

CANE RIVER CHILDREN'S SERVICES, INC.

**ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

Cane River Children's Services, Inc.
Annual Financial Report
June 30, 2017

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Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cane River Children's Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cane River Children's Services, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Cane River Children's Services, Inc. taken as a whole. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 17, to supplement the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented on page 18 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records, used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Information from the preceding year is reported in certain financial statements within this report. The information was taken from our report dated November 18, 2016, in which we expressed a qualified opinion on the Cane River Children's Services, Inc.'s statement of financial position.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of Cane River Children's Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cane River Children's Services, Inc.'s internal control over financial reporting and compliance.

Johnson, Thomas & Cunningham CPA's
Johnson, Thomas & Cunningham, CPA's

October 12, 2017
Natchitoches, Louisiana

FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Statement of Financial Position
Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
Assets-		
Cash & Cash Equivalents	\$ 128,745	\$ 101,427
Revenue Receivables	308,789	344,691
Prepaid Expenses	13,973	14,780
Facility	1,647,839	1,647,839
Land	321,078	321,078
Major Movables	12,128	12,128
Office Furniture & Equipment	29,905	29,687
Vehicles	105,709	124,203
Household Furniture	110,679	110,679
Leasehold Improvements	96,620	96,620
Computers	27,053	27,053
Less, Accumulated Depreciation	<u>(963,001)</u>	<u>(927,168)</u>
Total Assets	<u>\$1,839,517</u>	<u>\$1,903,017</u>
Liabilities-		
Cash Overdrafts	\$ 30,338	\$ 18,730
Accounts Payable	0	4,591
Accrued Payroll	22,413	22,413
Resident's Deposits	11,111	4,307
Current Portion of Long-Term Debt	107,465	91,564
Long-Term Debt	<u>736,135</u>	<u>729,600</u>
Total Liabilities	<u>\$ 907,462</u>	<u>\$ 871,205</u>
Net Assets-		
Unrestricted	<u>\$ 932,055</u>	<u>\$1,031,812</u>
Total Liabilities & Net Assets	<u>\$1,839,517</u>	<u>\$1,903,017</u>

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

Cane River Children's Services, Inc.
Statement of Activities
Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED REVENUES:		
Intergovernmental	\$1,035,533	\$1,076,104
Other	<u>60,020</u>	<u>42,277</u>
Total Unrestricted Revenues	<u>\$1,095,553</u>	<u>\$1,118,381</u>
Expenses-		
Administrative & General	\$ 365,336	\$ 357,150
Plant Operation	76,163	79,041
Capital Assets Cost	54,328	50,969
Dietary	59,766	50,343
Housekeeping	7,395	9,171
Personal Needs	10,938	14,068
Medical/Nursing	1,204	879
Therapeutic & Training	609,188	602,186
Recreational	5,781	4,760
Ancillary	<u>5,211</u>	<u>42,617</u>
Total Expenses	<u>\$1,195,310</u>	<u>\$1,211,184</u>
Change in Unrestricted Net Assets	\$ (99,757)	\$ (92,803)
Net Assets-Beginning of Year	<u>1,031,812</u>	<u>1,124,615</u>
Net Assets-End of Year	<u>\$ 932,055</u>	<u>\$1,031,812</u>

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

Cane River Children's Services, Inc.
Statement of Functional Expenses
Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
EXPENSES:		
Administrative & General-		
Salaries-Administrative & Clerical	\$ 198,726	\$ 194,152
Employee Benefits	6,274	6,271
Interest	34,733	34,315
Insurance-Officers	1,557	2,794
Insurance-Workman's Comp.	15,068	19,207
Insurance-Motor Vehicles	13,148	13,713
Insurance-Other	24,508	22,973
Licenses	747	59
Office Supplies	10,809	12,633
Printing	2,194	1,263
Vehicles-Gas, Oil, etc.	14,354	17,923
Postage	393	272
Professional Services	5,275	5,170
Dues & Subscriptions	2,990	2,301
Telephone	16,192	16,745
Training	662	2,778
Travel & Seminars	924	164
Rental Expense	720	730
Bad Debt	9,629	0
Miscellaneous	6,433	3,687
Total	<u>\$ 365,336</u>	<u>\$ 357,150</u>
Plant Operation-		
Outside Services	\$ 3,907	\$ 2,932
Maintenance-Building & Grounds	10,523	8,781
Repairs-Building & Grounds	3,759	12,309
Repairs-Furniture & Equipment	13,975	9,789
Utilities	43,999	45,230
Total	<u>\$ 76,163</u>	<u>\$ 79,041</u>
Capital Assets Cost-		
Depreciation-Furn. & Equip.	\$ 2,698	\$ 2,325
Depreciation-Vehicles	6,726	3,794
Depreciation-Facility	44,904	44,850
Total	<u>\$ 54,328</u>	<u>\$ 50,969</u>

(Continued next page)

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

Cane River Children's Services, Inc.
Statement of Functional Expenses (continued)
Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
Dietary- Food	\$ <u>59,766</u>	\$ <u>50,343</u>
Housekeeping- Supplies	\$ <u>7,395</u>	\$ <u>9,171</u>
Personal Needs- Clothing	\$ 533	\$ 652
Other	<u>10,405</u>	<u>13,416</u>
Total	\$ <u>10,938</u>	\$ <u>14,068</u>
Medical & Nursing- Medical Services-Routine	\$ 875	\$ 879
Psychiatric & Psychological	<u>329</u>	<u>0</u>
Total	\$ <u>1,204</u>	\$ <u>879</u>
Therapeutic & Training- Salaries-Therapists	\$ 139,501	\$ 153,547
Salaries-DCC Staff	400,235	378,056
Employee Benefits	12,334	14,472
Payroll Taxes	55,982	55,107
Supplies	<u>1,136</u>	<u>1,004</u>
Total	\$ <u>609,188</u>	\$ <u>602,186</u>
Recreational- Activities	\$ <u>5,781</u>	\$ <u>4,760</u>
Ancillary- Residents Miscellaneous	\$ 0	\$ 190
Other	<u>5,211</u>	<u>42,427</u>
Total	\$ <u>5,211</u>	\$ <u>42,617</u>
Total Expenses	<u>\$1,195,310</u>	<u>\$1,211,184</u>

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

Cane River Children's Services, Inc.
Statement of Cash Flows
Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (99,757)	\$ (92,803)
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Depreciation	54,327	50,969
(Increase) Decrease in Accounts Receivable	35,902	(5,380)
(Increase) Decrease in Prepaid Expenses	807	3,635
Increase (Decrease) in Accounts Payable	(4,591)	(7,053)
Increase (Decrease) in Accrued Payroll	0	3,063
Increase (Decrease) in Payroll Liabilities	0	(433)
Increase (Decrease) in Resident's Deposits	<u>6,804</u>	<u>(76)</u>
Net Cash Used by Operating Activities	<u>\$ (6,508)</u>	<u>\$ (48,078)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan Proceeds	\$ 150,000	\$111,000
Principal Payments on Loans	(127,564)	(73,922)
Purchase of Assets, Furniture & Equipment	<u>(218)</u>	<u>(36,291)</u>
Net Cash Provided by Financing Activities	<u>\$ 22,218</u>	<u>\$ 787</u>
Net Increase (Decrease) in Cash	\$ 15,710	\$ (47,291)
Cash at Beginning of Year	<u>82,697</u>	<u>129,988</u>
Cash at End of Year	<u>\$ 98,407</u>	<u>\$ 82,697</u>
Reconciliation of Cash & Cash Equivalents:		
Cash & Cash Equivalents	\$128,745	
Cash Overdrafts	<u>(30,338)</u>	
Net Cash at End of Year	<u>\$ 98,407</u>	
Total Interest Paid	<u>\$ 34,733</u>	<u>\$ 34,315</u>

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

NOTES TO FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2017

Introduction

Cane River Children's Services, Inc. (Agency) was incorporated as a non-profit corporation on May 18, 1978, under the laws of the State of Louisiana. The Agency maintains and operates residential group homes for undomiciled and troubled youth, provides support for transitional living for boys and girls as placed by the State of Louisiana, and provides therapeutic foster care and counseling, as authorized by its charter. The agency operates under a ten-member Board of Directors. Revenues are derived primarily from the Title IV-E Foster Care Program passed through the State of Louisiana, Department of Social Services, as well as Crime Victim Assistance grants, Medicaid, and contributions from the general public.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of Cane River Children's Services, Inc., conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

A. Financial Statement Presentation - The Agency has adopted FASB Accounting Standard Codification 958-205 "Not-for-Profit Organizations." Under FASB ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets:

1) *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. As of June 30, 2017 and 2016, all net assets were unrestricted.

2) *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or passage of time. As of June 30, 2017 and 2016, there were no temporarily restricted net assets.

3) *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, donors of these assets permit the Agency to use all of, or part of, the income earned on the related investments for general or specific purposes. As of June 30, 2017 and 2016, there were no permanently restricted net assets.

In addition, the Agency is required to present a statement of cash flows.

B. Basis of Accounting - The Agency uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued):

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

D. Capital Assets - Capital assets purchased with unrestricted funds are recorded at cost when purchased or at market value at time of donation. Depreciation on all exhaustible fixed assets is charged as an expense against the operations of the Agency. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. Accumulated depreciation was \$963,001 at June 30, 2017, and \$927,168 at June 30, 2016.

In accordance with FASB ASC 958-360-50-3 and 50-4, property and equipment purchased with grant funds are expensed when purchased and not recorded on the statement of financial position because reversionary title is held by the grantor.

E. Income Taxes - The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Agency's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

F. Unpaid Accumulated Vacation Pay - Employees of the Agency earn one to two days of vacation per month depending upon the number of years of employment, beginning on the seventh month of employment. At the end of each year, employees may carry forward vacation time earned but not taken, up to a maximum of 360 hours. Subject to this limitation, unused vacation pay is paid to employees upon separation at hourly rates being earned. Due to the immateriality of this amount in relation to total agency payrolls, no accrual has been made for accumulated vacation pay.

G. Cash and Equivalents - For the purpose of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

H. Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and results of operations.

2. Cash and Cash Equivalents:

The cash and cash equivalents of the Cane River Children's Services, Inc. are subject to the following risk:

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2017

2. Cash and Cash Equivalents (continued):

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits. 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 or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Agency that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Agency's name.

At June 30, 2017, cash and cash equivalents totaled \$98,407, including \$800 petty cash (book balances). Bank balances totaled \$89,175 at June 30, 2017, all of which are secured by FDIC Insurance.

Resident funds are maintained in separate non-interest bearing checking accounts as required by contractual guidelines. Cash and cash equivalents at June 30, 2017 included \$11,111 in restricted deposits.

3. Revenue Receivable:

Revenues Receivable at June 30, 2017 and 2016 represent amounts due from the Agency's contracts with the State of Louisiana, DCFS, AmeriGroup and Louisiana Healthcare Connections. The amount of receivables deemed to be uncollectible has not been determined, therefore, there has been no provision recorded for doubtful accounts.

4. Fair Value of Financial Instruments:

The Agency's financial instruments consist of cash, receivables and mortgage notes payable. The carrying value of these instruments approximate their fair values.

The Agency has adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements". Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2017

4. Fair Value of Financial Instruments (continued):

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Agency's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets measured on a recurring basis throughout the year consisted of Level 1 mutual funds. These assets were converted to cash on June 29, 2017, leaving the value at June 30, 2017 at zero.

5. Fixed Assets:

The following is a summary of changes in fixed assets for the Agency for the two-year period ended June 30, 2017:

	Balance <u>6-30-15</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-17</u>
Fixed Assets, Not Depreciated-							
Land	\$ 321,078	\$ 0	\$0	\$ 321,078	\$ 0	\$ 0	\$ 321,078
Fixed Assets, Depreciated-							
Facility	1,631,650	16,189	0	1,647,839	0	0	1,647,839
Vehicles	107,327	16,876	0	124,203	0	18,494	105,709
Household Furniture	108,450	2,229	0	110,679	0	0	110,679
Office Furniture	28,690	997	0	29,687	218	0	29,905
Computers	27,053	0	0	27,053	0	0	27,053
Renovations-IL	96,620	0	0	96,620	0	0	96,620
Major Movables	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>
Total Fixed Assets	\$2,332,996	\$ 36,291	\$0	\$2,369,287	\$ 218	\$18,494	\$2,351,011
Accumulated Depreciation	<u>876,199</u>	<u>50,969</u>	<u>0</u>	<u>927,168</u>	<u>54,327</u>	<u>18,494</u>	<u>963,001</u>
Net Fixed Assets-							
Totals	<u>\$1,456,797</u>	<u>\$(14,678)</u>	<u>\$0</u>	<u>\$1,442,119</u>	<u>\$(54,109)</u>	<u>\$ 0</u>	<u>\$1,388,010</u>

Depreciation expense in the amount of \$54,327 and \$50,969 was recorded for the years ended June 30, 2017 and June 30, 2016, respectively.

6. Long-Term Liabilities:

The Agency had four notes payable at June 30, 2017.

On October 9, 2014, the Agency executed a loan agreement and promissory note with the Bank of Montgomery for \$500,000, with an interest rate of 4.25%. The loan is to be repaid in 59 regular payments of \$3,070 and one irregular last payment estimated at \$414,679, due on October 9, 2019. The

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2017

6. Long-Term Liabilities (continued):

proceeds from this loan were used to pay off three existing loans with the Bank of Montgomery. The balance of this loan at June 30, 2017, was \$455,464.

The Agency executed a second loan agreement with the Bank of Montgomery on October 9, 2014, for \$300,000, with an interest rate of 4.25%. The loan is to be repaid in 59 regular payments of \$1,858 and one irregular last payment estimated at \$248,807, due on October 9, 2019. The proceeds from this loan were used to pay off an existing loan with LA Capital Federal Credit Union and an existing loan with Bank of Montgomery. The balance of this loan at June 30, 2017, was \$273,277.

The Agency was issued proceeds from an existing line of credit with the Bank of Montgomery which originated on December 12, 2013. The current rate of interest on this line of credit is 5.0%. The balance of this line of credit at June 30, 2017, was \$59,271.

On November 8, 2016, the Agency executed a loan agreement with the Bank of Montgomery for \$68,000, with an interest rate of 4.25%. The loan is to be repaid in 11 regular payments of \$2,000 and one irregular final payment estimated at \$48,472, due on November 8, 2017. The proceeds from this loan were used to pay for improvements to the property located at Fourth Street. The balance of this loan at June 30, 2017 was \$55,588.

The fair value of the above loans is estimated based on the current rates offered to the Agency for debt of the same remaining maturities. At June 30, 2017, the fair value of long-term debt approximates the amounts recorded in the financial statements.

The annual requirements for these notes, including interest, are as follows:

	Bank of Montgomery #35		Bank of Montgomery #40	
<u>FYE</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
6/30/18	\$22,825	\$2,445	\$ 18,158	\$19,006
6/30/19	23,993	1,277	18,945	18,219
6/30/20	<u>12,453</u>	<u>182</u>	<u>418,361</u>	<u>5,892</u>
	\$59,271	\$3,905	\$455,464	\$43,117
	Bank of Montgomery #45		Bank of Montgomery #50	
<u>FYE</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
6/30/18	\$ 10,894	\$11,404	\$55,588	\$592
6/30/19	11,367	10,932	0	0
6/30/20	<u>251,016</u>	<u>3,535</u>	<u>0</u>	<u>0</u>
	\$273,277	\$25,871	\$55,588	\$592
	TOTAL			
<u>FYE</u>	<u>Principal</u>	<u>Interest</u>		
6/30/18	\$107,465	\$33,447		
6/30/19	54,304	30,428		
6/30/20	<u>681,830</u>	<u>9,610</u>		
	\$843,600	\$73,485		

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2017

7. Retirement Commitments:

The Agency offers employees the option of participating in an employee-sponsored Simple IRA retirement plan with American Funds. The plan allows employees to make contributions to the plan at time of hire. After the six months' probation period, the Agency will match up to three percent of the employee's salary to the plan. For the year ended June 30, 2017, Cane River Children's Services, Inc.'s contribution amount was \$3,046 and employee contributions totaled \$9,114.

8. Pending Litigation:

Cane River Children's Services, Inc. has no legal action pending at June 30, 2017.

9. Lease Commitments:

Cane River Children's Services, Inc. has no lease commitments at June 30, 2017.

10. Compensation Paid to Board Members:

The members of the Board of Directors receive no compensation for their services.

11. Concentrations and Economic Dependency:

The Agency receives the majority of its revenue from funds provided through federal and state grants administered by the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Agency receives could be reduced significantly. Either of these conditions could have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Agency will receive in the next fiscal year.

12. Contributions:

The Agency has also adopted FASB ASC 958-605, "Not-For-Profit Entities – Revenue Recognition." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions. However, as disclosed in Note 1, there were no donor-imposed restrictions during the years ended June 30, 2017 and 2016.

13. Subsequent Events:

Management has evaluated events through October 12, 2017, the date on which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER SUPPLEMENTAL INFORMATION

Cane River Children's Services, Inc.
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2017

Agency Head Name: Jennifer Johnson-Karle, Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 89,590
Benefits – Insurance	1,200
Benefits – Retirement	2,670
Benefits – SS/Medicare	6,854
Car Allowance	0
Cell Phone	835
Dues	0
Vehicle Rental	0
Per Diem	0
Reimbursements	0
Travel	0
Housing	0
Unvouchered Expenses	0
Special Meals	0
Other	<u>0</u>
Total	<u>\$101,149</u>

See independent auditor's report.

Cane River Children's Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass-Through Entity No.	Federal Revenue/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-through from State Department of Social Services:			
Resident Treatment Services for Foster Children – ARRA (Title IV – Foster Care)	93.658	010008200	\$888,554
<u>U. S. Department of Justice</u>			
Pass-through from Louisiana Commission on Law Enforcement:			
Crime Victim Assistance	16.575	2015-VA-02/04-2888	<u>69,191</u>
TOTAL			<u>\$957,745</u>

See independent auditor's report.

Cane River Children's Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cane River Children's Services, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cane River Children's Services, Inc. has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients, Non-Cash Assistance, Federal Insurance, Loans, and Loan Guarantees

Cane River Children's Services, Inc. did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

INTERNAL CONTROL AND COMPLIANCE

Johnson, Thomas & Cunningham

Certified Public Accountants

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Ryan E. Todtenbier, CPA - A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

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

To the Board of Directors of
Cane River Children's Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cane River Children's Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cane River Children's Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cane River Children's Services, Inc.'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, we during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As described in the accompanying schedule of findings and questioned costs, we identified one deficiency described as *Item 2017-001 - Segregation of Duties* which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cane River Children's Services, Inc.'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*.

Cane River Children's Services, Inc.'s Response to Findings

Cane River Children's Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cane River Children's Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

October 12, 2017
Natchitoches, Louisiana

Johnson, Thomas & Cunningham

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321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Cane River Children's Services, Inc.
Natchitoches, LA 71457

Report on Compliance for Each Major Federal Program

We have audited Cane River Children's Services, Inc. (Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2017. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the Agency'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Cane River Children's Services, Inc. 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, 2017.

Report on Internal Control over Compliance

Management of Cane River Children's Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency'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 the Agency'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.


Johnson, Thomas & Cunningham, CPA's

October 12, 2017
Natchitoches, Louisiana

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	Yes (2017-001)
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material Weakness(es) Identified?	No
Type of Auditor's Report Issued on Compliance for Major Federal Programs	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	No
Identification of Major Program:	
- Residential Treatment Services for Foster Children	CFDA 93.658
Dollar Threshold used to Determine Type A Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee:	No

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control-

2017-001 *Segregation of Duties*

Criteria - Cane River Children's Services, Inc. should have employees available to execute the ongoing duties related to financial matters.

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements, including the related note disclosures.

Cause - Due to a lack of funds, Cane River Children's Services, Inc. does not have a sufficient number of employees to adequately separate accounting duties or to prepare the agency's annual financial statements with related note disclosures.

Effect - Intentional or unintentional errors could be made and not detected within the accounting system.

Recommendation - Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The following findings relate to the major federal award programs for Cane River Children's Services, Inc.:

None identified.



P.O. Box 2453 Natchitoches, LA 71457-2453 Phone: (318) 352.9349 Fax: (318) 352.9345

October 12, 2017

**Executive
Board**

Tonya Conlay
Rick Hargis
Lisa Johnson
Gail Jones
Jennifer Karle
Calvin McFerrin
Tommy Murchison
Vicki Parrish
Lisa Causey Streete
Frances Welch

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

RE: Cane River Children's Services, Inc.
Financial Report – June 30, 2017

The following is our response to the audit findings issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2017:

Management's Corrective Action Plan:

2017-01 Segregation of Duties - It is not economically feasible to add another employee to increase the separation of accounting duties due to the size of our organization. We have evaluated the cost benefit of establishing a system to prepare our annual financial statements and determined that it is in the best interest of the Agency to have independent auditors prepare our annual financial statements. The Board of Directors regularly reviews the financial statements and accepts responsibility for their contents and presentation.

Please contact us if there are any questions regarding our response.

Sincerely,

Jennifer Johnson-Karle
Chief Executive Officer

Tonya Conlay
Board Treasurer

Cane River Children's Services, Inc.
Summary of Prior Year's Findings
June 30, 2017

SECTION I: SCHEDULE OF FINANCIAL STATEMENT FINDINGS

2016-001 Segregation of Duties

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

Current Status - For the year ended June 30, 2017, this condition was not cleared. See finding 2017-001.

2016-002 Internal Control over Account Reconciliations

Condition - Cane River Children's Services does not properly record transfers between program accounts. This does not allow management to have useful financial information during the year.

Current Status - For the year ended June 30, 2017, this condition was cleared.

SECTION II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

(See Item 2016-002 under Section I above.)

Current Status - For the year ended June 30, 2017, this condition was cleared.

Johnson, Thomas & Cunningham

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Natchitoches, Louisiana 71457
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Fax (318) 352-4447

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

To the Board of Directors of
Cane River Children's Services, Inc.
Natchitoches, LA 71457

We have performed the procedures enumerated below, which were specified and agreed to by the Board of Directors of Cane River Children's Services, Inc. to assist the agency in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended June 30, 2017. We are required to perform each procedure and report the results, including any exceptions. Cane River Children's Services, Inc. is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Cane River Children's Services, Inc. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are enumerated below.

Written Policies and Procedures

1. We obtained the entity's written policies and procedures and determined whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - ***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.
 - ***Disbursements***, including processing, reviewing, and approving
 - ***Receipts***, including receiving, recording, and preparing deposits

- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- **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
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - a) Procedures Results –
 - (1) We noted an exception on the purchasing policy, in that the policy does not address how vendors are added to the vendor list.
 - (2) We noted an exception in that the Agency has no written policy on contracting.
 - (3) We noted an exception in that the Agency has no written policy on credit cards.
 - b) Management's Response – We are in the process of updating our policy and procedure manual and will include the exceptions listed above in the revised policy.

Board (or Finance Committee, if applicable)

2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
- Determined 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.
 - Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.
 - a) Procedures Results – We noted no exceptions.

Bank Reconciliations

3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, we selected all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - Bank reconciliations have been prepared;
 - 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
 - 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.
 - a) Procedures Results – We noted one exception, in that there was lack of documentation reflecting that the Agency researched reconciling items that have been outstanding for more than six months at the end of the fiscal period.
 - b) Management's Response – We will include the recommended documentation on the bank reconciliations.

Collections

5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, we selected all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined 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.
 - We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

- We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections are completely supported by documentation and noted any exceptions.
- 7. We obtained existing written documentation (e.g. policy manual, written procedure) and determined whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.
 - a) Procedures Results – The Agency identified only one cash collection location.
 - (1) We noted one exception, in that the Agency has no formal process to reconcile cash collections to the general ledger or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the selected location.
 - (2) We noted an exception in that the Agency has no process specifically defined to determine completeness of all collections, including EFTs, for each revenue source by a person who is not responsible for collections.
 - b) Management’s Response – We will make update our policy manual to include the recommended procedures to reconcile and determine completeness of cash collections.

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

- 8. We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sort/filter for entity disbursements. We obtained management’s representation that the listing or general ledger population is complete.
- 9. Using the disbursement population from #8 above, we randomly selected 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:
 - 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.

- Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we noted whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we noted whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed 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, we reviewed entity documentation (electronic system control documentation) and noted whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, we inquired 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. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.
- a) Procedures Results – We noted one exception. The Center does not require the use of purchase orders for recurring monthly expenditures.
 - b) Management's Response – We do not feel that a purchase order is necessary for recurring monthly expenditures, however each invoice is approved by a member of management who does not initiate purchases.

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

14. We obtained 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. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected 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:

- Determined 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.]

- Determined whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained 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).
- For each transaction, we determined whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - a) Procedures Results – We noted no exceptions.

Travel and Expense Reimbursement

17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
18. We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained 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:
- We compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - We determined whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- We compared the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- We determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
 - a) Procedures Results – We performed no procedures, as the Agency does not reimburse travel and related expenses directly to any person. All travel and related expenses are processed through the company credit card and require advanced approval by management.

Contracts

20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. We obtained management’s representation that the listing or general ledger is complete.
21. Using the listing above, we selected 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). We obtained the related contracts and paid invoices and:
 - Determined whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - We compared each contract’s detail to the Louisiana Public Bid Law or Procurement Code. We noted whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - We determined 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.
 - We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and noted whether the invoice and related payment complied with the terms and conditions of the contract.

- We obtained/reviewed contract documentation and board minutes and determined whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

a) Procedures Results - We noted no exceptions.

Payroll and Personnel

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. We randomly selected five employees/officials, obtained their personnel files, and:
- a) Reviewed compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Determined whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Determined whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. We obtained 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, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We noted whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We determined 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.
- a) Procedures Results – We noted no exceptions.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, we obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. We determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.
- a) Procedures Results – Not Applicable.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, we obtained supporting documentation from the entity, and determined whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, we obtained supporting documentation from the entity and determined whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, we obtained supporting documentation and determined whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, we determined whether any millages continue to be received for debt that has been paid off.
- a) Procedures Results – Not Applicable.

Other

31. We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and noted whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. We observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management’s representations in the procedures above, report the nature of each exception.
- a) Procedures Results – We noted no exceptions.

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 the Statewide Agreed-Upon Procedures. 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.

This report is intended solely for the information and use of Cane River Children's Services, Inc. and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully,

Johnson, Thomas + Cunningham, CPA's

Johnson, Thomas & Cunningham, CPA's

October 12, 2017
Natchitoches, Louisiana