



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
GRAHAM A. PORTUS, E.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BARLOW, C.P.A.  
BRIAN MCCAIN, C.P.A.  
BLAKE MANUEL, C.P.A.

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, Louisiana

October 10, 2018

We have performed the procedures included enumerated below, which were agreed to by the Louisiana Rural Water Association, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2017 through June 30, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations)
  - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.  
***The Association does not have a complete written policies and procedures manual.***
  - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
***The Association does not have a complete written policies and procedures manual.***
  - c) *Disbursements*, including processing, reviewing, and approving.  
***The Association does not have a complete written policies and procedures manual.***
  - d) *Receipt/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Board or Finance Committee***

---

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.  
***The minutes reflected that the managing board met quarterly.***
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special

revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

***The board reviewed the budget to actual comparisons as well as other appropriate financial reporting at each meeting.***

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

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

### ***Bank Reconciliations***

---

3. Obtain a listing of the entity's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

***Bank reconciliations were prepared within 2 months of the statement closing date.***

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

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

***Management Response: The Executive Director will document his review of each bank statement and reconciliation effective July 1, 2018***

- 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.

***As of June 30, 2018, there appears to be no outstanding checks for more than twelve months.***

***Collections***

---

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

***The listing was provided by management.***

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select on collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe the job duties are properly segregated at each collection location such that:

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

***The Association does not have a cash drawer and does not collect cash.***

- 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.

***The Association does not collect cash.***

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

***The Association does not collect cash.***

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

***The Association does not collect cash.***

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

***All employees are covered by an 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 no the same day). Obtain supported documentation for each of the deposits and:

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

***The District uses prenumber receipts.***

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

*All deposited items were accompanied by a receipts or system report and traced to the deposit slip.*

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

*All selected deposits cleared the bank account timely and intact.*

- 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).

*All selected deposits were made within one business day of receipt.*

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

*All selected deposits were traced to the general ledger. No exceptions.*

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

---

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

*The listing was provided by management.*

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

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

*Purchase orders are not utilized. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase by initialing the invoice.*

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

*The Executive Director reviews and approves payments to vendors. The Office Manager processes the payments.*

- 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.

*The employee responsible for processing payments is not prohibited from adding/modifying vendor files. No other employee reviews changes to vendor files.*

*Management Response: The Association will initiate a policy to have an employee, who does not process payments to periodically review 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.

*The employee who process payments does not have signing authority. Two signatures are required for checks. A signature stamp is used and is under the control of someone other than the check signer. Check signers mail all 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.

*All transactions tested where paid by and matched the original invoice.*

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

*All transactions tested were authorized, approved and processed by different employees.*

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

---

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

*The listing was provided by management.*

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

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

*On the months tested, supporting documentation was reviewed and approved in writing by someone other than the authorized card holder.*

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

*No finance charges and/or late fees were assessed on the months tested.*

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

*All transactions tested had original itemized receipts attached to the statement with written documentation of the business/public purpose. No charges for meals were selected.*

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

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

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

*Travel reimbursements were calculated using the U.S. General Services Administration mileage reimbursement rate.*

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

*Travel reimbursements tested where supported by an original itemized receipt.*

- 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).

*Reimbursement was supported by documentation of the business/public purpose of the travel.*

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

*Reimbursements were reviewed and approved in writing by someone other than the person receiving the 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. Obtain management's representation that the list is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

*The Association had two agreement/contracts initiated or renewed in the fiscal year, neither of which required Louisiana Public Bid Law compliance.*

- 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).

*The board approves all contracts. Contracts were signed by the executive director.*

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

*No amendments or change orders to any agreements were noted.*

- 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.

*All payments selected 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 five employees/officials, obtain their paid salaries and personnel files, and agree paid salaries to the authorized pay rates in the personnel files.

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

17. Randomly select on 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.)

*The Association uses daily attendance records which are approved by a supervisor.*

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

*All employees tested had proper approved documentation of leave.*

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

*All employees tested had documentation of cumulative leave.*

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

*One employee was terminated after 2 months of service. Final payment was calculated accurately. No vacation of sick leave was accrued.*

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

*Documentation reflected that payroll tax return/reports, retirement contributions, health insurance premiums and workers' compensation premiums were timely paid, and associated forms filed, by required deadlines.*

## ***Ethics***

---

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

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

*The Association is a not-for-profit entity and ethics training is not required.*

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

*The Association is a not-for-profit entity and ethics training is not required.*

#### ***Debt Service***

---

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

*No debt was issued during the fiscal year.*

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

*The Association had no outstanding debt during the fiscal year.*

#### ***Other***

---

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

*Management informed us that the Association did not have any misappropriation of public funds or assets during the fiscal year.*

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

*The Association has the required notice posted in a conspicuous place upon its premises or its website.*

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

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

*Tracyson, Cassidy & Sullivan*

LOUISIANA RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT

Year Ended June 30, 2018

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3-4
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-14
SUPPLEMENTAL INFORMATION	
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES	15
SCHEDULE OF INDIRECT EXPENSES	16
OTHER INFORMATION	
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER	18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19-20
SCHEDULE OF FINDINGS AND RESPONSES	21



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
GRAHAM A. PORTUS, E.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BARLOW, C.P.A.  
BRIAN MCCAIN, C.P.A.  
BLAKE MANUEL, C.P.A.

INDEPENDENT AUDITORS' REPORT

October 10, 2018

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

**Report on the Financial Statements**

We have audited the accompanying statement of financial position of Louisiana Rural Water Association, Inc. (a nonprofit organization), as of June 30, 2018, and the related statements of activities and cash flows for the year 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.

**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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 assessing the accounting principles used and significant 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 opinion.

145 East Street • Lake Charles, LA 70601  
Mailing Address: P.O. Drawer 1847 • Lake Charles, LA 70602-1847  
phone: 337.439.1986 • fax: 337.439.1366 • [www.gcgcpa.com](http://www.gcgcpa.com)

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
October 10, 2018  
Page Two

The prior year summarized comparative information has been derived from Louisiana Rural Water Association, Inc.'s 2017 financial statements and, in our report dated November 27, 2017; we expressed an unqualified opinion on those financial statements.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Rural Water Association, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information and other information is presented for purposes of additional analysis and is 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of Louisiana Rural Water Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Louisiana Rural Water Association, Inc.'s internal control over financial reporting and compliance.

*Gragson, Casiday & Guillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2018

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 626,647	\$ 541,055
Investments	141,134	142,258
Accounts receivable	215,646	257,266
Prepaid expenses	19,865	23,446
Total Current Assets	<u>1,003,292</u>	<u>964,025</u>
Fixed assets, at cost (net of accumulated depreciation of \$944,168 for 2018)	<u>519,158</u>	<u>533,379</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,522,450</u></u>	<u><u>\$ 1,497,404</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 74,658	\$ 89,584
Deferred income	253,170	250,744
Vacation and sick leave payable	324,875	255,409
Note payable	-	11,987
Total Current Liabilities	<u>652,703</u>	<u>607,724</u>
Net Assets		
Unrestricted	<u>869,747</u>	<u>889,680</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,522,450</u></u>	<u><u>\$ 1,497,404</u></u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily restricted	Totals	
			2018	2017
<b>REVENUES AND RECLASSIFICATIONS</b>				
Grants	\$ 1,231,821	\$ -	\$ 1,231,821	\$ 1,164,962
Contributions - In-kind	21,561	-	21,561	19,134
Membership fees	303,333	-	303,333	299,945
Conference	312,291	-	312,291	251,419
Training	88,153	-	88,153	93,282
Advertising	40,791	-	40,791	40,791
Interest	1,269	-	1,269	617
Other - federal programs	84,236	-	84,236	62,194
Miscellaneous	31,297	-	31,297	21,725
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>2,114,752</u>	<u>-</u>	<u>2,114,752</u>	<u>1,954,069</u>
<b>EXPENSES</b>				
General and administrative	727,232	-	727,232	599,371
Federal program subsidies	84,236	-	84,236	55,395
Program services:				
LA - WARN	(6,044)	-	(6,044)	939
E.P.A.	104,673	-	104,673	87,047
Circuit rider - National Rural Water	385,686	-	385,686	379,731
Wastewater - National Rural Water	138,555	-	138,555	135,933
Energy	450,686	-	450,686	420,797
E.P.A. - Wastewater	-	-	-	25,758
Drinking water - USDA	136,469	-	136,469	135,327
DEQ - Homeowner sewer maintenance	67,576	-	67,576	56,158
Capacity Development training	45,616	-	45,616	46,436
Total Expenses	<u>2,134,685</u>	<u>-</u>	<u>2,134,685</u>	<u>1,942,892</u>
INCREASE (DECREASE) IN NET ASSETS	(19,933)	-	(19,933)	11,177
NET ASSETS - BEGINNING OF YEAR	<u>889,680</u>	<u>-</u>	<u>889,680</u>	<u>878,503</u>
NET ASSETS - END OF YEAR	<u>\$ 869,747</u>	<u>\$ -</u>	<u>\$ 869,747</u>	<u>\$ 889,680</u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (19,933)	\$ 11,177
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	37,314	31,611
Unrealized (gain) loss on investments	4,503	3,370
(Increase) decrease in assets		
Accounts receivable	41,620	(116,881)
Prepaid expenses	3,581	8,120
Increase (decrease) in liabilities		
Accounts payable	(14,926)	22,451
Deferred income	2,426	35,304
Vacation and sick leave payable	69,466	(29,707)
Net cash from operating activities	<u>124,051</u>	<u>(34,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments and noncash equivalents	50,353	(3,524)
Purchase of fixed assets	(23,093)	(47,779)
Net (Payments) borrowings on debt	(11,987)	11,987
Net cash used by investing activities	<u>15,273</u>	<u>(39,316)</u>
Net increase (decrease) in cash equivalents	139,324	(73,871)
Cash equivalents - beginning of year	<u>338,507</u>	<u>412,378</u>
Cash equivalents - end of year	<u>\$ 477,831</u>	<u>\$ 338,507</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 39</u>	<u>\$ 436</u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Louisiana Rural Water Association, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$81,308 was recognized in the current year. Current grant agreement runs through July 31, 2018.

Circuit Rider - National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$352,260 was recognized in the current year. Current grant agreement runs through November 30, 2018.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$121,549 was recognized in the current year. Current grant agreement runs through June 30, 2018.

Energy - "Rural Water Energy Conservation Program". Revenue of \$457,944 was recognized in the current year. Current grant agreement ran through June 30, 2021.

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$115,443 was recognized in the current year. Current grant agreement runs through June 30, 2018.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Very small water system - To provide training for very small water system's operators. Revenue of \$10,000 was recognized in the current year. Current grant agreement runs through June 30, 2018.

DEQ homeowner sewage maintenance – To educate homeowners on the importance of inspecting and maintaining their own individual sewage treatment system. Revenue of \$53,488 was recognized in the current year. Current grant agreement runs through August 31, 2018.

Capacity Development - To provide on-site technical assistance and training for public water systems. Revenue of \$39,829 was recognized in the current year. Current grant agreement runs through June 30, 2018.

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.

Accounts Receivable

Accounts receivable at June 30, 2018 of \$215,646 represents receivables from the federal and state grants, all deemed collectable.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$7,860 for 2018.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts. There are no such deferred amounts at June 30, 2018.

Deferred income of \$253,170 at June 30, 2018 represents July 2018 conference income received prior to June 30, 2018.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2018, the Association had \$645,198 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal depository insurance, and \$395,198 of pledged securities held by the custodial bank and government securities.

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. The fair value is obtained from monthly investment statements. Investments as of June 30, 2018 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Liberty Mutual Fund for U.S. Government Securities	<u>\$ 162,011</u>	<u>\$ 141,134</u>	<u>\$ 141,134</u>

The following summarizes the investment return:

Interest earned	\$ 3,379
Unrealized gain (loss)	<u>(4,503)</u>
Net investment return	<u>\$ (1,124)</u>

Prepaid Expenses

Prepaid expenses of \$19,865 at June 30, 2018 represent mostly conference expenses paid at year end.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service, 15 days after five years of service and 20 days after 20 years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$47,855 at June 30, 2018.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$277,020 at June 30, 2018.

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Reconciliation of cash and cash equivalents at June 30, 2018 is as follows:

Cash Equivalents	\$ 477,831
Noncash Equivalents	<u>148,816</u>
Total Cash	<u>\$ 626,647</u>

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through October 10, 2018, the date the financial statements were available to be issued.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

NOTE B - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 709,632
Equipment	<u>753,694</u>
	1,463,326
Less accumulated depreciation	<u>944,168</u>
	<u>\$ 519,158</u>

Fixed Assets are stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2018 was \$37,314.

NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE D - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE E - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

Tax years 2015 through 2017 remain subject to examination by the IRS.

NOTE F - RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2018 was \$56,126.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

NOTE G – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE H – FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis.

FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2018 are as follows:

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2018

	<u>Fair Value</u>	Quoted prices in Active markets Identical assets <u>Level 1</u>	Significant Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Short-term investments: U.S. Government Securities	<u>\$ 141,134</u>	<u>\$ 141,134</u>	<u>\$ -</u>	<u>\$ -</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Advertising	\$ 7,860	\$ 7,241
Conference - other	5,740	7,666
Conference - LRWA	144,005	139,658
Dues	21,088	23,145
Employee benefits	13,629	14,077
Fringe and Benefits	51,398	-
Indirect expenses - Internal	155,914	149,681
Indirect expenses - unallocated excess	118,594	65,613
Miscellaneous	10,512	15,878
Newsletter	25,422	27,036
Office expense	15	15
Public relations	8,585	13,377
Retirement	3,348	3,117
Rural water rally	25,266	21,946
Salaries	48,919	45,862
Scholarship	4,500	4,000
Service charges	1,505	2,545
Taxes - payroll	3,659	3,695
Training	49,605	48,623
Travel - administrative	5,419	6,196
Travel - board	22,249	-
	<u>\$ 727,232</u>	<u>\$ 599,371</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Board members	\$ 1,747	\$ 383
Depreciation	17,655	17,145
Employee benefits	81,751	68,192
Equipment lease	7,907	11,929
Insurance	11,208	9,697
Office supplies	17,155	16,768
Postage	3,216	4,979
Professional fees	14,955	12,065
Repairs and maintenance	4,591	8,286
Retirement	20,061	19,229
Salaries	286,587	274,695
Taxes - payroll	21,805	21,084
Telephone	27,264	22,987
Travel - Administrative	32,717	37,348
Travel - Board	24,152	33,652
Utilities	5,399	5,312
	<u>\$ 578,170</u>	<u>\$ 563,751</u>

OTHER INFORMATION

LOUISIANA RURAL WATER ASSOCIATION, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Year Ended June 30, 2018

Chief Executive Officer: Patrick Credeur, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$107,302
Benefits - insurance	21,357
Benefits - retirement	7,590
Benefits - cell phone	-
Vehicle provided by government	-
Per diem	5,059
Reimbursements	-
Travel-mileage	9,667
Registration fees	735
Conference travel	11,241
Continuing professional education fees	-
Housing-lodging	11,354
Unvouchered expenses	-
Meal reimbursements	1,528
Dues	-



**Gragson, Casiday & Guillory, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
GRAHAM A. PORTUS, E.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BARLOW, C.P.A.  
BRIAN MCCAIN, C.P.A.  
BLAKE MANUEL, C.P.A.

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

October 10, 2018

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Rural Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana Rural Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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, detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
October 10, 2018  
Page Two

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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**

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

*Gragsen Casiday & Guillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Responses

Year Ended June 30, 2018

I - Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified?                     yes     no
- Control deficiencies identified that are  
not considered to be material weakness(es)?             yes     none reported
- Noncompliance material to financial  
statements noted?     yes     no

II - Financial Statement Findings

- None

III - Federal Award Findings and Questioned Costs

- Not applicable

IV - Prior Year Findings

- None