

**NORTHWEST LOUISIANA COUNCIL
OF GOVERNMENTS
SHREVEPORT, LOUISIANA
JUNE 30, 2018**

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Northwest Louisiana Council of Governments provides an overview of the Council's financial activities for the fiscal years ended June 30, 2018 and 2017. Please read it in conjunction with the Council's financial statements, which begin on Page 4.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on Pages 4 and 5) provide information about the activities of the Council as a whole. Fund financial statements start on Page 6. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements by providing information about the Council's most significant funds. The accompanying financial statements present information only on the funds maintained by the Council.

Reporting the Funds Maintained by the Council as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the funds maintained by the Council as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting.

These two statements report the Council's *net position* and changes in it. The Council's net position - the difference between assets and liabilities - is one way to measure the Council's financial health, or *financial position*. Over time, *increases or decreases* in the Council's net position is one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we record the activities in the funds maintained by the Council as governmental activities:

Governmental activities - expenses related to, and resources provided for, regional and metropolitan transportation planning.

Reporting the Most Significant Funds Maintained by the Council

The fund financial statements provide detailed information about the funds maintained by the Council. The Council's funds use the following accounting approaches.

Governmental fund - All of the Council's expenses in transportation planning are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual basis*. The governmental fund statements provide a detailed *short-term view* of the Council's operations and the expenses paid from the fund. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Council expenses. However, because the Council recovers the costs of depreciation and unpaid compensated absences, these statements include capital assets and accrued compensated absences liabilities. Consequently, there are no differences between governmental activities (reported in the Statement of Net Position and the Statement of activities) and the governmental fund financial statements.

THE FUNDS MAINTAINED BY THE COUNCIL AS A WHOLE

The Council's total net position increased by \$141,166 during the year, from \$409,374 to \$550,540. This increase results mainly from an excess of local funds of approximately \$152,000 that were not needed to match governmental grants during the year.

**Table 1
Net Position**

	<u>Government-Wide Position</u>	
	<u>2018</u>	<u>2017</u>
Current assets	854,276	877,918
Capital assets, net	<u>12,670</u>	<u>20,291</u>
Total assets	866,946	898,209
Current liabilities	<u>316,406</u>	<u>488,835</u>
Total liabilities	316,406	488,835
Net position:		
Investment in capital assets, net	12,670	20,291
Restricted	171,604	185,938
Unrestricted	<u>366,266</u>	<u>203,145</u>
Total net position	<u><u>550,540</u></u>	<u><u>409,374</u></u>

**Table 2
Change in Net Position**

	<u>Government-Wide Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Operating grants and support	1,835,800	2,040,552
Other	<u>489</u>	<u>543</u>
Total revenues	1,836,289	2,041,095
Expenses		
General governmental-transportation planning	<u>1,695,123</u>	<u>1,964,698</u>
Increase in net position	<u><u>141,166</u></u>	<u><u>76,397</u></u>

Expenses for general governmental planning reflect a decrease of \$269,575 to a current year level of \$1,695,123, mainly as result of declining activity for the LA 3132 environmental study project. The decline in expenses also resulted in a commensurate decline in grant revenues.

CAPITAL ASSETS

At the end of 2018, the Council had invested \$12,670 in net capital assets from those funds maintained by the Council.

Table 3
Capital Assets at Year End

	<u>Government-Wide Activities</u>	
	<u>2018</u>	<u>2017</u>
Furniture and equipment	96,621	96,621
<u>Less-accumulated depreciation</u>	<u>(83,951)</u>	<u>(76,330)</u>
	<u>12,670</u>	<u>20,291</u>

The years' major additions included:

Computer equipment	<u>-</u>	<u>3,149</u>
	<u>-</u>	<u>3,149</u>

FUTURE OPERATIONS

The Council expects, in addition to its normal transportation planning, to continue to administer contracts for environmental and community impacts, totaling \$3 million, on the I-49 corridor between I-20 and I-220. The Council also anticipates for the next fiscal year continued funding in the Safe Routes to Schools Project, administration of the environmental study for the LA 3132 Inner Loop Extension, continued oversight of the update to the Long-Range Transportation Plan, and additional work on the Pictometry project. The Council will develop the Transportation Improvement Plan for 2019-2022 and also will coordinate with the Louisiana Department of Transportation and Development and SporTran on the establishment of Transportation Performance Measures for the area as required by the FAST-Act.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the finances for those funds maintained by the Council and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Northwest Louisiana Council of Governments at 625 Texas Street, Suite 200, Shreveport, Louisiana 71101.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SHREVEPORT, LOUISIANA 71101
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December 27, 2018

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Northwest Louisiana Council of Governments, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council'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 from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Northwest Louisiana Council of Governments, as of June 30, 2018, and the respective changes in financial position 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* on Pages i-iii and Page 17 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 Council's basic financial statements. The information on Pages 18-22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information if fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the Council'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 solely 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 for effectiveness of 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 Council's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

GOVERNMENT WIDE STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	281,992
Federal grant receivables	314,978
Other receivables	242,625
Other assets	14,681
Fixed assets, net of accumulated depreciation	<u>12,670</u>
 Total assets	 866,946
<u>Liabilities:</u>	
Accounts payable	266,806
Accrued compensated absences	48,161
Other liabilities	<u>1,439</u>
 Total liabilities	 <u>316,406</u>
<u>Net position:</u>	
Investment in capital assets, net	12,670
Restricted	171,604
Unrestricted	<u>366,266</u>
 Total net position	 <u><u>550,540</u></u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
<u>Expenses:</u>	
Governmental activities:	
Transportation planning	<u>1,695,123</u>
Total expenses	1,695,123
<u>Program revenue:</u>	
Operating grants	<u>1,683,285</u>
<u>Net revenue:</u>	(11,838)
<u>General revenue:</u>	
General support	152,515
Interest and miscellaneous	<u>489</u>
Total general revenue	153,004
<u>Increase in net position</u>	141,166
<u>Net position at beginning of year</u>	<u>409,374</u>
<u>Net position at end of year</u>	<u>550,540</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2018

<u>A S S E T S</u>	<u>Governmental Fund Type General Fund</u>
Cash	281,992
Federal grant receivables	314,978
Other receivables	242,625
Other assets	14,681
Fixed assets, net of accumulated depreciation	<u>12,670</u>
Total assets	<u>866,946</u>
 <u>LIABILITIES & FUND EQUITY</u> 	
<u>Liabilities:</u>	
Accounts payable	266,806
Accrued compensated absences	48,161
Other liabilities	<u>1,439</u>
Total liabilities	316,406
 <u>Fund equity:</u>	
Nonspendable	27,351
Restricted	171,604
Unassigned	<u>351,585</u>
Total fund equity	<u>550,540</u>
Total liabilities and fund equity	<u>866,946</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund
<u>Revenues:</u>	
Federal grants	1,277,149
State and local funds	558,651
Interest and miscellaneous	489
Total revenues	1,836,289
 <u>Expenditures:</u>	
Direct grant costs	456,682
Indirect grant costs - Note 6	571,494
Other contract costs	651,571
Nonproject costs	15,376
Total expenditures	1,695,123
<u>Excess of revenues over expenditures</u>	141,166
<u>Fund balance at beginning of year</u>	409,374
<u>Fund balance at end of year</u>	550,540

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. Financial Reporting Entity

Northwest Louisiana Council of Governments (NLCOG) was established October 25, 1966 as Shreve Area Council of Governments, under the authority of Louisiana R.S. 33:1321, et seq. under the pertinent section termed Intergovernmental Relations. The cities of Shreveport, Bossier City, and Minden, and the Parishes of Caddo, Bossier and Webster enacted resolutions authorizing the establishment of NLCOG under the referenced statutes. During 2015, NLCOG was incorporated as a nonprofit corporation under applicable statutes in the State of Louisiana. However, its officers are elected by the public, or appointed by an elected official. NLCOG, as a metropolitan planning organization, received funding from various federal, state, and local grants as further outlined below.

Operating Funding

Louisiana Department of Transportation and Development (No. H.972275.1) Federal Aid Project No. H972275, contract for Metropolitan Planning, Shreveport Urbanized Area, effective July 1, 2017, in the amount of \$620,904 of which the maximum federal share comprises \$496,723. A maximum of eighty percent (80.00%) of the project is federally funded with the remainder being funded through local monies.

Louisiana Department of Transportation and Development (No. PL-80-09-18) FTA Section 5303, contract for Regional Planning, Shreveport Urbanized Area, effective July 1, 2017, in the amount of \$121,856 of which the maximum federal share comprises eighty percent (80.00%). The remainder is funded through local monies.

Louisiana Department of Transportation and Development (No. H.972172) Federal Aid Project No. H972172, contract for Regional Strategic Highway Safety Plan Implementation effective July 24, 2015 for three years, in the amount of \$240,892 per year, all of which is federally funded.

Special Projects Funding

Louisiana Department of Transportation and Development (No. H.006738 and H.009279) Federal Aid Projects, contracts to implement a bicycle safety infrastructure improvements and education program for children at certain elementary schools in Caddo and Bossier Parishes, all of which is federally funded.

Louisiana Department of Transportation and Development (No. H.003915), contract for planning and feasibility study for I-49 from I-20 to I-220 in Caddo Parish, effective February 1, 2008, in the amount of \$4,875,000, funded by the State of Louisiana in the amount of \$3,375,000 and by the federal government in the amount of \$1,500,000.

1. **Financial Reporting Entity** (Continued)

Louisiana Department of Transportation and Development (No. H.009213) Federal Aid Project No. H009213, contract for Stage I environmental study for LA 3132 highway extension, in the amount of \$1,414,882 of which the maximum federal share comprises \$1,131,906. A maximum of eighty percent (80.00%) is federally funded, with the remainder being funded through the Louisiana Department of Transportation.

Louisiana Department of Transportation and Development (No. H.972059) Federal Aid Project No. H972059, contract to conduct a 2040 Long Range Transportation Plan Update, in the amount of \$1,000,000 of which the maximum federal share comprises \$800,000. The remainder is funded equally by NLCOG local funds and the Louisiana Department of Transportation and Development.

Pictometry contract for aerial photography of Caddo Parish and integration into GIS applications, in the amount of \$70,659 funded by local sources. Additional Pictometry contract through the Louisiana Department of Transportation and Development (No. H.012314) for \$864,806 of which the maximum federal share is \$691,845 for a six year period.

Louisiana Department of Transportation and Development (No. H.012426) Federal Aid Project No. (H.012426) contract to conduct a thoroughfare plan for Caddo and Bossier Parishes, in the amount of \$312,500. A maximum of eighty percent (80%) is federally funded, with the remainder funded by the State of Louisiana.

2. **Summary of Significant Accounting Policies**

a. **Presentation of Statements:**

The Council's statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The Council has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Council has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Council are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.

2. Summary of Significant Accounting Policies (Continued)

- Governmental-Wide Financial statements prepared using full accrual accounting for all of the Council's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

b. Basic Financial Statements - Government-Wide Statements:

The Council's basic financial statements include both Government-Wide (GWFS) (reporting the Council as a whole) and fund financial statements (FFS) (reporting the Council's major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Council's functions and programs have been classified as governmental activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the Government-Wide financial statements do not include any of these activities or funds.

The content and certain titles of the GWFS were changed upon the adoption by the Council of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Council had no deferred outflows or inflows of resources at June 30, 2018.

Accordingly, the statement of net position presents information on all of the Council's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

In the Government-Wide Statement of Net Position, the governmental type activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net position is reported in three parts - investment in capital assets, net of related debt; restricted; and unrestricted. Investment in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. Restricted consist of net assets 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. Unrestricted includes all other net assets that do not meet the definition of "restricted" or "investment in capital assets, net of related debt." The Council's policy is to use restricted resources first to finance its activities.

2. Summary of Significant Accounting Policies (Continued)

The GWFS reports both the gross and net cost of each of the Council's functions and significant programs. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as operating and capital grants and contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Council did not receive any capital-specific grants this year.

The Government-Wide Statements focus upon the Council's ability to sustain operations and the change in its net assets resulting from the current year's activities.

c. **Basic Financial Statements - Fund Financial Statements:**

The financial transactions of the Council are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type.

The following is a description of the governmental funds of the Council:

- **The General Fund** is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. It is the only fund on the Council's financial statements, and therefore the only major fund. It accounts for both the operating and special projects of the Council.

d. **Measurement Focus and Basis of Accounting:**

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

i. **Accrual Basis - Government-Wide Financial Statements (GWFS):**

The Statement of Net Position and the Statement of Activities display information about the Council as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Summary of Significant Accounting Policies (Continued)

ii. Modified Accrual Basis - Fund Financial Statements (FFS):

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available.

e. Cash and Cash Equivalents:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

f. Fixed Assets:

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,500 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as fixed assets in the Government-Wide Statement of Net Position. Also, in the Fund Financial Statements, fixed assets are recorded as expenditures of the fund that provided the resources to acquire the asset because the related depreciation is a component of indirect costs of the Council's program. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

g. Unpaid Compensated Absences:

The Council's policies for vacation time permit employees to accumulate earned but unused vacation leave. Accordingly, a liability for the unpaid vacation leave has been recorded in the Government-Wide Statements. The amount accrued as the compensated absence liability was determined using the number of vested vacation hours for each employee multiplied by the employee's wage rate in effect at the end of the year.

In addition, the governmental funds in the Fund Financial Statements report compensated absence liabilities because the related costs are a component of the Council's indirect costs charged to its grants.

h. Management's Use of Estimates:

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

i. Budgets and Budgetary Policy:

Budgets for recurring operating projects NLCOG are prepared by the Executive Director as part of the Unified Planning Work Program (UPWP). The budget is then adopted by the

2. Summary of Significant Accounting Policies (Continued)

Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 2017, and ending June 30, 2018. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, NLCOG, the Cities of Shreveport and Bossier, the Parishes of Caddo and Bossier, the Shreveport and Bossier City MPC's, Shreveport Mass Transit Personnel and other affected agencies.

Budgets approved as conditions of the grants fall under the guidelines of the contractual requirements of those various grants. Budget revisions, if any, are approved by grantor agencies as required. The current year budget was adopted May 26, 2017; one budget revision was made during the year.

Total revenues were not less than budgeted revenues by 5% or more, and total expenses did not exceed budgeted expenses by 5% or more.

j. Fund Equity – Fund Financial Statements:

Governmental fund equity is classified as fund balance. Beginning with fiscal year 2011, the Council implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified other assets and net fixed assets as being nonspendable as they are not readily convertible to cash.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Council's board of directors, which is the Council's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council did not have any committed resources as of year end.

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

- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the Council's board of directors, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes. The Council had no assigned resources as of year end.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the Council would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

3. **Compensated Absences**

Employees accrue annual leave under the following schedule:

<u>Employee Length of Service</u>	<u>Annual Leave Accrual</u>
Less than one year	.83 days per month
From one year to ten years	1.25 days per month
Ten years or more	1.67 days per month

All earned but unused annual leave may be carried forward to the succeeding fiscal year.

Sick leave is granted at the rate of .83 days per month for full-time regular service or, in the case of part-time employment, at the proportionate rate as determined by comparing the employee's standard work week to 40 hours. All earned but unused sick leave can be carried forward to the succeeding fiscal year.

The following is a summary of transactions relating to the Council's accrued compensated absences during the year.

	<u>Balance</u> <u>6-30-17</u>	<u>Increase</u>	<u>Balance</u> <u>6-30-18</u>
Accrued compensated absences	<u>47,740</u>	<u>421</u>	<u>48,161</u>

At termination, employees are paid a maximum of 25 days of earned but unused annual leave.

4. **Pension Plan**

Northwest Louisiana Council of Governments contributes to the NLCOG Employees Retirement Plan which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the

4. Pension Plan (Continued)

amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions. As established by the pension plan agreement, each employee in active service is eligible to participate in the pension plan within three months from the entrance date on which he first becomes eligible to become a participant. Contributions made by an employee vest immediately and contributions made by the Council vest fully after six years of service. An employee who leaves the employment of the Council is entitled to his contribution plan accrued interest thereon, in addition to funds contributed by the Council, in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Participant's Vested Interest</u>
2	20%
3	40%
4	60%
5	80%
6	100%

Each employee contributes 9% of his earnings to the pension plan. The Council is also required to contribute an amount equal to 9% of the employee's gross earnings, net of the benefit of any forfeitures for terminated participants.

During the year, the Council's required and actual contributions amounted to \$55,940, which was 9% of its current year covered payroll of \$621,552. Employees' required and actual contributions also amounted to \$55,940.

No pension provision changes occurred during the year that affected the required contributions to be made by the Council or its employees.

The pension plan held no securities of the Council or other related parties during the year or as of the close of the fiscal year.

5. Changes in Fixed Assets

A summary of changes in fixed assets is as follows:

	<u>Balance</u> <u>6-30-17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-18</u>
Fixed assets, at cost:				
Furniture, equipment, and vehicle	96,621	-	-	96,621
Accumulated depreciation:				
Furniture and equipment	<u>(76,330)</u>	<u>(7,621)</u>	<u>-</u>	<u>(83,951)</u>
Net fixed assets	<u>20,291</u>	<u>(7,621)</u>	<u>-</u>	<u>12,670</u>

Depreciation is recorded in the general fund, as it constitutes a component of indirect costs. Fixed assets consist of office furniture and equipment, and are depreciated under the straight-line method over estimated useful lives of two to seven years.

6. **Cost Allocation Method**

Costs are allocated to NLCOG's grants pursuant to a method of allocation as required by Federal regulations. Indirect costs and fringe benefits were applied to the grants during the year, under a provisional rate of 154.00% and of direct labor. As a result of the audit, the actual indirect and fringe rate was computed at 125.14%.

7. **Local Support**

Local supporting governments provide cash or in-kind services in fulfilling the matching requirements of federal and state grants. Local supporting governments are billed for support in accordance with amounts established by agreement and the annual budget.

8. **Members of Governing Board-Compensation**

During the audit period no compensation or per diem was paid to any member of the governing board by NLCOG.

9. **Operating Leases**

Northwest Louisiana Council of Governments leases its office space and employee parking under an operating lease that expires in January 2019. Total rent expense amounted to \$52,036 for the year ended June 30, 2018. The Council also entered into a thirty-six month operating lease agreement for certain computer equipment, expiring April 2019, at \$270 per month. Future minimum lease payments under these leases at June 30, 2018 are as follows:

	Year Ended <u>June 30</u>
2019	31,116
2020	-
2021	-
2022	-
2023	-
	<u>31,116</u>

10. **Cash**

Cash deposits (bank balances) with financial institutions amounted to \$301,534 at June 30, 2018, and were protected by deposit insurance up to \$250,000. Pursuant to its policy, any excess balances carried from time to time by the Council are secured by a pledge of qualified U.S. government agency securities.

11. **Risk Management**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage. The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss as a result of business interruption and certain acts of God.

12. **Subsequent Events**

The council is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. It performed such an evaluation through December 27, 2018, the date which the financial statements were available to be issued, and noted no such subsequent events.

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues:</u>				
Federal grants	839,912	839,912	762,340	(77,572)
State and local funds	339,962	339,962	378,693	38,731
Interest and miscellaneous	-	-	489	489
Total revenues	<u>1,179,874</u>	<u>1,179,874</u>	<u>1,141,522</u>	<u>(38,352)</u>
<u>Expenditures:</u>				
Direct grant cost	547,625	547,625	427,050	120,575
Indirect grant cost	623,249	628,499	534,412	94,087
Other contract costs	-	-	9,357	(9,357)
Non-project costs	<u>9,000</u>	<u>3,750</u>	<u>15,376</u>	<u>(11,626)</u>
Total expenditures	<u>1,179,874</u>	<u>1,179,874</u>	<u>986,195</u>	<u>193,679</u>
<u>Excess of revenues over expenditures</u>	-	-	155,327	155,327
<u>Available from beginning fund balance</u>	-	-	<u>383,617</u>	<u>383,617</u>
<u>Fund balance at end of year</u>	-	-	<u>538,944</u>	<u>538,944</u>

UNAUDITED

See accompanying independent auditor's report

SUPPLEMENTARY FINANCIAL INFORMATION

NORTH LOUISIANA COUNCIL OF GOVERNMENTS

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

FOR THE YEAR ENDED JUNE 30, 2018

Agency Head: J. Kent Rogers

Salary	102,132
Benefits-health insurance	11,998
Benefits-life insurance	308
Benefits-retirement	9,192
Conference travel and meals reimbursement	4,905
Organization dues	450
Cell phone, data plan	1,939

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Operating</u>					<u>Special Projects</u>							<u>Total</u>	<u>Total</u>
			H.972172			H.003915					Total			
	FHWA	FTA	Regional	Total		H.006738	I-49 Inner	FHWA	H.972059	H.012314	H.012426	Special		
	H.972275.1	PL80-09-18	Safety	Nonproject	Operating	Safe Routes	City	H.009213	Long Range	Pictometry	Thoroughfare	Projects		
		Coalition					3132 Enviro	Plan						
<u>Revenues:</u>														
Federal grants	496,723	100,485	165,132	-	762,340	19,442	161,881	87,467	-	115,053	130,966	514,809	1,277,149	
State grants	-	-	-	-	-	-	102,553	21,867	-	-	-	124,420	124,420	
Local funds	184,485	41,693	-	152,515	378,693	-	-	-	-	28,746	26,792	55,538	434,231	
Interest and miscellaneous	-	-	-	489	489	-	-	-	-	-	-	-	489	
Total revenues	681,208	142,178	165,132	153,004	1,141,522	19,442	264,434	109,334	-	143,799	157,758	694,767	1,836,289	
<u>Expenditures:</u>														
Direct labor	302,570	63,151	61,329	-	427,050	-	10,226	8,097	4,463	-	6,846	29,632	456,682	
Indirect costs	378,638	79,027	76,747	-	534,412	-	12,797	10,133	5,585	-	8,567	37,082	571,494	
Other contract costs	-	-	9,357	-	9,357	19,442	238,322	88,701	5,750	143,816	146,183	642,214	651,571	
Nonproject costs	-	-	-	15,376	15,376	-	-	-	-	-	-	-	15,376	
Total expenditures	681,208	142,178	147,433	15,376	986,195	19,442	261,345	106,931	15,798	143,816	161,596	708,928	1,695,123	
<u>Excess (deficiency) of</u>														
<u>revenues over expenditures</u>	<u>-</u>	<u>-</u>	<u>17,699</u>	<u>137,628</u>	<u>155,327</u>	<u>-</u>	<u>3,089</u>	<u>2,403</u>	<u>(15,798)</u>	<u>(17)</u>	<u>(3,838)</u>	<u>(14,161)</u>	<u>141,166</u>	

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2018

Indirect costs:

Advertising	5,664
Bonding and insurance	4,240
Building rent	54,836
Depreciation	7,621
Dues and publications	5,105
Health insurance	116,935
Holidays	39,335
Payroll taxes	9,188
Postage	508
Professional fees	36,431
Retirement	55,940
Salaries	50,543
Sick leave	23,881
Small equipment purchases and maintenance	63,001
Supplies	10,873
Telephone	10,222
Education and training	14,074
Travel	9,283
Vacations	51,532
Workman's comp insurance	1,008
Service charge	<u>1,274</u>
 Total indirect costs	 <u>571,494</u>

	<u>Direct Labor</u>	<u>Actual Indirect Costs</u>	<u>Actual Indirect Rate</u>
FHWA H.972275.1	302,570	378,638	
FTA PL80-09-18	63,151	79,027	
FHWA H.003915 ICC	10,226	12,797	
FHWA H.009213 3132 Enviro	8,097	10,133	
H.972059 Long Range Plan	4,463	5,585	
H.972172 Regional Safety Coalition	61,329	76,747	
H.012426 Thoroughfare	<u>6,846</u>	<u>8,567</u>	
	<u>456,682</u>	<u>571,494</u>	<u>125.1405%</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	State Project Number	Federal CFDA Number	Program or Award Amount	Revenue Recognized	Expenditures
<u>U. S Department of Transportation:</u>					
Passed through the Louisiana Department of Transportation and Development:					
Metropolitan Planning-Shreveport LA 3132 Extension	H.972275.1	20.205	496,723	496,723	496,723
Safe Routes to Schools	H.009213	20.205	1,131,906	87,467	87,467
I-49 Inner City Corridor	H.006738	20.205	41,000	19,442	19,442
Pictometry	H.003915	20.205	1,500,000	161,881	161,881
Regional Safety Coalition	H.012314	20.205	691,845	115,053	115,053
Shreveport MPO Thoroughfare Plan	H.972172	20.205	722,675	165,132	165,132
	H.012426	20.205	250,000	<u>130,966</u>	<u>130,966</u>
				1,176,664	1,176,664
Metropolitan Planning-Regional Formula Grants-Other than Urbanized Area	PL80-09-18	20.505	85,485	85,485	85,485
Capital Assistance Program for Elderly and Disabled	PL80-09-18	20.509	10,000	10,000	10,000
	PL80-09-18	20.513	5,000	<u>5,000</u>	<u>5,000</u>
				<u>100,485</u>	<u>100,485</u>
Total Passed through the Louisiana Department of Transportation and Development				<u>1,277,149</u>	<u>1,277,149</u>
Total Federal Awards				<u>1,277,149</u>	<u>1,277,149</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Louisiana Council of Governments and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. 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*.

Northwest Louisiana Council of Governments did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

Northwest Louisiana Council of Governments used an approved indirect cost rate of 154% of direct labor during the fiscal year.

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 27, 2018

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

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

We 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 the governmental activities, and the major fund of Northwest Council of Governments as of and for the year ended June 30 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2018-01 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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*.

The Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council'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 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

HEARD, McELROY, & VESTAL

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December 27, 2018

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

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

Report on Compliance for Each Major Federal Program

We have audited Northwest Louisiana Council of Government's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each Northwest Louisiana Council of Government's of major federal programs for the year ended June 30, 2018. Northwest Louisiana Council of Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Louisiana Council of Government's major federal programs 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Northwest Louisiana Council of Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northwest Louisiana Council of Government's compliance.



Opinion on Each Major Federal Program

In our opinion, Northwest Louisiana Council of Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Northwest Louisiana Council of Government 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 Northwest Louisiana Council of Government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Northwest Louisiana Council of Government'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 a 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.

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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Northwest Louisiana Council of Governments.
2. One deficiency in internal control relating to the audit of the basic financial statements is reported. It is a material weakness.
3. No instances of noncompliance were disclosed during the audit.
4. No material weaknesses relating to the audit of major federal award programs are reported.
5. The auditor's report on compliance for major federal award programs of Northwest Louisiana Council of Governments expresses an unmodified opinion.
6. There are no audit findings relative to major federal award programs of Northwest Louisiana Council of Governments.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Federal Highway Planning and Construction	20.205

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Northwest Louisiana Council of Governments was determined to not be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2018-01 - Control Finding

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Council's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing the Council's financial complexity with the appropriate level of accounting expertise. It is not cost effective for the Council to prepare its annual financial statements in-house.

2018-01 - Control Finding (Continued)

Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS 115. In this case both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical and, accordingly, do not believe that any corrective action is necessary.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

2017-01 Lack of expertise to prepare annual financial statements in-house – repeated.

HEARD, McELROY, & VESTAL

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December 27, 2018

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Northwest Louisiana Council of Governments (NLCOG) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. NLCOG's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):¹
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

¹ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

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Exception: The entity does not have written policies and procedures that address the budget function. However, it consistently follows a process mandated by federal regulation as part of its federal and state funding grants. It prepares an annual budget for adoption in a public board meeting before the ensuing fiscal year as part of its Unified Planning Work Program, and the board approves any needed amendments during the year.

Management's Response: NLCOG will update its policies and procedures to include the necessary policy or procedure.

- 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.

Exception: Although a written policy exists, it does not address how vendors are added to the vendor list and the documentation required to be maintained for all bids and price quotes.

Management's Response: NLCOG will update its policies and procedures to include the necessary elements.

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

Exception: The entity does not have written policies or procedures dealing with disbursements, other than check signing responsibilities.

Management's Response: NLCOG will update its policies and procedures to include the necessary policy or procedure.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Exception: The entity does not have written policies or procedures dealing with receipts.

Management's Response: NLCOG will update its policies and procedures to include the necessary policy or procedure.

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

Exception: The entity has written procedures covering payroll, but these do not address payroll processing, and review and approval of time, attendance and compensatory time records.

Management's Response: NLCOG will update its policies and procedures to include the necessary elements.

- 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.

Exception: The entity does not have written policies or procedures concerning contracting.

Management's Response: NLCOG will update its policies and procedures to include the necessary policy or procedure.

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

Exception: The entity does not have written policies or procedures concerning credit cards, although it follows a well-defined process of limiting usage to business purposes and documenting approval of credit card charges.

Management's Response: NLCOG will update its policies and procedures to include the necessary policy or procedure.

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

The entity has policies and procedures dealing with travel and expense reimbursements, which cover the specified areas.

- i) **Ethics²**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Exception: The entity does not have written policies or procedures concerning ethics.

Management's Response: NLCOG will update its policies and procedures to include the necessary policy or procedure.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not applicable, as the entity does not have any debt.

Board or Finance Committee³

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

² The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

³ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The entity's Board of Directors met nine times during the year. The bylaws were amended in October 2017 to require a minimum of one meeting per calendar quarter.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.⁴ Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

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

Commencing with the requirement of one Board of Directors meeting per quarter, the entity also presents budget-to-actual comparisons once per quarter for its general fund, which is the only fund it uses for financial reporting purposes. It did not have a negative ending unrestricted fund balance in the prior year audit report.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts⁵ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of all three bank accounts was obtained, which management represented was complete.

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

Bank reconciliations were prepared for each of the selected months within 2 months of the related statement closing date.

⁴ Major funds are defined under GASB standards. The related procedure addresses major funds as a way to verify that boards are provided with financial information necessary to make informed decisions about significant entity operations, including proprietary operations that are not required to be budgeted under the LGBA.

⁵ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

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

Each bank reconciliation included evidence of review by an independent member of management.

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

No reconciling items greater than 12 months old were noted.

Collections

4. Obtain a listing of deposit sites⁶ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

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

5. For each deposit site selected, obtain a listing of collection locations⁷ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

Procedure not applicable because client does not handle cash.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Procedure not applicable because client does not handle cash.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Procedure not applicable because client does not handle cash.

⁶ A deposit site is a physical location where a deposit is prepared and reconciled.

⁷ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Procedure not applicable because client does not handle cash.

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

Procedure not applicable because client does not handle cash.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)⁸. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Procedure not applicable because client does not handle cash.

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

All related system reports and collection documentation for checks selected were traced to the deposit slips without exception.

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

All deposit slip totals were traced to the actual deposit per the bank statement without exception.

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

Per policy and discussion with client, a check is deposited the same day it is received; however, no written documentation of the day the check is received could be produced by the client. HMTV notes that deposit dates are generally within a week of the check date, despite the check not having a date of receipt by the client.

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

All deposits per the bank statement were traced to the general ledger without exception.

⁸ If "bank reconciliations" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

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

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

HMV obtained a listing of payment processing locations for the fiscal period and management's representation that the listing is complete.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

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

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Not Applicable Because of No Exceptions in Previous Year)

Travel and Travel-Related Expense Reimbursements (excluding card transactions) (Not Applicable Because of No Exceptions in Previous Year)

Contracts (Not Applicable Because of No Exceptions in Previous Year)

Payroll and Personnel (Not Applicable Because of No Exceptions in Previous Year)

Ethics (Not Applicable Because of No Exceptions in Previous Year)

Debt Service (Not Applicable Because of No Exceptions in Previous Year)

Other (Not Applicable Because of No Exceptions in Previous Year)

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana