

**NORTHWEST LOUISIANA COUNCIL
OF GOVERNMENTS
SHREVEPORT, LOUISIANA
JUNE 30, 2017**

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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SHREVEPORT, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Northwest Louisiana Council of Governments provides an overview of the Council's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the Council's financial statements, which begin on Page 4.

USING THIS ANNUAL REPORT

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

Reporting the Funds Maintained by the Council as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the Most Significant Funds Maintained by the Council

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

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

THE FUNDS MAINTAINED BY THE COUNCIL AS A WHOLE

The Council's total net assets increased by \$76,397 during the year, from \$332,977 to \$409,374. This increase results mainly from an excess of net operating grants and local funds from FHWA and Regional Safety Coalition.

**Table 1
Net Position**

	<u>Government-Wide Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	877,918	876,577
Capital assets, net	<u>20,291</u>	<u>24,239</u>
Total assets	898,209	900,816
Current liabilities	<u>488,835</u>	<u>567,839</u>
Total liabilities	488,835	567,839
Net position:		
Investment in capital assets, net	20,291	24,239
Restricted	185,938	183,911
Unrestricted	<u>203,145</u>	<u>124,827</u>
Total net position	<u><u>409,374</u></u>	<u><u>332,977</u></u>

**Table 2
Change in Net Position**

	<u>Government-Wide Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Operating Grants	2,040,552	2,535,446
Other	<u>543</u>	<u>522</u>
Total revenues	2,041,095	2,535,968
Expenses		
General governmental-transportation planning	<u>1,964,698</u>	<u>2,397,885</u>
Increase (decrease) in net position	<u><u>76,397</u></u>	<u><u>138,083</u></u>

Operating grants show a net decrease of \$494,894, generally as a result of declining activity in Long Range Plan and Inner City Corridor special projects. Expenses generally reflect a corresponding decrease.

CAPITAL ASSETS

At the end of 2017, the Council had invested \$20,291 in net capital assets from those funds maintained by the Council.

Table 3
Capital Assets at Year End

	<u>Government-Wide Activities</u>	
	<u>2017</u>	<u>2016</u>
Furniture and equipment	96,621	100,118
<u>Less-accumulated depreciation</u>	<u>(76,330)</u>	<u>(75,879)</u>
	<u>20,291</u>	<u>24,239</u>

The years' major additions included:

Computer equipment	<u>3,149</u>	<u>3,442</u>
	<u>3,149</u>	<u>3,442</u>

FUTURE OPERATIONS

The Council expects, in addition to its normal transportation planning, to continue to administer contracts for environmental and community impacts, totaling \$3 million, on the I-49 corridor between I-20 and I-220. The Council also anticipates for the next fiscal year continued funding in the Safe Routes to Schools Project, administration of the environmental study for the LA 3132 Inner Loop Extension, continued oversight of the update to the Long-Range Transportation Plan, and additional work on the Pictometry project.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

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

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
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December 27, 2017

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Northwest Louisiana Council of Governments, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Northwest Louisiana Council of Governments, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and *Budgetary Comparison Information* on Pages i-iii and Page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The information on Pages 18-22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information if fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on for effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

GOVERNMENT WIDE STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	292,850
Federal grant receivables	431,320
Other receivables	143,892
Other assets	9,856
Fixed assets, net of accumulated depreciation	<u>20,291</u>
Total assets	898,209
<u>Liabilities:</u>	
Accounts payable	439,655
Accrued compensated absences	47,740
Other liabilities	<u>1,440</u>
Total liabilities	<u>488,835</u>
<u>Net position:</u>	
Investment in capital assets, net	20,291
Restricted	185,938
Unrestricted	<u>203,145</u>
Total net position	<u>409,374</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>
<u>Expenses:</u>	
Governmental activities:	
Transportation planning	<u>1,964,698</u>
Total expenses	<u>1,964,698</u>
<u>Program revenue:</u>	
Operating grants	<u>2,040,552</u>
<u>Net revenue</u>	75,854
<u>General revenue:</u>	
Interest and miscellaneous	<u>543</u>
<u>Increase in net position</u>	76,397
<u>Net position at beginning of year</u>	<u>332,977</u>
<u>Net position at end of year</u>	<u><u>409,374</u></u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2017

<u>A S S E T S</u>	<u>Governmental Fund Type General Fund</u>
Cash	292,850
Federal grant receivables	431,320
Other receivables	143,892
Other assets	9,856
Fixed assets, net of accumulated depreciation	<u>20,291</u>
Total assets	<u>898,209</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>Liabilities:</u>	
Accounts payable	439,655
Accrued compensated absences-Note 3	47,740
Other liabilities	<u>1,440</u>
Total liabilities	488,835
 <u>Fund equity:</u>	
Nonspendable	30,147
Restricted	185,938
Unassigned	<u>193,289</u>
Total fund equity	<u>409,374</u>
Total liabilities and fund equity	<u>898,209</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
<u>Revenues:</u>	
Federal grants	1,454,173
State and local funds	586,379
Interest and miscellaneous	<u>543</u>
Total revenues	2,041,095
 <u>Expenditures:</u>	
Direct labor costs	446,021
Indirect costs - Note 6	568,479
Other contract costs	945,740
Nonproject costs	<u>4,458</u>
Total expenditures	<u>1,964,698</u>
<u>Excess of revenues over expenditures</u>	76,397
<u>Fund balance at beginning of year</u>	<u>332,977</u>
<u>Fund balance at end of year</u>	<u>409,374</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Financial Reporting Entity

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

Operating Funding

Louisiana Department of Transportation and Development (No. H.972216.1) Federal Aid Project No. H-972163, contract for Metropolitan Planning, Shreveport Urbanized Area, effective July 1, 2016, in the amount of \$564,770 of which the maximum federal share comprises \$451,816. A maximum of eighty percent (80.00%) of the project is federally funded with the remainder being funded through local monies.

Louisiana Department of Transportation and Development (No. PL-80-09-17) FTA Section 5303, contract for Regional Planning, Shreveport Urbanized Area, effective July 1, 2016, in the amount of \$124,121 of which the maximum federal share comprises eighty percent (80.00%). The remainder is funded through local monies.

Shreveport Transit Authority, funding for the support of transit planning projects, in the approximate amount of \$30,000. The maximum federal share is eighty percent (80.00%).

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

Special Projects Funding

Louisiana Department of Transportation and Development (Numbers H.006738 and H.009279) Federal Aid Projects, contracts to implement a bicycle safety infrastructure improvements and education program for children at certain elementary schools in Caddo and Bossier Parishes, all of which is federally funded.

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

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

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

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

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

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

2. **Summary of Significant Accounting Policies**

a. **Presentation of Statements:**

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

b. Basic Financial Statements - Government-Wide Statements:

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

The content and certain titles of the GWFS were changed upon the adoption by the Council of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Council had no deferred outflows or inflows of resources at June 30, 2017.

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

In the Government-Wide Statement of Net Position, the governmental type activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net position is reported in three parts - investment in capital assets, net of related debt; restricted; and unrestricted. Investment in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. Restricted consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted includes all other net assets that do not meet the definition of "restricted" or "investment in capital assets, net of related debt." The Council's policy is to use restricted resources first to finance its activities.

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

e. Cash and Cash Equivalents:

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

f. Fixed Assets:

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

g. Unpaid Compensated Absences:

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

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

h. Management's Use of Estimates:

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

i. Budgets and Budgetary Policy:

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

2. Summary of Significant Accounting Policies (Continued)

Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 2016, and ending June 30, 2017. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, NLCOG, the Cities of Shreveport and Bossier, the Parishes of Caddo and Bossier, the Shreveport and Bossier City MPC's, Shreveport Mass Transit Personnel and other affected agencies.

Budgets approved as conditions of the grants fall under the guidelines of the contractual requirements of those various grants. Budget revisions, if any, are approved by grantor agencies as required. The current year budget was adopted May 25, 2016; no budget revisions were made during the year.

The Council reflected a net unfavorable variance of \$116,406 in net revenues for the current fiscal year, mainly because of a commensurate reduction in operating project costs to be reimbursed by federal and local sources.

j. Fund Equity – Fund Financial Statements:

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

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

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

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

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

3. **Compensated Absences**

Employees accrue annual leave under the following schedule:

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

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

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

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

	<u>Balance</u> <u>6-30-16</u>	<u>Increase</u>	<u>Balance</u> <u>6-30-17</u>
Accrued compensated absences	<u>43,215</u>	<u>4,525</u>	<u>47,740</u>

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

4. **Pension Plan**

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

4. **Pension Plan** (Continued)

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

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

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

During the year, the Council's required and actual contributions amounted to \$54,484, which was 9% of its current year covered payroll of \$605,385. Employees' required and actual contributions also amounted to \$54,484.

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

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

5. **Changes in Fixed Assets**

A summary of changes in fixed assets is as follows:

	<u>Balance</u> <u>6-30-16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-17</u>
Fixed assets, at cost:				
Furniture, equipment, and vehicle	100,118	3,149	(6,646)	96,621
Accumulated depreciation:				
Furniture and equipment	<u>(75,879)</u>	<u>(6,917)</u>	<u>6,466</u>	<u>(76,330)</u>
Net fixed assets	<u>24,239</u>	<u>(3,768)</u>	<u>(180)</u>	<u>20,291</u>

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

6. **Cost Allocation Method**

Costs are allocated to NLCOG's grants pursuant to a method of allocation as required by Federal regulations. Indirect costs and fringe benefits were applied to the grants during the year, under a provisional rate of 163.00% and of direct labor. As a result of the audit, the actual indirect and fringe rate was computed at 127.46%.

7. **Local Support**

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

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

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

9. **Operating Leases**

Northwest Louisiana Council of Governments leases its office space and employee parking under an operating lease that expires in January 2019. Total rent expense amounted to \$52,249 for the year ended June 30, 2017. The Council also entered into a thirty-six month operating lease agreement for certain computer equipment, expiring April 2019, at \$270 per month. Future minimum lease payments under these leases at June 30, 2017 are as follows:

	Year Ended <u>June 30</u>
2018	51,951
2019	31,116
2020	-
2021	-
2022	-
	<u>83,067</u>

10. **Cash**

Cash deposits (bank balances) with financial institutions amounted to \$509,462 at June 30, 2017, and were protected by deposit insurance up to \$250,000. Pursuant to its policy, any excess balances carried from time to time by the Council are secured by a pledge of qualified U.S. government agency securities.

11. **Risk Management**

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

12. **Subsequent Events**

The council is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. It performed such an evaluation through December 27, 2017, the date which the financial statements were available to be issued, and noted no such subsequent events.

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues:</u>				
Federal grants	825,005	825,005	732,090	(92,915)
State and local funds	339,962	339,962	315,928	(24,034)
Interest and miscellaneous	<u>-</u>	<u>-</u>	<u>543</u>	<u>543</u>
Total revenues	1,164,967	1,164,967	1,048,561	(116,406)
<u>Expenditures:</u>				
Direct grant cost	606,356	606,356	420,618	185,738
Indirect grant cost	540,312	540,312	536,102	4,210
Other contract costs	-	-	9,680	(9,680)
Nonproject costs	<u>9,000</u>	<u>9,000</u>	<u>4,458</u>	<u>4,542</u>
Total expenditures	<u>1,155,668</u>	<u>1,155,668</u>	<u>970,858</u>	<u>184,810</u>
<u>Excess of revenues over expenditures</u>	9,299	9,299	77,703	68,404
<u>Available from beginning fund balance</u>	<u>-</u>	<u>-</u>	<u>305,914</u>	<u>305,914</u>
<u>Fund balance at end of year</u>	<u>9,299</u>	<u>9,299</u>	<u>383,617</u>	<u>374,318</u>

UNAUDITED

See accompanying independent auditor's report

SUPPLEMENTARY FINANCIAL INFORMATION

NORTH LOUISIANA COUNCIL OF GOVERNMENTS

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

FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: J. Kent Rogers

Salary	97,137
Benefits-health insurance	10,873
Benefits-life insurance	888
Benefits-retirement	8,742
Conference travel and meals reimbursement	5,817
Organization dues	585
Cell phone, data plan	1,751

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2017

	Operating						Special Projects									Total Special Projects	Total
	FHWA H.972216.1	FTA PL80-09-17	Shreveport Transit Authority	H.972172 Regional Safety Coalition	Nonproject	Total Operating	H.009279, H.006738 Safe Routes to Schools	H.003915 I-49 Inner City Corridor	FHWA H.009213 3132 Enviro	H.972059 Long Range Plan	Long Range Plan Bike Pedestrian	H.012314 Pictometry	PL80-09-14, PL80-55-15, PL80-09-16 Transit Study	H.012426 Thoroughfare			
Revenues:																	
Federal grants	451,816	102,297	4,776	173,201	-	732,090	41,484	145,962	332,391	6,602	-	104,237	-	91,407	722,083	1,454,173	
State grants	-	-	-	-	-	-	-	131,866	83,098	825	-	-	-	-	215,789	215,789	
Local funds	274,064	41,864	-	-	-	315,928	10	-	-	825	5,000	28,827	10,000	10,000	54,662	370,590	
Interest and miscellaneous	-	-	-	-	543	543	-	-	-	-	-	-	-	-	-	543	
Total revenues	725,880	144,161	4,776	173,201	543	1,048,561	41,494	277,828	415,489	8,252	5,000	133,064	10,000	101,407	992,534	2,041,095	
Expenditures:																	
Direct Labor	293,220	63,380	1,816	62,202	-	420,618	-	9,966	7,584	1,547	-	-	-	6,306	25,403	446,021	
Indirect costs	373,726	80,781	2,315	79,280	-	536,102	-	12,702	9,666	1,972	-	-	-	8,037	32,377	568,479	
Other contract costs	-	-	-	9,680	-	9,680	41,494	251,617	395,542	4,434	5,000	130,297	10,000	97,676	936,060	945,740	
Nonproject costs	-	-	-	-	4,458	4,458	-	-	-	-	-	-	-	-	-	4,458	
Total expenditures	666,946	144,161	4,131	151,162	4,458	970,858	41,494	274,285	412,792	7,953	5,000	130,297	10,000	112,019	993,840	1,964,698	
Excess (deficiency) of revenues over expenditures	58,934	-	645	22,039	(3,915)	77,703	-	3,543	2,697	299	-	2,767	-	(10,612)	(1,306)	76,397	

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2017

Indirect costs:

Advertising	4,775
Bonding and insurance	3,899
Building rent	52,249
Depreciation	6,917
Dues and publications	4,705
Health insurance	109,730
Holidays	38,835
Payroll taxes	9,116
Postage	791
Professional fees	33,605
Retirement	54,484
Salaries	55,771
Sick leave	23,260
Small equipment purchases and maintenance	71,940
Supplies	12,385
Telephone	11,870
Education and training	12,714
Travel	13,388
Vacations	46,024
Workman's comp insurance	864
Service charge	<u>1,157</u>
 Total indirect costs	 <u>568,479</u>

	<u>Direct Labor</u>	<u>Actual Indirect Cost</u>	<u>Actual Indirect Rate</u>
FHWA H.972163.1	293,220	373,726	
FTA LA 80-0024	63,380	80,781	
Shreveport Transit Authority	1,816	2,315	
FHWA H.003915 ICC	9,966	12,702	
FHWA H.009213 3132 Enviro	7,584	9,666	
H.972059 Long Range Plan	1,547	1,972	
H.972172 Regional Safety Coalition	62,202	79,280	
Thoroughfare	<u>6,306</u>	<u>8,037</u>	
	<u>446,021</u>	<u>568,479</u>	<u>127.4557%</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	State Project Number	Federal CFDA Number	Program or Award Amount	Revenue Recognized	Expenditures
<u>U. S Department of Transportation:</u>					
Passed through the Louisiana Department of Transportation and Development:					
Metropolitan Planning-Shreveport LA 3132 Extension	H.972216.1	20.205	451,816	451,816	451,816
Safe Routes to Schools	H.006738	20.205	41,000	16,658	16,658
Safe Routes to Schools	H.009279	20.205	25,900	24,826	24,826
I-49 Inner City Corridor	H.003915	20.205	1,500,000	145,962	145,962
Pictometry	H.012314	20.205	691,845	104,237	104,237
Regional Safety Coalition	H.972172	20.205	722,675	173,201	173,201
Shreveport MPO Thoroughfare Plan	H.012426	20.205	250,000	91,407	91,407
Shreveport Metropolitan Long Range Plan Update	H.972059	20.205	800,000	6,602	6,602
				1,347,100	1,347,100
Metropolitan Planning-Regional Formula Grants-Other than Urbanized Area Capital Assistance Program for Elderly and Disabled	PL80-09-17 PL80-09-17 PL80-09-17	20.505 20.509 20.513	87,297 10,000 5,000	87,297 10,000 5,000	87,297 10,000 5,000
				102,297	102,297
Total Passed through the Louisiana Department of Transportation and Development				1,449,397	1,449,397
Passed Through the City of Shreveport:					
Federal Transit Formula Grants	-	20.507	4,776	4,776	4,776
Total Passed Through the City of Shreveport				4,776	4,776
Total Federal Awards				1,454,173	1,454,173

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Louisiana Council of Governments and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 27, 2017

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of Northwest Council of Governments as of and for the year ended June 30 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2017-01 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

HEARD, McELROY, & VESTAL

LLC

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December 27, 2017

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

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

Report on Compliance for Each Major Federal Program

We have audited Northwest Louisiana Council of Government's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each Northwest Louisiana Council of Government's of major federal programs for the year ended June 30, 2017. Northwest Louisiana Council of Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Louisiana Council of Government's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Louisiana Council of Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion on Each Major Federal Program

In our opinion, Northwest Louisiana Council of Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Northwest Louisiana Council of Government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwest Louisiana Council of Government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Louisiana Council of Government's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

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

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

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2017-01 - Control Finding

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

2017-01 - Control Finding (Continued)

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

2016-01 Lack of expertise to prepare annual financial statements in-house – repeated.

HEARD, McELROY, & VESTAL

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December 28, 2017

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Northwest Louisiana Council of Governments (NLCOG) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. NLCOG's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

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

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- 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.

Although written procedures exist, they do not address how vendors are added to the vendor list and the documentation required to be maintained for all bids and price quotes.

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

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

- d) Receipts, including receiving, recording, and preparing deposits.

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

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

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

- 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 entity does not have written policies or procedures concerning contracting.

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

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

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

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

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

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

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

Not applicable, as the entity does not have any debt.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The entity's Board of Directors met seven times during the year. The bylaws did not specify a required number or frequency of board meetings; however, they were amended in October 2017 to require a minimum of one meeting per calendar quarter.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Each meeting's minutes did not specifically refer to budget-to-actual financial statement comparisons. No deficit spending took place during the fiscal year.

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

At least one meeting's minutes referenced non-budgetary financial information.

Bank Reconciliations

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

A list of bank accounts was obtained from management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all three accounts for each month in the fiscal year. However, they were not prepared until after the end of the fiscal year.

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

All bank reconciliations evidenced review by an independent member of management.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No reconciling items greater than six months old were noted.

Collections

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

A listing of cash collection locations was obtained.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than five locations). For each cash collection location selected:

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

The entity has no bonding or insurance coverage on individuals handling cash. The same individual makes cash deposits, records receipts in the general ledger, and reconciles the related bank account. However, a separate individual may obtain the bank statement electronically and review deposits, and a separate individual reviews and approves the bank reconciliation. Most of the entity's collections are by direct deposit.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Substantially all of the entity's revenue sources are specifically identified in its budget, and actual collections are monitored against the budget by its Executive Director. However, this process is not formalized in writing.

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

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Most of the entity's collections are by direct deposit, which meet the one day requirement. Because physical collections are relatively few in number, the entity does not have a system of recording them at point of receipt. They generally are deposited on the same day, or subsequent business day, of receipt.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions were noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Actual collections are monitored against the budget by the Executive Director. In addition, he periodically compares collections to amounts billed, which billing must be signed by him in order to be issued.

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

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

A listing of disbursements made during the year was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit

card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The entity uses a purchase order system, which separates the initiation and approval functions, for all purchases except office supplies and purchases under \$1,000. All purchase orders, invoices, and related support, such as shipping documents, were approved.

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

All purchase orders were approved by the Executive Director, who does not initiate purchases.

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

All payments for purchases were supported by an approved invoice and when applicable, purchase order and related shipping documents. As noted above, not all purchases are required to have a purchase order. The entity does not use formal receiving reports.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The same individual responsible for processing payments also is responsible for adding vendors to the entity's disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Individuals with signatory authority do not initiate purchases or record them.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is kept in a locked desk in the custody of an individual with no check signing authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The entity does not use a signature stamp or signature machine. Signed checks are given to accounting personnel to be mailed.

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

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

A listing of active credit cards and related information was obtained, and management represented to us that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Monthly statements of all four cards, and supporting documentation, was reviewed and approved in writing by an individual independent of the cardholder.

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

No finance charges or late fees were assessed

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Each transaction on the monthly statements for the three cards is supported by required documentation.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No transaction was required to meet bid or quote procedures.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

Travel and Expense Reimbursement

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

A listing of all travel and related expense reimbursements, by person, during the fiscal year was obtained from the general ledger.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The entity uses the guidelines of the State of Louisiana set its own policy to reimburse travel and meals. The rates included in the entity's policy and for reimbursement did not exceed those stated in the guidelines.

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

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

No exceptions were noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions were noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

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

No exceptions were noted.

Contracts

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

A listing of all contracts in effect during the year was obtained.

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

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

A formal written contract supports the service arrangement and amount paid for each vendor selected.

- b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Four of the five contracts selected were subject to the Louisiana Public Bid Law or Procurement Code. The entity complied with applicable legal requirements.

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

Three contracts selected were amended, as permitted by the original contract:

Contract 1 added a consultant and increased the amount by \$15,000.

Contract 2 added additional tasks and increased the amount by \$197,794.

Contract 3 added certain services and increased the amount by \$1,921,131.

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

The invoice and related payment of each selected contract complied with its terms.

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

Four of the contracts selected required board approval, which was documented.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

A listing of all employees and their related compensation was obtained.

Randomly select five employees/officials, obtain their personnel files, and:

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

Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure.

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

Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All applicable employees documented their daily attendance and leave.

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

Written documentation of approved attendance and leave records of all applicable employees is maintained.

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

The entity maintained written leave records on all applicable employees tested.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two

largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No employees terminated during the fiscal year.

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

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

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

Documentation demonstrating that required ethics training was completed was maintained on all five selected employees.

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

Management represented that no alleged ethics violations were reported to the entity during the fiscal year.

Debt Service (excluding nonprofits)

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

Management represented that the entity does not have any debt.

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

Not applicable.

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

Not applicable.

Other

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

Management represented that the entity had no misappropriations of public funds or assets during the fiscal year.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the notice posted on the entity's website and on its premises.

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

Not applicable.

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

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana