

**LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY**

**FINANCIAL REPORT**

**DECEMBER 31, 2018**

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	2
FINANCIAL SECTION	
Independent Auditor's Report	3-5
Management's Discussion and Analysis	6-8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-27
Required Supplementary Information:	
Schedule of Employer's Proportionate Share of the Net Pension Liability	29
Schedule of Employer's Pension Contributions	30
Other Supplementary Information:	
Schedule of Compensation, Benefits and Other Payments to Executive Director	32
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	
	33-35
Schedule of Audit Findings and Responses	36-37
Schedule of Prior Year Audit Findings and Responses	38

# **MQB** | **McELROY, QUIRK & BURCH**

A Professional Corporation • Certified Public Accountants • Since 1925

800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070  
337 433-1063 • Fax 337 436-6618 • Web page: www.mqb-cpa.com

Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP®  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA  
David M. DesOrmeaux, CPA  
Samuel W. Harrison, CPA, CVA

Robert M. Gani, CPA, MT

Paula J. Thompson, CPA  
Robin Anderson Conrad, CPA  
Kyle L. Judice, CPA  
Caitlin D. Guillory, CPA, CFE

MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner  
CFE - Certified Fraud Examiner

05483.000 Audit 12/31/2018 1100.003 financial report

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority (a Quasi-Public organization) as of and for the year ended December 31, 2018, 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 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 business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority as of December 31, 2018, and the change 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 on pages 6 through 8 and other required supplementary information as listed in the table of contents 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 Louisiana Local Government Environmental Facilities and Community Development Authority's basic financial statements. The schedule of compensation, benefits and other payments to Executive Director 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 Executive Director is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Executive Director is fairly stated, in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2019, on our consideration of Louisiana Local Government Environmental Facilities and Community Development 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*M. Tracy Quil & Bunch*

Lake Charles, Louisiana  
April 18, 2019

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

The following is management's discussion and analysis of the financial performance of Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority"). It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, including notes to the financial statements.

The mission of the Authority is "to provide economic development, infrastructure, and environmental facilities; to assist political subdivisions in constructing, extending, rehabilitating, repairing, and renewing infrastructure and environmental facilities; and to assist in the financing of such needs by political subdivisions of this state."

**FINANCIAL HIGHLIGHTS**

The Authority's total current assets decreased \$463,425, primarily due to the use of cash to begin construction on the new building. The Authority's capital assets increased \$589,753 due to acquisition of land and construction in progress for the new building. Deferred outflows decreased \$8,683, deferred inflows increased \$3,600 and net pension liability increased \$14,556, all related to the Authority's participation in the statewide pension plan. The Authority's current liabilities increased \$125,327, primarily due to one large outstanding invoice at year end related to construction of the new building. The unrestricted net position of the Authority decreased \$629,965, while the net investment in capital assets portion increased \$589,753.

Overall, cash and investments decreased \$420,912 from 2017 amounts.

Total revenue decreased \$569,366 from 2017, primarily due to a decrease in issuer fees of \$311,019 and a decrease in settlement income of \$258,097. Issuer fees were higher in 2017 due to a high volume of bond closings, including two large issues over \$200M. The issuer fee activity in 2018 was much lower. Settlement income in 2017 of \$258,097 was due to a derivative settlement received by the Authority, and no such amounts were received in 2018.

Total expenses for 2018 were consistent with 2017, increasing by \$1,974 (less than 0.5%).

#### OVERVIEW OF THE FINANCIAL STATEMENTS

An explanation of the financial statements is as follows:

Statement of net position:

This statement presents the assets, liabilities and net position of the Authority as of December 31, 2018.

Statement of revenues, expenses, and changes in fund net position:

This statement presents the results of the Authority's operations and changes in fund net position during the years ended December 31, 2018.

Statement of cash flows:

This statement reflects the cash inflows and outflows that had a direct impact on the cash account for 2018.

Notes to the financial statements:

The notes provide additional information that is essential to a complete understanding of the data presented in the financial statements.

#### FINANCIAL ANALYSIS

	<u>2018</u>	<u>2017</u>
Assets	\$ 11,529,772	\$ 11,413,444
Deferred outflows	163,304	171,987
Total assets and deferred outflows	<u>\$ 11,693,076</u>	<u>\$ 11,585,431</u>
Liabilities	\$ 784,885	\$ 640,628
Deferred inflows	22,010	18,410
Net position	10,886,181	10,926,393
Total liabilities, deferred inflows and net position	<u>\$ 11,693,076</u>	<u>\$ 11,585,431</u>

	<u>2018</u>	<u>2017</u>
Operating revenue	\$ 374,647	\$ 944,013
Operating expenses	611,768	609,794
Operating income (loss)	(237,121)	334,219
Other revenue	196,909	90,843
Change in net position	\$ (40,212)	\$ 425,062

#### REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Louisiana Local Government Environmental Facilities and Community Development Authority, 5420 Corporate Blvd. Suite 205, Baton Rouge, Louisiana 70808.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION  
December 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 278,716
Investments - LAMP	562,440
Investment - money market	827,162
Investments	9,217,213
Accrued interest receivable	38,410
Prepaid expenses	<u>8,385</u>
Total current assets	10,932,326
CAPITAL ASSETS NOT BEING DEPRECIATED	
Land	279,000
Construction in progress	<u>314,440</u>
	<u>593,440</u>
CAPITAL ASSETS, NET	
	<u>4,006</u>
Total assets	<u>11,529,772</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>163,304</u>
Total assets and deferred outflows	<u>\$ 11,693,076</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 113,393
Retainage payable	11,311
Accrued leave-current employees	2,070
Other liabilities	<u>20,447</u>
Total current liabilities	<u>147,221</u>
LONG-TERM LIABILITIES	
Accrued leave-current employees, less current portion	18,633
Net pension liability	<u>619,031</u>
	<u>637,664</u>
Total liabilities	<u>784,885</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>22,010</u>
NET POSITION	
Net investment in capital assets	597,446
Unrestricted	<u>10,288,735</u>
	<u>10,886,181</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,693,076</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2018

REVENUE	
Issuer fees	\$ 173,647
Application fees	1,000
Program administration and termination fees	<u>200,000</u>
Total revenue	<u>374,647</u>
EXPENSES	
Accounting and audit fees	28,275
Acquisition expense	3,149
Auto expenses	14,400
Board per diem	32,950
Depreciation	2,470
Dues and subscription	2,547
Employee benefits	156,649
Insurance	12,141
Miscellaneous	1,669
Office supplies and equipment	8,427
Payroll tax expense	4,263
Rent and utilities	26,052
Salaries	278,915
Telephone	8,099
Travel and conferences	10,282
Outsourced services	<u>21,480</u>
Total expenses	<u>611,768</u>
Operating (loss)	<u>(237,121)</u>
OTHER REVENUE	
Investment income	187,584
Miscellaneous income	<u>9,325</u>
Total other revenue	<u>196,909</u>
Change in net position	(40,212)
Net position, beginning of year	<u>10,926,393</u>
Net position, end of year	<u>\$ 10,886,181</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2018

Cash flows from operating activities:	
Receipts from operations	\$ 424,647
Receipts from other sources	187,224
Payments to employees and employee-related costs	(445,938)
Payments for other operating expenses	<u>(6,986)</u>
Net cash provided by operating activities	<u>158,947</u>
Cash flows from investing activities	
Asset purchases	(592,223)
Purchase of investments	(2,277,900)
Sales of investments	<u>2,509,693</u>
Net cash (used in) investment activities	<u>(360,430)</u>
Net (decrease) in cash	(201,483)
Cash, beginning of year	<u>480,199</u>
Cash, end of year	<u>\$ 278,716</u>

(continued on next page)

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2018  
(Continued)

Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ (40,212)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	2,470
(Gain) on sale of investments	(13,605)
Unrealized loss on sale of investments	11,241
Change in operating assets and liabilities:	
Accounts receivable	50,000
Accrued interest receivable	(7,321)
Prepaid expenses	(166)
Accounts payable	113,393
Retainage payable	11,311
Accrued leave	4,860
Other liabilities	137
Net pension liability	14,556
Change in deferred inflows and outflows of resources:	
Deferred outflows related to pension	8,683
Deferred inflows related to pension	<u>3,600</u>
Net cash provided by operating activities	<u>\$ 158,947</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

Note 1. Summary of Significant Accounting Policies

A. BACKGROUND AND FINANCIAL STATEMENT PRESENTATION

The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") was created by Louisiana Legislature R.S. 33.4548. The Authority, which is a political subdivision of the State of Louisiana, was created for the purpose of assisting political subdivisions in constructing, extending, rehabilitating, repairing, and renewing infrastructure, economic development and environmental facilities, and assisting in the financing of such needs by political subdivisions. Membership consists of municipalities, parishes, school boards and special districts.

The Authority has no taxing power and receives no appropriation from the State of Louisiana or any government body. Bonds issued by the Authority are limited obligations of the Authority, payable only from income, receipts and assets pursuant to trust indentures related to each bond issue. Accordingly, these financial statements include only the financial position and activities of the Authority and are not intended to include or present assets, liabilities or activities of various bond issues.

B. BASIS OF ACCOUNTING

The Authority is considered an enterprise fund and, accordingly, uses the accrual method of accounting.

The Authority's financial statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows. It is required that the Authority's net position be reported into three components: net investment in capital assets, restricted, and unrestricted. These components are defined as follows:

- *Net investment in capital assets.* This component of net position 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.
- *Restricted.* This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted.* This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets".

#### C. USE OF ESTIMATES

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

#### D. CASH, CASH EQUIVALENTS AND INVESTMENTS

For purposes of the statements of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Authority had no cash equivalents for the year ended December 31, 2018.

Louisiana R.S. 33:2955(A)(1) authorizes the Authority to invest in United States bonds, treasury notes, or any other federally sponsored or guaranteed investment. The Authority has stated all investments at fair value as of December 31, 2018.

E. FIXED ASSETS

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for fixed assets are as follows:

Vehicles	5 years
Computer equipment	3 - 5 years
Office equipment	5 - 7 years

Expenditures for major repairs and improvements of property and equipment are capitalized. Expenditures for maintenance and minor repairs are charged to expense as incurred.

F. COMPENSATED ABSENCES

Year's Service	Vacation
0-3	12 days/year
3-5	15 days/year
5-10	18 days/year
10-14	21 days/year
15 or more	24 days/year

Employees accrue one working day of sick leave for each month of service. There is no maximum on accumulated sick leave.

Employees may accumulate vacation and sick leave time without limitation; however, only vacation leave is payable upon resignation, discharge, death, retirement, or removal due to reduction in force. Payment for vacation leave is limited to 300 hours under all circumstances. If an employee works until retirement eligibility, the accumulated unused sick leave is combined with vacation leave and applied toward retirement years.

G. ISSUER, APPLICATION AND PROGRAM FEES

The Authority receives non-refundable issuer, application and program fees related to bond financing programs issued through the Authority. The Authority recognizes issuer, application, and program fees as income when the respective bond programs are funded, and the fees are earned.

Note 2. Investments

Louisiana R.S. 33:2955(A) (1) authorizes the Authority to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, or any other federally sponsored or guaranteed investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The Authority currently invests in U.S. Treasury and government agency obligations, as well as the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a nonprofit corporation formed by an initiative of the State Treasurer to operate a local government investment pool.

As of December 31, 2018, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money market funds	\$ 827,162	\$ 827,162	\$ -	\$ -	\$ -
Mortgage backed securities	5,425,610	1,839,832	3,585,778	-	-
United States Treasury bonds	3,791,603	-	3,791,603	-	-
Louisiana Asset Management Pool	562,440	562,440	-	-	-
Total	\$10,606,815	\$ 3,229,434	\$ 7,377,381	\$ -	\$ -

Interest rate risk. The Authority's investment policy does not address interest rate risk.

Credit risk. In accordance with state law, the Authority limits investments to the following:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including (but not limited to) U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including (but not limited to) Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.
4. Direct security repurchase agreements of any federal bank entry only securities enumerated above.
5. Time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificates accounts of federally or state chartered credit unions issuing time certificates of deposit; provided that the rate of interest paid for time certificates of deposit shall be not less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

As of December 31, 2018, all of the Authority's investments were held according to policy.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 3. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of December 31, 2018:

Investments by Fair Value Level	12/31/18	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury	\$ 3,791,603	\$ 3,791,603	\$ -	\$ -
Mortgage backed securities	5,425,610	-	5,425,610	-
Total investments by fair value level	\$ 9,217,213	\$ 3,791,603	\$ 5,425,610	\$ -

Debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 4. Fixed Assets

A summary of fixed assets, additions, retirements, and balances is as follows:

	Balance December <u>31, 2017</u>	Additions	Retirements	Balance December <u>31, 2018</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 279,000	\$ -	\$ 279,000
Construction in progress	<u>3,041</u>	<u>311,399</u>	<u>-</u>	<u>314,440</u>
Total capital assets not being depreciated	<u>3,041</u>	<u>590,399</u>	<u>-</u>	<u>593,440</u>
Capital assets being depreciated:				
Computer equipment	\$ 16,562	\$ -	\$ -	\$ 16,562
Office equipment	30,109	1,824	-	31,933
Software	4,054	-	-	4,054
Leasehold improvements	<u>2,825</u>	<u>-</u>	<u>-</u>	<u>2,825</u>
	<u>53,550</u>	<u>1,824</u>	<u>-</u>	<u>55,374</u>
Less accumulated depreciation:				
Computer equipment	13,413	1,671	-	15,084
Office equipment	29,405	282	-	29,687
Software	4,054	-	-	4,054
Leasehold improvements	<u>2,026</u>	<u>517</u>	<u>-</u>	<u>2,543</u>
	<u>48,898</u>	<u>2,470</u>	<u>-</u>	<u>51,368</u>
Total capital assets being depreciated, net	<u>4,652</u>	<u>(646)</u>	<u>-</u>	<u>4,006</u>
Total fixed assets, net	<u>\$ 7,693</u>	<u>\$ 589,753</u>	<u>\$ -</u>	<u>\$ 597,446</u>

Depreciation expense was \$2,470 for the year ended December 31, 2018.

Note 5. Multi-Employer Pension Plan

Plan descriptions:

All employees of the Authority are members of the Municipal Employees Retirement System of Louisiana (MERS). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a board of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The system issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the system. The report for MERS may be obtained at [www.mersla.com](http://www.mersla.com).

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Authority 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 municipal funds are eligible to participate in MERS.

Benefits provided:

Retirement benefits

Any member of Plan A hired before January 1, 2013 may retire at any age with 25 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan A hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 3% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. 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.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. 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.

### Deferred retirement options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable, but employee contributions cease.

The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

### Disability benefits

A member of MERS Plan A is eligible to retire and receive a disability benefit if he or she has at least 5 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan A of MERS is the lesser of an amount equal to three percent of member's final compensation multiplied by years of service (not less than 45% of member's final compensation) or an amount equal to three percent of the member's final average compensation multiplied by years of creditable service projected to member's earliest normal retirement age.

### Survivor's benefit

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan A member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable service, as outlined in the statutes. A MERS Plan A member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Cost of living increases

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

Contributions:

The MERS employer contribution rate is established annually under La R.S 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending December 31, 2018 the employer contribution rate for MERS Plan A was 24.75% from January through June, and 26.00% from July through December. Employer contributions to MERS were \$70,949 for the year ended December 31, 2018. Employees participating in MERS Plan A are required to contribute 9.50%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. The Authority recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2018, the Authority recognized revenue as a result of support received from non-employer contributing entities of \$9,325 for its participation in MERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2018, the Authority reported a liability for MERS of \$619,031 for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Authority's proportion of the net pension liability for the retirement system was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Authority's proportionate share for MERS was 0.149500%. This reflects an increase for MERS of 0.005007% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Authority recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>
MERS	\$ 107,113

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual	\$ -	\$ 22,010
Changes in assumptions	18,636	-
Net difference between projected and actual earnings on pension plan investments	94,864	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,456	-
Employer contributions subsequent to measurement date	<u>36,348</u>	<u>-</u>
Total	<u>\$ 163,304</u>	<u>\$ 22,010</u>

During the year ended December 31, 2018, employer contributions totaling \$36,348 were made subsequent to the measurement date for MERS. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended June 30:	<u>MERS</u>
2019	\$ 59,332
2020	34,534
2021	8,367
2022	<u>2,713</u>
Total	<u>\$ 104,946</u>

Actuarial assumptions:

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 of the net pension liability of MERS employers as of June 30, 2018 are as follows:

	<u>MERS Plan A</u>
Total pension liability	\$ 1,148,293,981
Plan fiduciary net position	<u>734,226,194</u>
Total net pension liability	<u>\$ 414,067,787</u>

The Authority's allocation is 0.149500% of the Total Net Pension Liability for MERS Plan A.

The total pension liabilities for MERS in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	MERS Plan A
Actuarial cost method	Entry age normal
Expected remaining service Lives	3 years for Plan A
Investment rate of return	7.275%, net of investment expense
Inflation rate	2.6%
Projected salary increases	5.00% (2.6% inflation, 2.4% merit)
Cost of living adjustments	None
Mortality	Mortality tables used: For active members, RP-2000 Employee Table (set back 2 years for males and females) For healthy annuitants, RP-2000 Healthy Annuitant Table (set forward 2 years for Males and 1 for females) For disabled annuitants, RP-2000 Disabled Lives Mortality Tables (set back 5 years for males and 3 years for females)

The MERS actuarial assumptions used were based on the results of an experience study for the period July 1, 2009 through June 30, 2014.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 7.0% for the year ended June 30, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	50%	2.20%
Fixed income	35%	1.50%
Alternatives	15%	0.60%
Subtotal	100%	4.30%
Inflation adjustment		2.70%
Total		7.00%

Discount rates:

The discount rate used to measure the total pension liability for MERS was 7.275%. 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 will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

The following table presents the Authority's proportionate share of the net pension liability using the discount rate of 7.275% for MERS, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.275%) or one percentage-point higher (8.275%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
MERS	\$ 795,202	\$ 619,031	\$ 468,663

Payables to the Pension Plans:

At December 31, 2018, the payable to MERS was \$7,635 for December 2018 employee and employer legally-required contributions.

Note 6. Long-Term Obligations

The following is a summary of the long-term obligation activity for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Net pension liability	\$ 604,475	\$ 14,556	\$ -	\$ 619,031	\$ -
Accrued leave	15,843	4,860	-	20,703	2,070
	<u>\$ 620,318</u>	<u>\$ 19,416</u>	<u>\$ -</u>	<u>\$ 639,734</u>	<u>\$ 2,070</u>

Note 7. Lease

The Authority leases its premises under a net, non-cancellable operating lease which expires April 30, 2019. The monthly rental payment is \$2,285.25. Future minimum lease payment obligations for this lease are as follows:

2019	\$ 9,141
------	----------

Rent expense for the year ended December 31, 2018 was \$26,052.

Note 8. Cash and Cash Equivalents

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

The Authority maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Authority's bank demand and time deposits at year end were not fully collateralized.

The deposits at December 31, 2018 are as follows:

December 31, 2018	Demand Deposits
Carrying amount	\$ 286,083
Bank balances:	
a. Federally insured	\$ 285,645
b. Collateralized by securities held by the pledging financial institution	-
c. Uncollateralized and uninsured	438
Total bank balances	\$ 286,083

Note 9. Subsequent Events

The Authority evaluated all subsequent events through April 18, 2019, the date the financial statements were available to be issued. As a result, the Authority noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate  
Share of the Net Pension Liability

Schedule of Employer's Pension  
Contributions

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
Year Ended December 31, 2018\*

Plan Year	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.149500%	\$ 619,031	\$ 272,945	226.8%	63.94%
2017	0.144493%	604,475	\$ 262,409	230.4%	62.49%
2016	0.142473%	583,956	254,504	229.4%	62.11%
2015	0.139644%	498,830	235,107	212.2%	66.18%
2014	0.125469%	322,009	181,978	176.9%	73.99%

This schedule will contain ten years of historical information once such information becomes available.

\* The amounts presented have a measurement date of the plan year end.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS  
Year Ended December 31, 2018

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions In Relation Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2018	\$ 70,949	\$ 70,949	\$ -	\$ 279,602	25.37%
2017	63,243	63,243	-	266,288	23.75%
2016	54,886	54,886	-	258,269	21.25%
2015	48,349	48,349	-	244,805	19.75%
2014	32,906	32,906	-	169,321	19.43%
2013	47,371	47,371	-	265,431	17.85%

This schedule will contain ten years of historical information once such information becomes available.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits and  
Other payments to Executive Director

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO EXECUTIVE DIRECTOR  
Year Ended December 31, 2018

Agency Head Name: Ty Carlos, Executive Director

Purpose	Amount
Salary	\$ 172,662
Benefits - insurance	8,251
Benefits - retirement	51,583
Vehicle allowance	14,400
Travel	2,966
Registration	35
Business meals	293
	<hr/>
	\$ 250,190

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

Board of Directors  
Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Baton Rouge, 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 Louisiana Local Government Environmental Facilities and Community Development Authority (a Quasi-Public organization), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana Local Government Environmental Facilities and Community Development Authority'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 Louisiana Local Government Environmental Facilities and Community Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 or significant deficiencies. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana Local Government Environmental Facilities and Community Development Authority'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings and responses as item 2018-001.

#### **Louisiana Local Government Environmental Facilities and Community Development Authority's Response to Findings**

Louisiana Local Government Environmental Facilities and Community Development authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Louisiana Local Government Environmental Facilities and Community Development 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 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 purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*M. Tracy Smith & Associates*

Lake Charles, Louisiana  
April 18, 2019

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
Year Ended December 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

       Yes        X   No

Significant deficiency identified not  
considered to be material weakness?

       Yes        X   None reported

Noncompliance material to financial statements  
noted?

       Yes        X   No

(continued on next page)

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
December 31, 2018

2018-001 Deposits in Excess of Federally Insured Amounts

Condition: Deposits of \$437 in excess of federally insured amounts were not fully collateralized at year end.

Criteria: Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value.

Effect: Without adequate collateral, the deposits are subject to deposit risk.

Recommendation: Management should ensure that all deposits in excess of federally insured amounts are collateralized.

Response: The Authority recognizes this finding. The bank account in question was opened in 2018 and had increased activity in late December. The issue was resolved in late February, 2019 and the account is now fully collateralized.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
December 31, 2018

No prior year findings.

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Executive Committee of the Louisiana  
Local Government Environmental Facilities and  
Community Development Authority and the  
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Louisiana Local Government Environmental Facilities and Community Development Authority (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity'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 the entity's written policies and procedures and report whether those written policies and procedures 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:

*No exceptions noted.*

- 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:

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

- 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:

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

- 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:

*No exceptions noted.*

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

*No exceptions noted.*

### **Board 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:

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

- 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:

*See note above.*

- 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:

*See note above.*

## **Bank Reconciliations**

---

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional 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 selected each 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):

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

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

*See note above.*

- 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:

*See note above.*

## **Collections**

---

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

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous 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 that job duties are properly segregated at each collection location such that:

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

*See note above.*

- 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:

*See note above..*

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

*See note above.*

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

*See note above.*

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

*See note above*

- 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 supporting documentation for each of the 10 deposits and:

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

*See note above.*

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

*See note above.*

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

*See note above.*

- 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):

*See note above.*

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

*See note above.*

**Non-Payroll Disbursements (excluding credit 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):

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

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

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

*See note above.*

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

*See note above.*

- 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:

*See note above.*

- 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:

*See note above.*

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:

*See note above.*

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

*See note above.*

### **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) for the fiscal period, 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.

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

12. Using the listing prepared by management, randomly select 15 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 excessive fuel card usage) 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.]

*See note above.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*See note above.*

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 of transactions subject to testing). For each transaction, observe 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):

*See note above.*

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

---

14. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period and management's representation that the listing 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:

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

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

*See note above.*

- 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):

*See note above.*

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

*See note above.*

## ***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 listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

- 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:

*See note above.*

- 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):

*See note above.*

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

*See note above.*

- 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:

*See note above.*

### ***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 related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files:

*No exceptions noted.*

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):

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

- 18. Obtain a listing of those employees/officials that received termination payments 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:

*No exceptions noted*

- 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:

*No exceptions noted*

### ***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:

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

- 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:

*See note above.*

### ***Debt Service***

---

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

*Not applicable.*

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 one 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:

*Not applicable.*

### ***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:

*The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.*

24. Observe that 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:

*See note above.*

### ***Management's Response and Corrective Action***

---

No exceptions were noted in the above agreed-upon procedures.

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

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

*McElroy Quirk & Bush*

Lake Charles, Louisiana  
April 18, 2019