board.*

#### ***Payroll and Personnel***

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- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*The listing was provided by management.*

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

*All selected employees were paid in strict accordance with the approved pay rate structure.*

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

*There were no changes to pay rate/salaries during the fiscal year.*

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the Authority 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.)

*Not applicable. The Authority does not have a leave policy.*

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

*Not applicable. The Authority does not have a leave policy.*

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

*Not applicable. The Authority does not have a leave policy.*

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

*Not applicable. There were no terminations in the fiscal period.*

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

*Documentation reflected that payroll tax and retirement return/reports were timely filed and paid.*

#### **Ethics**

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Authority maintained documentation to demonstrate that required ethics training was completed.

*Ethics training documentation was not maintained for one of the employees tested.*

27. Inquire of management whether any alleged ethics violations were reported to the Authority during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Authority's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Management was not notified of any alleged or actual ethics violations during the fiscal period.*

#### **Debt Service**

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28. If debt was issued during the fiscal year, obtain supporting documentation from the Authority, and report whether State Bond Commission approval was obtained.

*No debt was issued during the fiscal year.*

29. If the Authority had outstanding debt during the fiscal period, obtain supporting documentation from the Authority and report whether the Authority made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*The Authority made scheduled debt service payments and maintained debt reserves, as required by debt covenants.*

30. If the Authority had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*The Authority did not have tax millages related to debt service.*

**Other**

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

*Management informed us that the Authority did not have any misappropriation of public funds or assets during the fiscal year.*

32. Observe and report whether the Authority 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](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The Authority did have the required notice posted in a conspicuous place upon its premises.*

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

*The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.*

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 SAUP's. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our 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 SAUP's, 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.

*Dragan, Cassidy & Dullery*