

South Grant Water Corporation, Inc.

Bentley, Louisiana

December 31, 2019 and 2018

South Grant Water Corporation, Inc.

December 31, 2019 and 2018

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

To the Board of Directors of
South Grant Water Corporation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of South Grant Water Corporation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

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 South Grant Water Corporation, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenues, other support, and operating expenses – budget and actual for the years ended December 31, 2019 and 2018 (Schedules 1 and 2) and schedules of compensation, benefits, and other payments to the agency head (Schedule 3 and 4) for the years ended December 31, 2019 and 2018 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The unaudited summaries of service customers (Schedules 5 and 6), the unaudited lists of board of directors – positions and terms (Schedules 7 and 8), the unaudited schedules of insurance in force (Schedules 9 and 10), and the unaudited schedules of water rates in force (Schedules 11 and 12) have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on these schedules.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, on our consideration of the Corporation'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 the effectiveness of South Grant Water Corporation, Inc.'s 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 Corporation's internal control over financial reporting and compliance.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 7, 2020

South Grant Water Corporation, Inc.
Statements of Financial Position
December 31, 2019 and 2018

Exhibit A

	2019	2018
Assets		
Cash and cash equivalents	\$ 207,403	\$ 211,769
Accounts receivable, net	77,386	87,403
Inventories	6,518	9,426
Other current assets	12,014	6,798
Restricted cash and certificates of deposit	352,677	346,481
Designated cash and certificates of deposit	316,731	349,656
Property, plant, and equipment - net	4,409,159	4,350,580
Total Assets	\$ 5,381,888	\$ 5,362,113
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 19,345	\$ 15,250
Construction payables	-	501,052
Accrued expenses	41,380	23,356
Deferred revenue	-	18,000
Customer deposits	80,562	78,951
Long-term debt	3,436,117	2,978,149
Total Liabilities	3,577,404	3,614,758
Net Assets		
Without donor restrictions	1,804,484	1,747,355
Total Net Assets	1,804,484	1,747,355
Total Liabilities and Net Assets	\$ 5,381,888	\$ 5,362,113

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

South Grant Water Corporation, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

Exhibit B

	2019	2018
Changes in Net Assets without Donor Restrictions		
Revenues and Other Support		
Operating Revenues		
Water sales	\$ 799,504	\$ 819,634
Connection fees	21,620	18,210
Delinquent surcharges	28,375	28,140
Interest income	2,087	2,103
Membership certificates	5,850	4,500
Safe drinking water program	21,312	21,119
Other	31,659	18,989
Total Operating Revenues	910,407	912,695
Other Support		
Net realized gain (loss) on sale of property and equipment	1,250	-
Grants and contributions	150,903	134,489
Total Revenues and Other Support	1,062,560	1,047,184
 Operating Expenses		
Private Water System		
Salaries	313,341	261,451
Payroll taxes	25,226	22,150
Employee benefits	53,667	49,625
Bad debts	9,107	18,654
Supplies	67,836	58,081
Repairs and maintenance	28,306	43,504
Utilities	55,840	47,784
Depreciation	158,088	120,161
Insurance	13,340	15,447
Professional services	35,100	23,205
Office supplies and expenses	59,585	42,769
Truck expenses	21,666	17,572
Interest expense	110,390	82,241
Safe drinking water program	20,182	20,703
Other	33,757	31,763
Total Operating Expenses	1,005,431	855,110
 Increase (Decrease) in Net Assets	 57,129	 192,074
 Net Assets, Beginning of Year	 1,747,355	 1,555,281
 Net Assets, End of Year	 \$ 1,804,484	 \$ 1,747,355

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

South Grant Water Corporation, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

Exhibit C

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 57,129	\$ 192,074
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	158,088	120,161
Net realized (gain) loss on sale of property and equipment	(1,250)	-
Grants and contributions	(150,903)	(134,489)
Changes in operating assets and liabilities:		
Accounts receivable	10,017	4,656
Inventories	2,907	467
Other current assets	(5,216)	17,598
Accounts payable	4,096	(2,208)
Accrued expenses	18,024	(9,143)
Deferred revenue	(18,000)	18,000
Customer deposits	1,611	(1,769)
Net Cash Provided by (Used in) Operating Activities	76,503	205,347
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	1,250	-
Proceeds from certificates of deposit	(1,464)	35,507
Purchase or construction of property, plant, and equipment	(717,719)	(725,415)
Net Cash Provided by (Used in) Investing Activities	(717,933)	(689,908)
Cash Flows from Financing Activities		
Revolving loan proceeds	551,580	517,987
Grants and contributions	150,903	134,489
Principal payments on notes payable	(93,614)	(57,389)
Net Cash Provided by (Used in) Financing Activities	608,869	595,087
Net Increase (Decrease) in Cash and Cash Equivalents	(32,561)	110,526
Cash and Cash Equivalents, Beginning of Year	635,644	525,118
Cash and Cash Equivalents, End of Year	\$ 603,083	\$ 635,644
Cash and cash equivalents consists of the following:		
Cash and cash equivalents	\$ 207,403	\$ 211,769
Restricted cash and cash equivalents	294,009	288,097
Designated cash and cash equivalents	101,671	135,778
Totals	\$ 603,083	\$ 635,644

For additional required disclosures, see Note 5.

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

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

South Grant Water Corporation, Inc. (the Corporation) was incorporated in 1972 as a nonprofit corporation, on a non-stock basis, under the provisions of the Louisiana Revised Statutes. The Corporation maintains and operates a private water system for its members.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

New Accounting Standard

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard proscribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount, and timing of revenue and cash flows. The Corporation implemented this standard effective January 1, 2019, and this accounting change has been retrospectively applied to the prior periods presented as if this policy had always been used. The adoption of this guidance did not have a material impact on the Corporation's financial statements.

Net Assets without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions

These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished. Until that time, these net assets are restricted. The Corporation does not have any net assets with donor restrictions.

Basis of Accounting

The accompanying financial statements of the Corporation have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method, revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred.

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Corporation does not have any net assets with donor restrictions.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include amounts in demand deposits as well as certificates of deposit with a maturity date within three months of the date acquired by the Corporation, except for amounts restricted for future debt service and customer deposits, and amounts designated for future major equipment purchases and employee benefits. The bond covenants require the Corporation to maintain cash restricted for future debt service in a separate bank account.

Program Revenue Recognition, Accounts Receivable, and Bad Debts

Revenue is recognized and customers are invoiced in the period water services are rendered to its members primarily located in the southern part of Grant Parish, Louisiana. This method is consistent with utilizing the as-invoiced practical expedient. Invoices for water sales are mailed on or around the first business day of each month for the prior month's service. Accounts not paid by the fifteenth of the month are considered delinquent, and accounts not paid by the twenty-second of the month are subject to disconnection for non-payment.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after three years are written off through a charge to the valuation allowance and a credit to accounts receivable. The amount charged to the valuation allowance is presented in Note 2.

Membership Certificates

Membership certificates represent membership in the Corporation. The Corporation admits as members those persons who are owners, or part owners, or have a substantial possessory interest in property desired to be served by the Corporation's water system. Membership may be denied if the capacity of the Corporation's water system is exhausted by the needs of its existing members or if it would interfere with existing uses previously authorized by the Board of Directors. Each membership certificate represents one vote. Memberships are recorded as net assets without donor restrictions when received.

Recognition of Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

Certificates of Deposit

Certificates of deposit with maturity dates greater than three months from the date acquired by the Corporation, are stated at cost, which approximates market value.

Inventories

Inventories, consisting of pipes, fittings, meters, and other supplies, are valued at the lower of cost or net realizable value by use of the first-in, first-out method of accounting.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost when purchased or constructed. The minimum capitalization threshold is any individual item with a total cost greater than \$500 for furniture, fixtures, and equipment and \$2,500 for all other items. Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as support and net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as support and net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Corporation did not receive any donated assets in 2019 or 2018.

The Corporation capitalizes interest as a component of the cost of property, plant, and equipment constructed for its own use. Capitalization stops when the asset is substantially complete and ready for its intended use. The amount of interest capitalized is determined by applying the applicable rate to average accumulated expenditures.

Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Deferred Revenue

Deferred revenue represents the donation of water lines that were installed into the Corporation's private water system and placed into service before year-end. The act of donation was executed and revenue was recognized when the contractor's warranty to provide general maintenance for one year, as conveyed by the donor, expired in September 2019.

Customer Deposits

Customer deposits represent refundable deposits received from customers to guarantee payment of their water bills.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code and from state income taxes under applicable Louisiana Revised Statutes. The Corporation is not a private foundation.

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

As of December 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

Estimates

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

Functional Allocation of Expenses

Expenses consist of costs related to providing a private water system to its members. These costs have been summarized on a functional basis in the statement of activities. Costs are directly charged to the functions they benefit.

Subsequent Events

Management has evaluated subsequent events through February 7, 2020, the date which the financial statements were available for issue.

2. Accounts Receivable

Receivables arising from water service furnished to members consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to members between billing cycles. At December 31, 2019 and 2018, these receivables, net of allowance for uncollectible accounts, were as follows:

	2019	2018
Uncollected cycle billings	\$ 51,532	\$ 66,065
Estimated service between billing cycles	67,995	64,880
Allowance for uncollectible accounts	(42,141)	(43,542)
	\$ 77,386	\$ 87,403

3. Restricted Cash and Certificates of Deposit

At December 31, 2019 and 2018, cash and certificates of deposit were restricted for the following purposes:

	2019	2018
Restricted for future debt service		
Cash and cash equivalents	\$ 234,892	\$ 200,978
Certificates of deposit	37,223	37,111
Total restricted for future debt service	\$ 272,115	\$ 238,089

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

	2019	2018
Restricted for customer deposits		
Cash and cash equivalents	59,117	87,117
Certificates of deposit	21,445	21,275
Total restricted for customer deposits	80,562	108,392
Total restricted cash and certificates of deposit	\$ 352,677	\$ 346,481

The bond covenants with the U. S. Department of Agriculture require that the Corporation accumulate a maximum of \$128,628 restricted for future debt service. At year-end the amount restricted for future debt service exceeded the maximum required amount.

4. Designated Cash and Certificates of Deposit

At December 31, 2019 and 2018, cash and certificates of deposit were designated for the following purposes:

	2019	2018
Designated for employee benefits		
Cash and cash equivalents	\$ 49,468	\$ 83,598
Designated for system improvements and maintenance		
Cash and cash equivalents	52,203	52,180
Certificates of deposit	215,060	213,878
Totals	\$ 316,731	\$ 349,656

5. Additional Required Disclosures Relating to the Statement of Cash Flows

Interest paid during 2019 and 2018 was \$110,390 and \$81,474, respectively. There were no income taxes paid during 2019 or 2018. There were no material noncash investing or financing transactions during 2019 or 2018 that affected recognized assets and liabilities.

6. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31, 2019 and 2018:

	Estimated Life	2019	2018
Land		\$ 34,002	\$ 34,002
Plant and distribution system	3-50 years	6,630,976	5,170,495
Furniture, fixtures, and equipment	3-7 years	369,400	343,054
Trucks	5 years	111,743	111,743
Construction in progress		-	1,273,360
Less:		7,146,121	6,932,654
Accumulated depreciation		2,736,962	2,582,074
		\$ 4,409,159	\$ 4,350,580

Depreciation expense for the years ended December 31, 2019 and 2018, was \$158,088 and \$120,161, respectively.

Property, plant, and equipment serves as collateral for the U. S. Department of Agriculture bonds payable (See Note 7).

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

7. Long-term Debt

Bonds and notes payable at December 31, 2019 and 2018 consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/19</u>	<u>Balance 12/31/18</u>
U. S. Department of Agriculture	5.750%	10/20/2029	\$ 173,770	\$ 187,225
U. S. Department of Agriculture	4.875	03/04/2038	279,319	288,639
U. S. Department of Agriculture	4.250	11/19/2047	1,321,484	1,346,324
Louisiana Department of Health, Office of Public Health, revolving loan	2.450	08/04/2037	1,102,000	596,417
Louisiana Department of Transportation and Development	None	Open ended	<u>559,544</u>	<u>559,544</u>
			<u>\$3,436,117</u>	<u>\$ 2,978,149</u>

All property, plant, and equipment of the Corporation serve as collateral for the U. S. Department of Agriculture (USDA) bonds (See Note 6).

All available revenues of the Corporation serve as collateral for the Louisiana Department of Health, Office of Public Health (LDH) note.

The Corporation entered into agreements with the Louisiana Department of Transportation and Development (LA DOTD) for utility relocation assistance funding. Issuance of future permits to the Corporation by the LA DOTD for location of additional longitudinal facilities within any state owned right of way is contingent upon repayment of this funding. The Corporation must show a good faith effort to repay the debt by making annual payments to the LA DOTD. The LA DOTD provided a payment schedule for these agreements with 10% of the original balance due each year beginning in January 2012. However, management continues to negotiate with the LA DOTD for a more favorable payment schedule. No payments were made to the LA DOTD during 2019 or 2018.

Aggregate maturities, based upon terms in effect at December 31, 2019, for notes payable to USDA and LDH, but excluding the note payable to LA DOTD, are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 95,945
2021	99,397
2022	103,972
2023	107,676
2024	111,515
2025-2047	<u>2,358,068</u>
	<u>\$ 2,876,573</u>

Interest expense incurred, for the years ended December 31, 2019 and 2018, was \$110,390 and \$82,241, respectively. Interest in the amount of \$6,339 was required to be capitalized for 2018, and none was required to be capitalized for 2019.

South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018

Notes to Financial Statements

8. Designated Net Assets

The Board has designated net assets for the following purposes:

	2019	2018
System improvements	\$ 267,263	\$ 266,058
Employee benefits	49,468	83,598
	\$ 316,731	\$ 349,656

9. Significant Concentrations of Credit Risk

The Corporation extends credit in the ordinary course of business to its members, which are primarily located in the southern part of Grant Parish, Louisiana.

Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned. As of December 31, 2019, \$520,680 of the Corporation's uninsured bank balance of \$628,031 was collateralized by securities held by the pledging bank in the Corporation's name, and \$107,351 of the uninsured balance was exposed to custodial credit risk. As of December 31, 2018, the Corporation's bank balance of \$907,958 was not exposed to custodial credit risk in that \$250,000 was insured through FDIC coverage, and \$657,958 was collateralized by securities held by the pledging bank in the Corporation's name.

10. Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	2019	2018
Cash and cash equivalents	\$ 207,403	\$ 211,769
Accounts receivable, net, collected in less than one year	77,386	87,403
Restricted cash and certificates of deposit	352,677	346,481
Designated cash and certificates of deposit	316,731	349,656
	954,197	995,309
 Contractual or donor restricted financial assets not available to meet cash needs for expenses within one year:		
Future debt service	(272,115)	(238,089)
Customer deposits	(80,562)	(108,392)
 Board designated financial assets not available to meet cash needs for expenses within one year:		
System improvements	(267,263)	(266,058)
Employee benefits	(49,468)	(83,598)
 Financial Assets Available to Meet Cash Needs for Expenses within One Year	 \$ 284,789	 \$ 299,172

**South Grant Water Corporation, Inc.
December 31, 2019 and December 31, 2018**

Notes to Financial Statements

As part of the Corporation's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Corporation also invests excess cash in short-term investments such as certificates of deposit. Certain assets are restricted by lenders for specific purposes and, therefore, are not available for general expenditure. Other assets are designated by the Board for special purposes. Although the Corporation does not intend to spend from its restricted or designated assets other than amounts appropriated for general expenditures as part of its annual appropriation process, amounts from its restricted and designated assets could be made available if necessary.

Supplementary Information

South Grant Water Corporation, Inc.
Schedule of Revenues, Other Support, and Operating Expenses -
Budget and Actual
Year Ended December 31, 2019

Schedule 1

	Budget	Actual	Variance with Budget - Positive (Negative)
Revenues and Other Support			
Operating Revenues			
Water sales	\$ 850,000	\$ 799,504	\$ (50,496)
Connection fees	20,000	21,620	1,620
Delinquent surcharges	30,000	28,375	(1,625)
Interest income	2,000	2,087	87
Membership certificates	4,500	5,850	1,350
Safe drinking water program	25,000	21,312	(3,688)
Other	15,600	31,659	16,059
Other Support			
Net realized gain (loss) on sale of property and equipment	-	1,250	1,250
Grants and contributions	-	150,903	150,903
Total Revenues and Other Support	947,100	1,062,560	115,460
 Operating Expenses			
Salaries	290,000	313,341	(23,341)
Payroll taxes	25,000	25,226	(226)
Employee benefits	50,000	53,667	(3,667)
Bad debts	-	9,107	(9,107)
Supplies	65,000	67,836	(2,836)
Repairs and maintenance	60,000	28,306	31,694
Utilities	55,000	55,840	(840)
Depreciation	120,000	158,088	(38,088)
Insurance	22,000	13,340	8,660
Professional services	25,000	35,100	(10,100)
Office supplies and expenses	44,500	59,585	(15,085)
Truck expenses	20,000	21,666	(1,666)
Interest expense	82,000	110,390	(28,390)
Safe drinking water program	21,000	20,182	818
Other	42,400	33,757	8,643
Total Operating Expenses	921,900	1,005,431	(83,531)
 Increase (Decrease) in Net Assets without Donor Restrictions			
	\$ 25,200	\$ 57,129	\$ 31,929

See independent auditor's report.

South Grant Water Corporation, Inc.
Schedule of Revenues, Other Support, and Operating Expenses -
Budget and Actual
Year Ended December 31, 2018

Schedule 2

Variance with
Budget -
Positive
(Negative)

	<u>Budget</u>	<u>Actual</u>	
Revenues and Other Support			
Operating Revenues			
Water sales	\$ 825,000	\$ 819,634	\$ (5,366)
Connection fees	20,000	18,210	(1,790)
Delinquent surcharges	30,000	28,140	(1,860)
Interest income	6,000	2,103	(3,897)
Membership certificates	6,800	4,500	(2,300)
Safe drinking water program	22,000	21,119	(881)
Other	18,200	18,989	789
Other Support			
Grants and contributions	-	134,489	134,489
Total Revenues and Other Support	<u>928,000</u>	<u>1,047,184</u>	<u>119,184</u>
Operating Expenses			
Salaries	250,000	261,451	(11,451)
Payroll taxes	22,000	22,150	(150)
Employee benefits	66,000	49,625	16,375
Bad debts	-	18,654	(18,654)
Supplies	75,000	58,081	16,919
Repairs and maintenance	30,000	43,504	(13,504)
Utilities	49,000	47,784	1,216
Depreciation	150,000	120,161	29,839
Insurance	15,800	15,447	353
Professional services	25,000	23,205	1,795
Office supplies and expenses	60,200	42,769	17,431
Truck expenses	18,000	17,572	428
Interest expense	85,000	82,241	2,759
Safe drinking water program	22,000	20,703	1,297
Other	27,750	31,763	(4,013)
Total Operating Expenses	<u>895,750</u>	<u>855,110</u>	<u>40,640</u>
Increase (Decrease) in Net Assets without Donor Restrictions	<u>\$ 32,250</u>	<u>\$ 192,074</u>	<u>\$ 159,824</u>

See independent auditor's report.

**South Grant Water Corporation, Inc.
Schedule of Compensation, Benefits, and Other
Payments to the Agency Head
December 31, 2019**

Schedule 3

Agency Head: William Smith, President

No public funds were used to make payments to the agency head during the year ended December 31, 2019.

See independent auditor's report.

**South Grant Water Corporation, Inc.
Schedule of Compensation, Benefits, and Other
Payments to the Agency Head
December 31, 2018**

Schedule 4

Agency Head: William Smith, President

No public funds were used to make payments to the agency head during the year ended December 31, 2018.

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Summary of Service Customers
December 31, 2019

Schedule 5

<u>Type of Customers</u>	<u>Number of Customers</u>
Residential	1,734
Commercial	39
Governmental	11
	<u>1,784</u>

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Summary of Service Customers
December 31, 2018

Schedule 6

<u>Type of Customers</u>	<u>Number of Customers</u>
Residential	1,712
Commercial	36
Governmental	11
	<u>1,759</u>

See independent auditor's report.

**South Grant Water Corporation, Inc.
 Unaudited List of Board of Directors -
 Positions and Terms
 December 31, 2019**

Schedule 7

Name	Position	Address	Telephone Number	Term Expires
William Smith	President	182 Crooks Lane, Dry Prong, LA 71423	(318) 451-4140	January 2020
Gary Edwards	Vice-President	571 Stuart Lake Road, Pollock, LA, 71467	(318) 446-3475	January 2021
Wilton Baxley	Director	6286 Hwy 8, Bentley, LA 71407	(318) 899-3800	January 2020
Jerry Bell	Director	165 Parsonage Road, Colfax, LA 71417	(318) 613-7459	January 2020
Michael Bishop	Director	1000 Race Track Road, Bentley, LA 71407	(318) 452-5291	January 2022
Leroy Hart	Director	589 Firetower Road, Colfax, LA 71417	(318) 899-3790	January 2021
Arnold Murrell	Director	161 Bob Johnson Road, Dry Prong, LA 71423	(318) 446-4139	January 2022
Susan Walters	Secretary/Treasurer	600 Hyde Landing Road, Dry Prong, LA 71423	(318) 715-0726	None

See independent auditor's report.

**South Grant Water Corporation, Inc.
Unaudited List of Board of Directors -
Positions and Terms
December 31, 2018**

Schedule 8

Name	Position	Address	Telephone Number	Term Expires
William Smith	President	182 Crooks Lane, Dry Prong, LA 71423	(318) 451-4140	January 2020
J. C. Brunson	Vice-President	712 Grays Creek Road, Dry Prong, LA 71423	(318) 446-6008	January 2019
Wilton Baxley	Director	6286 Hwy 8, Bentley, LA 71407	(318) 899-3800	January 2020
Jerry Bell	Director	165 Parsonage Road, Colfax, LA 71417	(318) 613-7459	January 2020
Gary Edwards	Director	571 Stuart Lake Road, Pollock, LA, 71467	(318) 446-3475	January 2021
Leroy Hart	Director	589 Firetower Road, Colfax, LA 71417	(318) 899-3790	January 2021
Arnold Murrell	Director	161 Bob Johnson Road, Dry Prong, LA 71423	(318) 446-4139	January 2019
Susan Walters	Secretary/Treasurer	600 Hyde Landing Road, Dry Prong, LA 71423	(318) 715-0726	None

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Insurance in Force
December 31, 2019

Schedule 9

Insurer	Expiration Date	Coverage	Limits
Allied World Assurance Company	June 2, 2020	Commercial general liability	
		General aggregate limit	\$ 3,000,000
		Products/completed operations aggregate limit	3,000,000
		Personal and advertising injury limit	1,000,000
		Each occurrence limit	1,000,000
		Medical expense	10,000
Allied World Assurance Company	June 2, 2020	Commercial crime coverage	
		Each occurrence	250,000
		Computer fraud	100,000
		Deductible	1,000
Allied World Assurance Company	June 2, 2020	Property coverage	
		Real and business personal property blanket limit	2,335,818
		Coverage extension blanket limit	750,000
		Mobile equipment	191,460
		Deductible per occurrence	1,000
Allied World Assurance Company	June 2, 2020	Public officials and management liability	
		Coverage A	
		Wrongful acts - each claim	1,000,000
		Employee Practices - each claim	1,000,000
		Employee benefit plans - each claim	1,000,000
		Coverage A deductible - each claim	1,000
		Coverage B	
		Each action for injunctive relief	5,000
		Aggregate for Coverage B	5,000
		Aggregate limit	3,000,000
Allied World Assurance Company	June 2, 2020	Automobile liability	
		Combined single limit	1,000,000
		Deductible	500
Louisiana Workers' Compensation Corporation	February 14, 2020	Workers compensation and employers' liability	
		Bodily injury by accident - each accident	100,000
		Bodily injury by disease - policy limit	500,000
		Bodily injury by disease - each employee	100,000

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Insurance in Force
December 31, 2018

Schedule 10

Insurer	Expiration Date	Coverage	Limits
Allied World Assurance Company	June 2, 2019	Commercial general liability	
		General aggregate limit	\$ 3,000,000
		Products/completed operations aggregate limit	3,000,000
		Personal and advertising injury limit	1,000,000
		Each occurrence limit	1,000,000
		Medical expense	10,000
Allied World Assurance Company	June 2, 2019	Commercial crime coverage	
		Each occurrence	250,000
		Computer fraud	100,000
		Deductible	1,000
Allied World Assurance Company	June 2, 2019	Property coverage	
		Real and business personal property blanket limit	2,313,377
		Coverage extension blanket limit	750,000
		Mobile equipment	191,460
		Deductible per occurrence	1,000
Allied World Assurance Company	June 2, 2019	Public officials and management liability	
		Coverage A	
		Wrongful acts - each claim	1,000,000
		Employee Practices - each claim	1,000,000
		Employee benefit plans - each claim	1,000,000
		Coverage A deductible - each claim	1,000
		Coverage B	
		Each action for injunctive relief	5,000
		Aggregate for Coverage B	5,000
		Aggregate limit	3,000,000
Allied World Assurance Company	June 2, 2019	Automobile liability	
		Combined single limit	1,000,000
		Deductible	500
Louisiana Workers' Compensation Corporation	February 14, 2019	Workers compensation and employers' liability	
		Bodily injury by accident - each accident	100,000
		Bodily injury by disease - policy limit	500,000
		Bodily injury by disease - each employee	100,000
See independent auditor's report.			

South Grant Water Corporation, Inc.
Unaudited Schedule of Water Rates in Force
December 31, 2019

Schedule 11

<u>Rate</u>	<u>Charge</u>
Residential	\$21.00 from zero to two thousand gallons \$4.60 per thousand gallons thereafter
Commercial	\$28.00 from zero to five thousand gallons \$5.00 per thousand gallons thereafter
Governmental	\$19.50 from zero to five thousand gallons \$2.50 per thousand gallons thereafter

See independent auditor's report.

South Grant Water Corporation, Inc.
Unaudited Schedule of Water Rates in Force
December 31, 2018

Schedule 12

<u>Rate</u>	<u>Charge</u>
Residential	\$21.00 from zero to two thousand gallons \$4.60 per thousand gallons thereafter
Commercial	\$28.00 from zero to five thousand gallons \$5.00 per thousand gallons thereafter
Governmental	\$19.50 from zero to five thousand gallons \$2.50 per thousand gallons thereafter

See independent auditor's report.

**Other Reports Required by
*Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

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

To the Board of Directors of
South Grant Water Corporation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Grant Water Corporation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 a certain deficiency in internal control described in the accompanying schedule of findings and responses as Finding 2019-001 that we consider to be a material weakness.

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.

Compliance and Other Matters

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

South Grant Water Corporation, Inc.'s Response to Finding

South Grant Water Corporation, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. South Grant Water Corporation, Inc.'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Payne, Moore + Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 7, 2020

**South Grant Water Corporation, Inc.
Schedule of Findings and Responses
Year Ended December 31, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes <u> X </u> None reported
Noncompliance material to the financial statements noted?	<u> </u> Yes <u> X </u> No
<i>Management's Corrective Action Plan</i>	See attached
<i>Management's Summary Schedule of Prior Audit Findings</i>	See attached
<i>Memorandum of Recommendations and Other Comments</i>	None
<i>Federal Awards</i>	Not applicable

Section II – Financial Statement Findings

Finding 2019-001 Recording Additions to Fixed Assets

Criteria: The objectives of internal controls include providing management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition and Context: We noted instances of incorrect recordings of construction in progress and instances in which interest expense was capitalized for completed construction. These instances resulted in material proposed audit adjustments, which were approved by management.

Cause and Effect: In some instances, non-routine transactions are not properly recorded by management. Without the above approved audit adjustments, the financial statements would have been materially misstated.

Recommendation: We recommend that management consult with their bookkeeping service about recording non-routine transactions so that these transactions can be properly reflected in the financial statements.

Management's Response: See Management's Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Not applicable.



South Grant Water Corporation
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Telephone: (318)899-5726 & (318)899-1232
Fax Number: (318)899-7498
Email:sgrantwater@bellsouth.net

**Management's Corrective Action Plan
Year Ended December 31, 2019**

The South Grant Water Corporation, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2019.

Independent Public Accounting Firm:

Payne, Moore & Herrington, LLP
P. O. Box 13200
Alexandria, LA 71315-3200

Auditee Contact Person:

Mr. William Smith
President
South Grant Water Corporation, Inc.
(318) 899-5726

Audit Period: January 1, 2019 through December 31, 2019

The finding from the Schedule of Findings and Responses is discussed below, numbered consistently with the number assigned in the Schedule. See Part II, Schedule of Findings and Responses, for criteria, condition and context, cause and effect, and auditor recommendations relating to the finding to the financial statements.

Finding Related to the Financial Statements

Finding 2019-001 Recording Additions to Fixed Assets

Summary: It was noted that there were instances of incorrect recordings of construction in progress and instances in which interest expense was capitalized for completed construction. These instances resulted in material proposed audit adjustments, which were approved by management.

Recommendation: It was recommended that management consult with their bookkeeping service about recording non routine transactions so that these transactions can be properly reflected in the financial statements.

Management's Response: *Management will be more diligent in assuring all expenditures are correctly coded to make sure there are no disconnects between South Grant Water and our accounting firm. South Grant Water will assure that all expenditures relating to East Station Project are recorded and coded properly and will stay in close contact with accounting firm in the present and future projects.*


William Smith-President

♿ South Grant Water Corporation is an equal Opportunity Provider and Employer. To file a complaint of discrimination, Write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W. Washington, D.C. 20250-9410 or call (800)795-3272 voice or (202)720-(TDD)

South Grant Water Corporation, Inc.
Management's Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

Finding 2018-001 Recording Additions to Fixed Assets

Summary: It was noted that there were instances of omitted or incomplete recording of construction in progress and instances in which fixed asset additions were charged to operating accounts.

Current Status: Unresolved. See Finding 2019-001.

South Grant Water Corporation, Inc.

*Statewide Agreed-Upon Procedures
Report*

Alexandria, Louisiana

December 31, 2019



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of
South Grant Water Corporation, Inc.
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by South Grant Water Corporation, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated results are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the Entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - 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.

Rebecca B. Morris, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.
and the Louisiana Legislative Auditor

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

Results: No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.
and the Louisiana Legislative Auditor

Board or Finance Committee

2. **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - 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 ten percent (10%) of the Entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the General Fund. If the General Fund had a negative ending unassigned 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 unassigned fund balance in the General Fund.

Results: Not applicable – no prior year exceptions noted.

Bank Reconciliations

3. **Procedure:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Entity's main operating account. Select the Entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.
and the Louisiana Legislative Auditor

- 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 twelve (12) months from the statement closing date, if applicable.

Results: Of the five (5) bank reconciliations tested, we noted five (5) bank reconciliations that did not have a member of management or a board member's initial showing that the reconciliation had been reviewed.

Management's Response: The Treasurer will reconcile the bank statements to the daily operation which is transferred to a daily spread sheet. This information will then be turned over to a certified public accountant. The certified public accountant will put financial statements together each month, and then send them to the Treasurer. The President will reconcile the financials to the bank statements and sign and date that the reconciliation was reviewed. The Board of Directors will receive a copy of the financial statements at the monthly meetings.

Collections

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

Results: No exceptions noted.

- 5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [i.e. five (5) collection locations for five (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:



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.
and the Louisiana Legislative Auditor

- 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.

Results: No exceptions noted.

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

Results: No exceptions noted.

7. **Procedure:** Randomly select two (2) deposit dates for each of the five (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 ten (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 slip was made within one (1) business day of receipt at the collection location [within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100].



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors of
South Grant Water Corporation, Inc.
and the Louisiana Legislative Auditor

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

Results: No exceptions noted.

Non-Payroll Disbursements (excluding credit purchases/payments, travel reimbursements, and petty cash purchases)

8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations [or all locations if less than five (5)].

Results: No exceptions noted.

9. **Procedure:** 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 (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two (2) 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.

Results: No exceptions noted.

10. **Procedure:** 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 five (5) disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.



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

Results: In our test of five (5) non-payroll disbursements, we noted two (2) disbursements that did not include evidence of segregation of duties tested under procedures #9.

Management's Response: All employees must have a supervisor's approval or the President's approval before any purchases can be made. All invoices must have a supervisor's signature that shows they approved the purchase. All invoices will be given to the President for final approval. The President will sign and date all invoices before any payment is issued. If for any reason the employee calls for a verbal approval over the telephone, the supervisor is to notify the Treasurer or President that they approved the purchase over the telephone and will sign the invoice at their earliest convenience.

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

- 11. **Procedure:** 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.

Results: Not applicable – no prior year exceptions noted.

- 12. **Procedure:** Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card [for a debit card, randomly select one (1) 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.

Results: Not applicable – no prior year exceptions noted.



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13. Procedure: Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (10) transactions [or all transactions if less than ten (10)] from each statement, and obtain supporting documentation for the transactions [i.e. each card should have ten (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, (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: Not applicable – no prior year exceptions noted.

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

14. Procedure: 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 five (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 five (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.

Results: Of the five (5) travel and travel-related reimbursements tested, we noted one (1) reimbursement that did not have supporting documentation.



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Management's Response: Office personnel employees that use their personal vehicle will keep a log with beginning and ending mileage, as well as, the date and purpose of why their vehicle was used. The mileage is to be turned in every month to the Treasurer, and the President will approve each month. Employees will be paid at a rate that is approved by the State of Louisiana on a quarterly basis (March, June, September, and December). The employee will not be reimbursed if this information is not presented. Certain employees are given the opportunity to achieve operator status. Those that choose to do so are required to attend training sessions that may require lodging and meals. Our policy for this training and continuing education is as follows:

1. South Grant Water pays for all training and certain testing fees.
2. Anyone who fails their initial testing will be allowed to retest one time for the level of certification at the expense of South Grant Water.
3. Any subsequent testing will be the employee's responsibility.
4. Should the employee have to travel and lodge during training, South Grant Water will pay the following stipends:
 1. Lodging-\$150.00 a night
 2. Meals-\$70.00 a day
 3. Fuel-1 tank (for personal vehicle-if used)

Certain Certified Operators have a company vehicle that they are approved to drive home and work on a daily basis for the purpose of being on-call and to check the chemicals every day at the water stations, as required by DHH regulations. DHH requires a 1-hour turnaround response. If a Certified Operator employee chooses to use their personal vehicle, South Grant Water will not reimburse the employee for fuel or mileage, due to the accessibility of a company vehicle. When using a South Grant Water vehicle, the employee is required to keep a log with the date and time fuel or diesel is put into the company vehicle. A number is assigned to each employee for any other use, such as gas containers, lawn mowers, etc. The employee is to date and document what the use was for and turn it in each month to the Treasurer, who will attach it to the monthly fuel bill.



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Contracts

- 15. Procedure:** 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 five (5) contracts [or all contracts if less than five (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 (1) payment from the fiscal period for each of the five (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.

Results: Not applicable – no prior year exceptions noted.

Payroll and Personnel

- 16. Procedure:** Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions noted.

- 17. Procedure:** Randomly select one (1) pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:



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- 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.

Results: No exceptions noted.

18. **Procedure:** 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 (2) 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.

Results: Not applicable – no employees were terminated during 2019.

19. **Procedure:** 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.

Results: No exceptions noted.

Ethics

20. **Procedure:** Using the five (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 (1) 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.

Results: Ethics requirements are not applicable to nonprofits.



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Debt Service

21. Procedure: 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.

Results: Requirement to obtain State Bond Commission approval is not applicable to nonprofits.

22. Procedure: 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 (1) 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Not applicable – no prior year exceptions noted.

Other

23. Procedure: 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.

Results: No exceptions noted.

24. Procedure: 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.

Results: No exceptions noted.

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.



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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.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 7, 2020