

LOUISIANA NAVAL WAR MEMORIAL COMMISSION

Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2018

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Baton Rouge, Louisiana

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Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Louisiana Naval War Memorial Commission
Baton Rouge, Louisiana

Report on Financial statements

We have audited the accompanying financial statements of the business-type activities of the **LOUISIANA NAVAL WAR MEMORIAL COMMISSION** (the Commission), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission'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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Naval War Memorial Commission as of December 31, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not presented to supplement the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 28, 2019, on our considerations of the Commission'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 result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Faulk & Winkles, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 28, 2019

LOUISIANA NAVAL WAR MEMORIAL COMMISSION

Baton Rouge, Louisiana

STATEMENT OF NET POSITION

December 31, 2018

ASSETS

Current assets:

| | |
|-----------------|---------------|
| Cash | \$ 70,945 |
| Inventory | 42,971 |
| Restricted cash | <u>15,470</u> |

| | |
|----------------------|---------|
| Total current assets | 129,386 |
|----------------------|---------|

PROPERTY AND EQUIPMENT, NET

| |
|------------------|
| <u>2,117,019</u> |
|------------------|

| | |
|--------------|---------------------|
| Total assets | <u>\$ 2,246,405</u> |
|--------------|---------------------|

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**LIABILITIES**

Current liabilities:

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | <u>\$ 45,854</u> |
|---------------------------------------|------------------|

Noncurrent liabilities:

| | |
|--------------------------------------|----------------|
| Premium payable - State of Louisiana | 404,449 |
| Compensated absences payable | 10,070 |
| Other post-employment benefits | <u>404,577</u> |

| | |
|------------------------------|----------------|
| Total noncurrent liabilities | <u>819,096</u> |
|------------------------------|----------------|

| | |
|-------------------|----------------|
| Total liabilities | <u>864,950</u> |
|-------------------|----------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------------|---------------|
| Other post-employment benefits | <u>16,642</u> |
|--------------------------------|---------------|

NET POSITION (DEFICIT)

| | |
|------------------------------|-----------|
| Investment in capital assets | 2,117,019 |
|------------------------------|-----------|

| | |
|------------|--------|
| Restricted | 15,470 |
|------------|--------|

| | |
|--------------|------------------|
| Unrestricted | <u>(767,676)</u> |
|--------------|------------------|

| | |
|--------------------|------------------|
| Total net position | <u>1,364,813</u> |
|--------------------|------------------|

| | |
|--|---------------------|
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 2,246,405</u> |
|--|---------------------|

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

LOUISIANA NAVAL WAR MEMORIAL COMMISSION

Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

For the year ended December 31, 2018

OPERATING REVENUES

Charges for services:

| | |
|---------------------------|----------------|
| Admissions | \$ 265,499 |
| Site rental | 229,800 |
| Gift shop and other sales | 102,962 |
| Special events | <u>19,506</u> |
| Total operating revenues | <u>617,767</u> |

OPERATING EXPENSES

| | |
|-------------------------------|------------------|
| Salaries and related benefits | 441,535 |
| Administrative | 318,996 |
| Depreciation | 113,640 |
| Maintenance and supplies | 62,423 |
| Special events and exhibits | 55,555 |
| Cost of sales | <u>53,486</u> |
| Total operating expenses | <u>1,045,635</u> |
| Operating loss | (427,868) |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|----------------|
| Operating grants - City/Parish of East Baton Rouge | 229,000 |
| Other operating grants | 10,515 |
| Annual fund donations and memberships | 39,988 |
| Sponsorships | 16,250 |
| Other - pension | <u>23,878</u> |
| Total nonoperating revenues | <u>319,631</u> |
| Net income | (108,237) |

NET POSITION

| | |
|-----------------------------|---------------------|
| Beginning of year, restated | <u>1,473,050</u> |
| End of year | <u>\$ 1,364,813</u> |

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

LOUISIANA NAVAL WAR MEMORIAL COMMISSION

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Receipts from customers | \$ 617,767 |
| Payments to suppliers | (483,583) |
| Payments to employees | <u>(469,893)</u> |
| Net cash used for operating activities | <u>(335,709)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|----------------|
| Operating grants | 252,878 |
| Memberships, sponsorships and donations | <u>66,753</u> |
| Net cash provided by noncapital financing activities | <u>319,631</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|-----------------|
| Purchase of property and equipment | (2,578) |
| Payments on line of credit | <u>(13,602)</u> |
| Cash used for capital financing activities | <u>(16,180)</u> |
| Net decrease in cash and cash equivalents | (32,258) |

CASH

| | |
|---------------------|----------------------|
| Beginning of period | <u>118,673</u> |
| End of period | <u><u>86,415</u></u> |

RECONCILIATION OF CASH AND RESTRICTED CASH

| | |
|-----------------|-------------------------|
| Cash | \$ 70,945 |
| Restricted cash | <u>15,470</u> |
| Total cash | <u><u>\$ 86,415</u></u> |

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | |
|---|----------------------------|
| Operating loss | \$ (427,868) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | |
| Depreciation | 113,640 |
| Change in deferred inflows of resources and other post-employment benefit | (30,447) |
| Change in operating assets and liabilities: | |
| Inventory | (10,392) |
| Accounts payable and accrued expenses | 17,269 |
| Compensated absences payable | <u>2,089</u> |
| Net cash provided by operating activities | <u><u>\$ (335,709)</u></u> |

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

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Louisiana Naval War Memorial Commission (the Commission) is a related organization for the State of Louisiana as provided by Louisiana Revised Statutes (L.R.S.) 38:3301:3309 and was created within the Louisiana Department of Culture, Recreation, and Tourism as provided by LRS 25:1000:1003. The Commission was given the authority to acquire, transport, berth, renovate, equip, operate, maintain, and exhibit the destroyer U.S.S. Kidd and other property acquired for use as a permanent public Armed Forces memorial and any improvements and exhibits located thereon and any additions constructed, created, leased, acquired, or erected in connection therewith. The U.S.S. Kidd and museum are located in Baton Rouge, Louisiana. The Commission's primary revenues include admission fees, gift shop sales, donations, and grants.

The Commission is composed of 17 members, one of whom is the Secretary of the Department of Culture, Recreation, and Tourism or their designee, the Director of Veterans Affairs or their designee, and 15 members appointed by the Governor of the State of Louisiana. The commissioners are not paid for their service.

The accounting and reporting practices of the Commission conforms to generally accepted accounting principles (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, *Audits of State and Local Governments*.

Financial Reporting Entity

As required by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity- an amendment of GASB Statements No. 14 and No. 34*, The Commission is considered an affiliated organization of the State of Louisiana. The accompanying financial Statements present information only on the funds maintained by the Commission and do not present information on the State of Louisiana, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Accounting

The accounts of the Commission are organized on the basis of proprietary fund accounting use by governmental entities. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or new income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The proprietary fund uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

New Accounting and Reporting Pronouncements

GASB recently issued GASB Statement No. 75, *Accounting for Postemployment Benefits Other than Pensions*, which supersedes accounting standards that currently exists regarding retiree benefits. Under the new standard, governments recognize a liability for the full amount of actuarially determined accrued benefits less amounts funded into a trust rather than recognizing the liability based upon the difference between funding recommendations and actual contributions, as was previously required. Additionally, the liability is now measured based on more prescriptive standards. The standard became effective for annual reporting periods beginning after June 15, 2017. The effect of the new standard on beginning net position for the year ended December 31, 2018 is discussed in Note 9 to the financial statements.

Cash

Cash includes amounts of interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. The Commission had no cash equivalents at December 31, 2018. Under state law, the Commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at cost (first-in, first-out) and is maintained through utilization of a perpetual system. A physical count is made at the end of each year. Any adjustments to ending inventory valuation are investigated and the appropriate adjustment is made.

Restricted Cash

Certain proceeds of proprietary funds are recorded as restricted because their use is limited (or restricted) by the donor. Restricted amounts at December 31, 2018 were to be used for ship maintenance and operations of the Commission, excluding personnel costs.

Capital Assets

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Buildings, Equipment, furniture and fixtures, and infrastructure (including the U.S.S. Kidd destroyer) are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements, or construction in progress. Capital assets are reported net of accumulated depreciation in the statement of net position.

Property and equipment are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. All items purchased or donated that are valued above \$1,000 are capitalized. Infrastructure as listed below includes the U.S.S. Kidd destroyer.

Assets are depreciated using the straight-line method over the useful lives of the assets as follows:

| <u>Description</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Furniture and Equipment | 5-7 years |
| U.S.S. Kidd (destroyer) | 45 years |
| Museum and Improvements | 15-45 years |

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The statement of net position has deferred inflows of resources related to the actuarial changes in assumptions used in the measurement of the Commission's net other post-employment benefits obligation. The Commission has no deferred outflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees accumulate annual and sick leave at various rates based on their years of service. The amount of annual sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay. The liability for leave privileges at December 31, 2018 was \$10,070.

Net Position

Net position is classified in the following categories:

- Net investment in capital assets - consists of all capital assets, net of accumulated depreciation and reduced by outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on use either by external groups or through constitutional provisions or enabling legislation.
- Unrestricted net position - consists of all other net position that is not included in the other categories.

When both restricted and unrestricted resources are available for use, the Commission's policy is to use restricted resources first.

Operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's proprietary fund are revenues from transactions relating to the operation of the ship and nautical center. Operating expenses from the proprietary fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing the financial statements, the Commission has evaluated subsequent events and transactions for potential recognition or disclosure through June 28, 2019, which was the date the financial statements were available to be issued.

NOTE 2 - CASH

Cash is stated at cost which approximates market value.

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be recovered. The Commission does not have a deposit policy for custodial credit risk. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The Commission was not exposed to custodial credit risk at December 31, 2018.

NOTE 3 - CAPITAL ASSETS

The Commission reports capital assets at historical cost. The following changes in capital assets were reported for the year then ended December 31, 2018:

| | Balance January 1, 2018 (restated) | Increases | Decreases | Balance December 31, 2018 |
|--|---|---------------------|-------------|---------------------------------|
| Land | \$ 268,500 | \$ - | \$ - | \$ 268,500 |
| Buildings and improvements | 2,819,335 | - | - | 2,819,335 |
| Furniture and equipment | 100,340 | 2,578 | - | 102,918 |
| USS Kidd | 1,905,725 | - | - | 1,905,725 |
| Less: accumulated depreciation | <u>(2,865,819)</u> | <u>(113,640)</u> | <u>-</u> | <u>(2,979,459)</u> |
| Property and equipment, net of accumulated depreciation | <u>\$ 2,228,081</u> | <u>\$ (111,062)</u> | <u>\$ -</u> | <u>\$ 2,117,019</u> |

Depreciation expense was \$113,640 for 2018.

NOTE 4 - LINE OF CREDIT

The Commission has a line of credit with a borrowing limit of \$50,000. At December 31, 2018, the annual interest rate was 8% and the commission had no outstanding balance.

NOTE 5 - DEFERRED COMPENSATION PLAN

Full-time employees are eligible to participate in Louisiana Public Employees Deferred Compensation Program adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the plan are included in the separately issued audit report for the plan, available from the Louisiana Legislative Auditor, P.O. Box 94397, Baton Rouge, Louisiana 70804-9397.

Employees/participants are able to contribute a percentage of their salary with the Commission matching up to 5% of gross salaries for each employee. Total contributions were not allowed to exceed the amount determined under IRS regulations, which was \$18,500 for 2018. All contributions are immediately vested. During the year ended December 31, 2018, the Commission made employer contributions on behalf of employees/participants totaling \$6,128.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS

The Commission's employees may participate in the State's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. The Office of Group Benefits (OGB) administers the plan - a multiple-employer defined benefit other post-employment benefit plan. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend benefit provisions of the plan to the state legislature. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in Louisiana Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap, writing to P.O. Box 94095, Baton Rouge, LA 70804-9095 or by calling 225-342-0708.

Funding Plan

The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Louisiana Naval War Memorial Commissions were established and may be amended by the LRS 42:801-883. Employees did not contribute to their postemployment benefits cost until they became retirees and began receiving these benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

Funding Status and Funding Progress

As of December 31, 2018, the Commission had not made any contributions to its postemployment benefits trust plan. Thus, it has no plan assets and a funding ratio of zero.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term prospective of the calculations.

In the July 1, 2017 actuarial valuation used for the year ended December 31, 2018, the entry age normal level percent of pay actuarial method was used. The actuarial assumptions included a 3.13% discount rate and an initial annual healthcare cost trend rate of 7% (5.5% post-Medicare), scaling down by 0.25% each year to ultimate rates of 4.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over the maximum acceptable period of 30 years.

| | |
|--|--|
| Inflation | 2.8 percent |
| Salary increases | Consistent with the pension valuation assumptions. |
| Discount rate | 3.13 percent based on the June 30, 2017 S&P 20-year municipal bond index rate |
| Healthcare cost trend rates | <p>Post-Medicare: 5.5 percent for 2018 - 2020, thereafter decreasing 0.25 percent per year through 2024, to an ultimate rate of 4.5 percent for 2025 and later years</p> <p>Pre-Medicare: 7% grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029</p> |
| Retirees' share of benefit-related costs | Expected per capita costs based on medical and prescription drug claims for retire participants for the period January 1, 2016 through December 31, 2017. Claims experience was trended to the |
| Actuarial cost method | Entry Age Normal, level percentage of pay |
| Estimated Remaining | 4.48 |

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017 was used. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017 was used.

The actuarial assumptions used by the pension plans covering the same participants were used for the retirement, termination, disability, and salary scale assumptions.

The commission's OPEB obligation for the year ended December 31, 2018 is as follows:

| | | |
|---------------------------------|----|-----------------|
| Beginning net OPEB obligation | \$ | 445,097 |
| Interest on net OPEB obligation | | 11,648 |
| Changes of assumptions | | (21,424) |
| Benefit payments | | <u>(30,744)</u> |
| Decrease in net OPEB obligation | | <u>(40,520)</u> |
| Ending net OPEB obligation | \$ | <u>404,577</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.71 percent in 2016 to 3.13 percent in 2017.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the OGB Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate.

| Discount Rate | | |
|---------------|------------|-------------|
| 1% Decrease | (3.13%) | 1% Increase |
| \$ 458,860 | \$ 404,577 | \$ 360,336 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the OGB Plan, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (6 percent decreasing to 3.5 percent) or 1-percentage-point higher (8 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

| Healthcare Rate | | |
|-----------------|------------|-------------|
| 1% Decrease | (7%) | 1% Increase |
| \$ 362,679 | \$ 404,577 | \$ 454,789 |

NOTE 7 - PER DIEM PAID TO COMMISSIONERS

The Commission members are not paid for their services.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Commission owes the State of Louisiana Office of Risk Management \$404,449 in unpaid insurance premiums at December 31, 2018. There is currently not a payment plan in place. The Commission makes additional payments when funds are available.

NOTE 9 - RESTATEMENT OF NET POSITION

Net position of the Commission was restated for December 31, 2017, for the following reasons:

As discussed in Note 1, the Commission implemented GASB Statement No. 75 during 2018 and, as a result, was required to restate the net other post-employment benefit (OPEB) obligation on the statement of net position. the effect of this adoption was to increase the beginning net OPEB obligation and decrease net position by \$61,564.

Additionally, beginning balance of net capital assets was adjusted to properly reflect the amounts recorded on the subsidiary depreciation schedule as of December 31, 2017. The net effect of this restatement increased beginning capital asset and net position by \$11,185.

The net effect of the Statement of Net Position for the prior period is as follows:

| | <u>Amount</u> |
|---|---------------------|
| Total net position, December 31, 2017, as previously reported | \$ 1,523,429 |
| Effect of GASB Statement No. 75 implementation | (61,564) |
| Effect of capital asset restatement | <u>11,185</u> |
| Total net position, December 31, 2017, restated | <u>\$ 1,473,050</u> |

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
Baton Rouge, Louisiana

**SCHEDULE OF CHANGES IN NET
OTHER POST-EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS**

LAST TEN FISCAL YEARS (1)

| | |
|---|-----------------|
| Total OPEB Liability | |
| Interest | \$ 11,648 |
| Changes of assumptions | (21,424) |
| Benefit payments | (30,744) |
| Net change in total OPEB liability | (40,520) |
| Total OPEB liability - beginning | 445,097 |
| Total OPEB liability - ending | 404,577 |
| Covered payroll | \$ - |
| Net OPEB liability as a percentage of covered payroll | 0.00% |

Notes to Schedule:

No assets are accumulated in a trust to pay related benefits.

Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate changes from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017. Under GASB 75, unfunded plans are required to use a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate. Thus, the discount rates of 3.13% and 2.71% are based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2017.

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

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
Baton Rouge, Louisiana

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

For the year ended December 31, 2018

Agency Head: David Beard, Executive Director

| <u>Purpose</u> | <u>Amount</u> |
|----------------|------------------|
| Salary | \$ 90,584 |
| Bonus | 2,625 |
| Travel | <u>172</u> |
| Total | <u>\$ 93,381</u> |

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

To the Board of Commissioners
Louisiana Naval War Memorial Commission
State of Louisiana
Baton Rouge, Louisiana

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 business-type activities, of the **LOUISIANA NAVAL WAR MEMORIAL COMMISSION (the Commission)**, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

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.

Fault & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 28, 2019

LOUISIANA NAVAL WAR COMMISSION
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2018

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **None.**

Material weaknesses: **2018-001.**

- C) Noncompliance that is material to the financial statements: **None.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2018-001.**

LOUISIANA NAVAL WAR COMMISSION

Baton Rouge, Louisiana

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2018

3) FINDINGS - FINANCIAL STATEMENT AUDIT

2018-001 Segregation of Duties

Fiscal Year Finding Originated: 2018

Condition: The Commission does not have adequate segregation of duties over the financial reporting process.

Criteria: Duties within the Commission's financial reporting process should be segregated between different individuals to ensure effective internal control over financial reporting.

Cause: The finding results from the personnel responsible for collecting monies also have the responsibility for preparing and delivering deposits.

Effect: The Commission does not have adequate internal control over financial reporting.

Recommendation: We recommend management implement policies and procedures to ensure individuals responsible for collecting monies are not responsible for preparing and delivering deposits.

- Individuals who open mail should maintain a daily ledger of all funds received,
- The ledger should be provided to a separate individual to record into the accounting record, a second individual to prepare the deposit and a third individual who monitors financial activity,
- The ledger of funds received shall then be used to prepare and make daily deposits by the individual who is not responsible for opening mail, reconciling the bank statements or recording funds collected into the accounting system.

Management's corrective action plan: Management intends to pursue segregating responsibilities to the extent it is economically feasible.

LOUISIANA NAVAL WAR COMMISSION

SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2018

3) FINDINGS - FINANCIAL STATEMENT AUDIT

Not applicable as the Commission did not have an audit of the financial statements performed for the year ended December 31, 2017.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

LOUISIANA NAVAL WAR MEMORIAL COMMISSION

Baton Rouge, Louisiana

December 31, 2018



**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Louisiana
Naval War Memorial Commission and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Louisiana Naval War Memorial Commission (Commission) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Commission's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures:

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following 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.
 - 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.
 - c. ***Disbursements***, including processing, reviewing, and approving.
 - d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e. ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- 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.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- 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.
- j. **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable):

- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe 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.
 - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations:

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask manage to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 addition accounts. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections:

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.

- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c. Trace the deposit slip total to the actual deposit per the bank statement.
- d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e. Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases):

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.
 - b. Observe that the disbursement documentation included evidence (c.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b. Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursement (excluding card transactions):

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts:

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.*

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

- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel:

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics:

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service (excluding nonprofits):

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other:

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
Baton Rouge, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended December 31, 2018

Exceptions:

No exceptions were found as a result of applying the procedures listed above, except as follows:

Written Policies and Procedures:

1 The Commission's written policies and procedures do not address budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, ethics, and debt services.

Board (or Finance Committee, if applicable):

2 (a) The Commission met in three months out of the fiscal year. The Bylaws do not explicitly state how often the Commission should meet.

2 (b) The minutes do not reference monthly budget to actual comparison.

Bank Reconciliations:

No exceptions noted.

Collections:

5 (a) (b) (c) (d) The Commission does not have written policies and procedures that address sharing cash drawers with other employees, that each employee responsible for collection cash is not responsible for preparing/making bank deposits, which employees collect cash, make cash bank deposits, record the transaction and reconcile the related bank accounts or which employees reconcile cash collections to the general ledger or subsidiary ledgers.

6 The Commission does not have bonds or insurance coverage on employees that handle cash.

Non-Payroll Disbursements:

9 (a) Of the 25 disbursements selected for testing, none of the disbursements had requisition/purchase order documentation.

9 (d) The Commission does not have written policies and procedures that address the employee/official responsible for mailing signed checks.

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

12 (b) Of the three months of statements selected for testing, one statement had late fees applied on the statement.

13 (c) Of the three months of statements selected for testing, one of nineteen transactions was for meals. The supporting documentation for this transaction did not include the individual participating in the meal.

Travel and Travel-Related Reimbursements:

14 (d) Of the five travel reimbursements selected for testing, none of the disbursements had evidence of someone other than the person receiving the reimbursement reviewing and approving the reimbursement.

Contracts:

No exceptions noted.

Payroll and Personnel:

No exceptions noted.

Ethics:

20 (a) and (b) The Commission did not have ethics training on file for selected employees nor did the Commission demonstrate that each employee/official attest through signature verification that he or she had read the ethics policy as the has no ethics policy currently in place.

Debt Service (excluding nonprofits):

No exceptions noted as the Commission did not issue debt during 2018 nor did the Commission have any debt outstanding as of December 31, 2018.

Other:

24 The entity does not have posted on its premises or website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management's Response:

Management of the Commission concurs with the exceptions identified are in the process of addressing these matters.

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.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 28, 2019