

VINTON PUBLIC POWER AUTHORITY
A Component Unit of the Town of Vinton, Louisiana

Annual Financial Report and Independent Auditors' Report

Year Ended September 30, 2019

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VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis

Within this section of the Vinton Public Power Authority's (Authority) annual financial report, the Authority's management is pleased to provide this narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2019. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$26,596,145 (net position), \$24,435,829 for 2018, for the fiscal year reported.
- Total revenues of \$5,191,227 exceeded total expenditures of \$3,030,911, which resulted in a current year surplus of \$2,160,316 compared to prior year surplus of \$1,420,830.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$13,548,497 include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase of capital assets.
 - (2) Unrestricted net position of \$13,047,648.
- Overall, the Authority continues to maintain a strong financial position and is continuing to work to improve on this financial position.

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

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Notes to the Basic Financial Statements

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

Financial Analysis of the Authority as a Whole

The Authority's net position at fiscal year-end is \$26,596,145. The following table provides a summary of the Authority's net position:

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	\$ 13,250,451	\$ 11,375,374
Capital assets	<u>13,548,497</u>	<u>13,248,040</u>
Total assets	<u>\$ 26,798,948</u>	<u>\$ 24,623,414</u>
Deferred outflows of resources	<u>\$ 8,163</u>	<u>\$ 11,737</u>
Liabilities:		
Current liabilities	\$ 176,839	\$ 165,548
Long-term liabilities	<u>32,506</u>	<u>32,431</u>
Total liabilities	<u>\$ 209,345</u>	<u>\$ 197,979</u>
Deferred inflows of resources	<u>\$ 1,621</u>	<u>\$ 1,343</u>
Net position:		
Net investment in capital assets	\$ 13,548,497	\$ 13,248,040
Unrestricted	<u>13,047,648</u>	<u>11,187,789</u>
Total net position	<u>\$ 26,596,145</u>	<u>\$ 24,435,829</u>

51%, (54% for 2018), of the Authority's net position is tied up in capital assets. The Authority uses these capital assets to provide services to its customer.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

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

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 2,508,356	\$ 2,579,439
Nonoperating Revenues	<u>2,682,871</u>	<u>2,647,925</u>
Total Revenues	5,191,227	5,227,364
Depreciation Expense	399,691	398,800
Other Operating Expenses	2,132,434	2,555,882
Nonoperating Expenses	<u>498,786</u>	<u>851,852</u>
Total Expenses	<u>3,030,911</u>	<u>3,806,534</u>
Change in Net Position	2,160,316	1,420,830
Beginning Net Position	<u>24,435,829</u>	<u>23,014,999</u>
Ending Net Position	<u>\$ 26,596,145</u>	<u>\$ 24,435,829</u>

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of September 30, 2019, was \$13,548,497. See Note B for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2019</u>	<u>2018</u>
Nondepreciable assets:		
Construction in progress	<u>\$ 154,691</u>	<u>\$ 128,195</u>
Depreciable assets:		
Distribution system	19,474,223	18,800,572
Less accumulated depreciation	<u>6,080,417</u>	<u>5,680,727</u>
Book value-depreciable assets	<u>\$ 13,393,806</u>	<u>\$ 13,119,845</u>
Percentage depreciated	<u>31%</u>	<u>30%</u>
Book value-all assets	<u>\$ 13,548,497</u>	<u>\$ 13,248,040</u>

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Economic Factors

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

Contacting the Authority's Financial Management

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

INDEPENDENT AUDITORS' REPORT

February 20, 2020

Board of Directors
Vinton Public Power Authority
Vinton, Louisiana

We have audited the accompanying financial statements of the business-type activities of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of September 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's proportionate share of pension liability, and schedule of employer's contributions on pages 3 through 7 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

Board of Directors
Vinton Public Power Authority
February 20, 2020
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to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Accounting Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, on our consideration of the Vinton Public Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vinton Public Power Authority's internal control over financial reporting and compliance.

Dragson, Cassidy; Shillory

VINTON PUBLIC POWER AUTHORITY

Statement of Net Position

September 30, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 12,923,670	\$ 11,075,377
Accounts receivable	288,141	281,245
Prepaid insurance	<u>38,640</u>	<u>18,752</u>
Total current assets	13,250,451	11,375,374
Fixed assets, at cost, net of accumulated depreciation of \$6,080,417 for 2019	<u>13,548,497</u>	<u>13,248,040</u>
TOTAL ASSETS	<u><u>\$ 26,798,948</u></u>	<u><u>\$ 24,623,414</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u><u>\$ 8,163</u></u>	<u><u>\$ 11,737</u></u>
LIABILITIES		
Accounts payable	\$ 176,839	\$ 165,548
Net pension liability	<u>32,506</u>	<u>32,431</u>
TOTAL LIABILITIES	<u><u>\$ 209,345</u></u>	<u><u>\$ 197,979</u></u>
DEFERRED INFLOWS OF RESOURCES		
	<u><u>\$ 1,621</u></u>	<u><u>\$ 1,343</u></u>
NET POSITION		
Net investment in capital assets	\$ 13,548,497	\$ 13,248,040
Net position - Unrestricted	<u>13,047,648</u>	<u>11,187,789</u>
TOTAL NET POSITION	<u><u>\$ 26,596,145</u></u>	<u><u>\$ 24,435,829</u></u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in Net Position

Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for services, less rebate of \$335,850	\$ 2,508,356	\$ 2,579,439
OPERATING EXPENSES		
Advertising	345	440
Depreciation	399,691	398,800
Dues	6,778	3,500
Insurance	67,821	49,171
Miscellaneous	8,739	139,127
Power cost	1,221,194	1,374,336
Professional fees	758,385	761,389
Repairs and maintenance	38,550	195,351
Secretarial	29,400	29,400
Telephone	969	1,246
Travel	253	1,922
Total operating expenses	<u>2,532,125</u>	<u>2,954,682</u>
Operating Income	(23,769)	(375,243)
NONOPERATING REVENUES (EXPENSES)		
Interest income	135,160	119,594
NISCO revenue	2,516,515	2,497,462
Intergovernmental - SRG&T	31,196	30,869
Intergovernmental - Town of Vinton, LA	(498,786)	(532,694)
Loss on debt defeasance	-	(195,752)
Interest expense	-	(123,406)
Total nonoperating revenues (expenses)	<u>2,184,085</u>	<u>1,796,073</u>
Changes in Net Position	2,160,316	1,420,830
NET POSITION-BEGINNING	<u>24,435,829</u>	<u>23,014,999</u>
NET POSITION-ENDING	<u>\$ 26,596,145</u>	<u>\$ 24,435,829</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows

Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,501,460	\$ 2,575,203
Cash payments to suppliers for goods and services	<u>(2,137,104)</u>	<u>(2,948,191)</u>
Net cash from operating activities	364,356	(372,988)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(700,148)	(94,903)
Payment of principal on bonds	-	(7,230,752)
Interest paid on bonds	-	(123,406)
Payments to intergovernmental	(498,786)	(532,694)
Proceeds from NISCO and intergovernmental	<u>2,547,711</u>	<u>2,528,331</u>
Net cash from capital and related financing activities	1,348,777	(5,453,424)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>135,160</u>	<u>119,594</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,848,293	(5,706,818)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,075,377</u>	<u>16,782,195</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 12,923,670</u></u>	<u><u>\$ 11,075,377</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ 270,100</u></u>

See accompanying notes

Continued

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows (Continued)

Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (23,769)	\$ (375,243)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	399,691	398,800
(Increase) decrease in accounts receivable	(6,896)	(4,236)
(Increase) decrease in prepaid insurance	(19,888)	(895)
Increase (decrease) in accounts payable	11,291	(253,388)
Increase (decrease) in interest payable	-	(146,694)
Increase (decrease) in net pension liability	3,927	8,668
Net cash flow from operating activities	<u>\$ 364,356</u>	<u>\$ (372,988)</u>

See accompanying notes

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vinton Public Power Authority (VPPA) is a public power authority created pursuant to Article VI, Section 19 of the Louisiana Constitution of 1974, Louisiana Revised Statutes of 1950, as amended, Title 33, Section 4172 and by Ordinance No. 295, adopted by the Mayor and the Board of Aldermen of the Town of Vinton, LA on September 2, 1980. Louisiana Revised Statutes 33:4172 authorizes public power authorities to contract with the municipality creating it or any other public power authority for the sale of electric power for a term not exceeding 40 years on such terms and conditions as may be specified in a written contract which the power authority may negotiate and execute and provides authority for all other contractual arrangements incidental to the sale of such power. Resolutions were approved by the Mayor and Board of Aldermen of the Town of Vinton, LA, acting ex officio as the Board of Directors of VPPA. The Directors receive no compensation for serving on the board. The Authority has no employees and utilizes Town of Vinton, Louisiana employees for any operating and administrative duties through a joint service agreement, to which Vinton Public Power Authority has paid the Town \$462,000 in administrative fees for the year.

1. Reporting Entity

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

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

2. Basis of Presentation

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

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

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

3. Cash and Investments

Cash

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. In addition, The Authority participates in the Louisiana Asset Management Pool, Inc. (LAMP). The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2019, the Authority has \$8,354,971 in deposits (collected bank balances). These deposits are secured from risk by \$8,289,284 of federal deposit insurance, and \$65,687 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Investments

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at September 30, 2019 are as follows:

	Fair Value	Quoted Price in Active Markets Identical assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Cost
Short-term investments:					
LAMP	\$ 4,184,807	\$ 4,184,807	\$ -	\$ -	\$ 4,184,807
	<u>\$ 4,184,807</u>	<u>\$ 4,184,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,184,807</u>

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

LAMP is a governmental investment pool that reports at fair value. The following facts are relevant for investment pools:

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 39 days as of June 30, 2018.
- Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and board of directors. LAMP is not registered with the SEC as an investment company. An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

4. Accounts Receivable

Of the total accounts receivable of \$288,141, is due from the Town of Vinton, LA, a related party and the Authority's only customer. Due to the nature of this transaction an allowance for bad debts is not recorded.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

6. Budgets

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

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

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

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

7. Net Position

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

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

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

8. Use of Estimates

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

9. Comparative Data

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

10. Subsequent Events

Management has evaluated subsequent events through February 20, 2020, the date the financial statements were available to be issued.

NOTE B – FIXED ASSETS

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

	<u>Beginning of year</u>	<u>Net Additions (Deletions)</u>	<u>End of Year</u>
Plant	\$ 18,679,886	\$ 673,651	\$ 19,353,537
Transportation equipment	120,686	-	120,686
Construction in progress	<u>128,195</u>	<u>26,496</u>	<u>154,691</u>
	18,928,767	<u>\$ 700,147</u>	19,628,914
Less accumulated depreciation	<u>5,680,727</u>		<u>6,080,417</u>
TOTALS	<u>\$ 13,248,040</u>		<u>\$ 13,548,497</u>

Depreciation expense was \$399,691 for the year ended September 30, 2019.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE B – FIXED ASSETS – CONTINUED

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

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

Plant	50 years
Equipment	3-10 years

Major fixed asset additions for the year include upgrade of transmission line from Marshal Substation to Interstate 10.

Construction in progress of \$154,691 at September 30, 2019 consists of \$63,242 for a new line to Vinton High School (additional cost of \$30,000 is expected and completion is expected in the fiscal year ending September 30, 2020), \$44,414 for a street light project (additional cost of \$11,000 and completion is expected in the fiscal year ending September 30, 2020) and \$47,035 for a new breaker at Marshall Substation (additional cost of \$140,000 is expected and completion is expected in the fiscal year ending September 30, 2020).

NOTE C – POWER SUPPLY/SALES ARRANGEMENTS

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

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

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE C – POWER SUPPLY/SALES ARRANGEMENTS – CONTINUED

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

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

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

NOTE D – CONCENTRATIONS

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

NOTE E – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD

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

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE E – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD - CONTINUED

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

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

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

The profit potential from the Cambridge Project provides for the opportunity to reduce long-term power supply costs, build reserves and for the potential distribution of funds to the Town of Vinton, LA. VPPA receives a load ration share (9.39%) of the Cambridge Project's net revenues available for distribution. In addition, the terms of the project's agreements specify that VPPA will retain one-third of a certain fee amount from the Jasper/Vinton Settlement Trust. The total net payments for the year ended September 30, 2019 were \$2,516,515. In accordance with an agreement between SRMPA and VPPA, \$1.5 million of net revenues from the Cambridge Project will be placed in operating reserves (based on load ration shares) for the first 5 years of operation to be maintained through the life of the contracts; however, this agreement is subject to change by mutual consent of the two parties.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE F - PENSION PLAN

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

A. Municipal Employees Retirement System of Louisiana (System)

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipality funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of credible service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service.

Final-average salary is the employee's average salary over the 60 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the VPPA is required to contribute at an actuarially determined rate. The current rate is 26.00% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the VPPA are established and may be amended by state statute. As provided by R. S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The VPPA contributions to the System under Plan A for the year ending September 30, 2019 was \$3,793.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE F - PENSION PLAN - CONTINUED

At September 30, 2019, Vinton Public Power Authority reported a liability of \$32,506 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. VPPA's proportion of the net pension liability was based on a projection of the VPPA's long-term share of contributions to their pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, VPPA's proportion was .007779%.

For the year ended September 30, 2019, VPPA recognized pension expense (benefit) of \$3,927. At September 30, 2019, the VPPA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,047
Difference between expected and actual investment	3,224	-
Difference between expected and actual assumptions	821	-
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	325	574
Contributions subsequent to the measurement date	3,793	-
	<u>3,793</u>	<u>-</u>
Total	<u>\$ 8,163</u>	<u>\$ 1,621</u>

\$3,793 reported as deferred outflows of resources related to pensions resulting from VPPA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE F - PENSION PLAN - CONTINUED

<u>Year ended September 30:</u>	<u>Amount</u>
2020	\$ 2,161
2021	769
2022	556
2023	415
2024	-
Thereafter	-

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

The components on net pension liability of the System's employers as of June 30, 2019 are as follows:

Total Pension Liability	\$ 1,182,925,835
Plan Fiduciary Net Pension	<u>765,059,686</u>
Total Net Pension Liability	<u>\$ 417,866,149</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE F - PENSION PLAN - CONTINUED

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.0% (Net of investment expense)
Expected Remaining Service Lives	3 years
Inflation Rate	2.5 %
Projected Salary Increases	6.4% for 1 to 4 years of service 4.5% for more than 4 years of service
Annuitant and Beneficiary Mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee Mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled Lives Mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems'

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2019

NOTE F - PENSION PLAN - CONTINUED

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

Sensitivity to changes in discount rate. The following presents the net pension liability of the System calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

	Changes in Discount Rate 2019		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ 42,382	\$ 32,506	\$ 24,156

REQUIRED SUPPLEMENTAL INFORMATION

VINTON PUBLIC POWER AUTHORITY

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

Year Ended September 30, 2019

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for services	\$ 2,560,000	\$ 2,559,000	\$ 2,508,356	\$ (50,644)
OPERATING EXPENSES				
Advertising	500	500	345	155
Depreciation	390,000	390,000	399,691	(9,691)
Dues	4,500	5,500	6,778	(1,278)
Insurance	52,000	88,000	67,821	20,179
Miscellaneous	5,600	13,668	8,739	4,929
Power cost	1,358,913	1,225,357	1,221,194	4,163
Professional fees	732,000	744,500	758,385	(13,885)
Repairs and maintenance	175,000	754,000	38,550	715,450
Secretarial	29,400	29,400	29,400	-
Telephone	11,000	1,000	969	31
Travel	2,500	750	253	497
TOTAL OPERATING EXPENSES	<u>2,761,413</u>	<u>3,252,675</u>	<u>2,532,125</u>	<u>720,550</u>
OPERATING INCOME	<u>(201,413)</u>	<u>(693,675)</u>	<u>(23,769)</u>	<u>669,906</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	195,529	133,000	135,160	2,160
NISCO revenue	2,100,000	2,130,000	2,516,515	386,515
Intergovernmental - SRG&T	30,600	30,600	31,196	596
Intergovernmental - Town of Vinton, LA	(710,500)	(665,000)	(498,786)	166,214
Interest expense	(185,800)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,429,829</u>	<u>1,628,600</u>	<u>2,184,085</u>	<u>555,485</u>
CHANGES IN NET POSITION	1,228,416	934,925	2,160,316	1,225,391
NET POSITION-BEGINNING	<u>24,435,829</u>	<u>24,435,829</u>	<u>24,435,829</u>	<u>-</u>
NET POSITION-ENDING	<u>\$25,664,245</u>	<u>\$25,370,754</u>	<u>\$26,596,145</u>	<u>\$ 1,225,391</u>

VINTON PUBLIC POWER AUTHORITY

Schedule of Employer's Proportionate Share of Net Pension Liability

Year Ended September 30, 2019

Municipal Employees' Retirement System of Louisiana:

	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Employer's portion of the net pension liability (asset)	0.007779%	0.007887%	0.007600%	0.006159%	0.008808%
Employer's proportionate share of the net pension liability (asset)	\$ 32,506	\$ 32,431	\$ 31,794	\$ 25,244	\$ 2,969
Employer's covered payroll	\$ 14,400	\$ 14,400	\$ 13,483	\$ 1,610	\$ 1,448
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.74%	225.22%	161.64%	1,567.95%	205.04%
Plan fiduciary net position as a percentage of the total pension liability	64.68%	63.94%	62.49%	63.34%	74.0%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of June 30, 2019.

VINTON PUBLIC POWER AUTHORITY

Schedule of Employer's Contributions

Year Ended September 30, 2019

Municipal Employees' Retirement System of Louisiana:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 285	\$ 285	\$ -	\$ 1,448	19.68%
2016	\$ 318	\$ 318	\$ -	\$ 1,610	19.75%
2017	\$ 3,337	\$ 3,337	\$ -	\$ 13,483	24.75%
2018	\$ 3,589	\$ 3,589	\$ -	\$ 14,400	24.92%
2019	\$ 3,793	\$ 3,793	\$ -	\$ 14,400	26.34%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER INFORMATION

VINTON PUBLIC POWER AUTHORITY

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

Year Ended September 30, 2019

Chief Executive Officer: Kenneth Stinson, President

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

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

February 20, 2020

Board of Directors
Vinton Public Power Authority
Vinton, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Vinton Public Power Authority's basic financial statements, and have issued our report thereon dated February 20, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vinton Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Vinton Public Power Authority's Response to Findings

Vinton Public Power Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Vinton Public Power Authority'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

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VINTON PUBLIC POWER AUTHORITY

Schedule of Findings and Responses

Year Ended September 30, 2019

1. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted? yes no

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

Finding #2019-001: Timely Filing of Payroll Tax Reports

Condition: The Authority's Form 941 payroll tax reports were not timely filed for each of the four quarters during the fiscal year.

Criteria: Each of the quarters have a filing deadline that is the end of the following month.

Cause: Payroll taxes were timely paid. However, due to a change in personnel, the duty of filing the payroll tax reports were not properly communicated.

Effect: The reports were not timely submitted to the IRS as required.

Recommendation: Management should ensure that all accounting functions are completed timely and payroll tax reports are submitted within the required time period.

VINTON PUBLIC POWER AUTHORITY

Schedule of Findings and Responses

Year Ended September 30, 2019

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

Management Response: Management agrees with the finding. As of the issuance of this report, the filings have been brought up-to-date. Steps have been taken to ensure future compliance.

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Vinton Public Power Authority

February 14, 2020

We have performed the procedures included enumerated below, which were agreed to by the Vinton Public Power Authority 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 year October 1, 2018 through September 30, 2019. The Authority's management is responsible for those C/C areas identified in the SAUPs.

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

The 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)
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The Authority does not have a complete written policies and procedures manual.
 - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The Authority does not have a complete written policies and procedures manual.
 - c) *Disbursements*, including processing, reviewing, and approving.
The Authority does not have a complete written policies and procedures manual.
 - d) *Receipt/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 confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).
The Authority does not have a complete written policies and procedures manual.

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

The Authority does not have a complete written policies and procedures manual.

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

The Authority does not have a complete written policies and procedures manual.

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

The Authority does not have a complete written policies and procedures manual.

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

The Authority does not have a complete written policies and procedures manual.

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

The Authority does not have a complete written policies and procedures manual.

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

The Authority does not have a complete written policies and procedures manual.

- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Authority does not have a complete written policies and procedures manual.

Management Response: A written policies and procedures manual is currently in process and will be adopted during the next year.

Council or Finance Committee

- 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:
 - 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.

No exceptions.

- 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.

The minutes did not reference or include monthly budget-to-actual comparisons.

Management Response: In the future, minutes will reference budget-to-actual comparisons.

- c) 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.

The Authority did not have a negative fund balance in the general fund in the prior year.

Bank Reconciliations

3. Obtain a listing of the entity's 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 accounts (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 each selected account and observe that:

- 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);

No exceptions.

- 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

Bank reconciliations did not include evidence that a member of management/board member reviewed each reconciliation.

Management Response: Procedures will be implemented to have a council member document review of each month's bank reconciliation/statement.

- 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.

Not applicable, there were no items outstanding for more than 12 months for the statements tested.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/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).

Procedure was not performed due to no exceptions in the prior year.

5. For each deposit site selected, obtain a listing of collection locations 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 the 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 was not performed due to no exceptions in the prior year.

- 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 was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

- d) The employee 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 was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

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). Obtain supported documentation for each of the deposits and:

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

Procedure was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

- 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).

Procedure was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

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).

Procedure was not performed due to no exceptions in the prior year.

- 9. For each location selected under #8 above, obtain a list 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.

Procedure was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

- 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.

Procedure was not performed due to no exceptions in the prior year.

- 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.

Procedure was not performed due to no exceptions in the prior year.

- 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.

Procedure was not performed due to no exceptions in the prior year.

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

Procedure was not performed due to no exceptions in the prior year.

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

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

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

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

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

- b) Observe that finance charges and/or late fees were assessed on the selected statements.

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

Travel and Travel-Related Expense Reimbursements (Excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not applicable. None of the reimbursements tested used a per diem.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and

supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the list is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions in the prior year.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions in the prior year.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions in the prior year.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions in the prior year.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain their paid salaries and personnel files, and agree paid salaries to the authorized pay rates in the personnel files.

The listing was provided by management. All salaries were paid in accordance to authorized payrates.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

Authority personnel are not eligible to earn leave and, therefore, documentation of attendance and leave is not required.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Authority personnel are not eligible to earn leave and, therefore, documentation of attendance and leave is not required.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Authority personnel are not eligible to earn leave and, therefore, documentation of attendance and leave is not required.

18. Obtain a listing of those employees/officials that received termination pay during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

There were no terminations in the current fiscal period.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Documentation reflected that retirement contributions were timely paid, and associated forms filed, by required deadlines. The Authority does not have health insurance nor pays workers' compensation premiums. The quarterly payroll tax returns were not timely filed. However, all of the payroll taxes were timely paid.

Management response: The Authority filed the previously not filed payroll tax returns. Controls will be strengthened to ensure timely filing of returns.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The Authority does not have a written ethics policy.

Management response: The Authority will adopt an ethics policy within its policy and procedures manual.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the list is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.

Procedure was not performed due to no exceptions in the prior year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select on bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure was not performed due to no exceptions in the prior year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Procedure was not performed due to no exceptions in the prior year.

24. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1. concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure was not performed due to no exceptions in the prior 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 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.

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