

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

FINANCIAL REPORT

DECEMBER 31, 2017

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority (a Quasi-Public organization) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority as of December 31, 2017, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Louisiana Local Government Environmental Facilities and Community Development Authority's basic financial statements. The schedule of compensation, benefits and other payments to Executive Director is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2018, on our consideration of Louisiana Local Government Environmental Facilities and Community Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Ms Elroy Quirk & Beach

Lake Charles, Louisiana
April 13, 2018

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

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

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

FINANCIAL HIGHLIGHTS

The Authority's total current assets increased \$474,142, primarily due to an increase in cash and investments. The Authority's capital assets decreased \$243 due to depreciation. Deferred outflows decreased \$31,525, deferred inflows decreased \$49 and net pension liability increased \$20,519, all related to the Authority's participation in the statewide pension plan. The Authority's current liabilities decreased \$17. The unrestricted net position of the Authority increased \$425,305.

Overall, cash and investments increased \$423,327 from 2016 amounts.

Total revenue increased \$97,302, primarily due to an increase in issuer fees of \$400,318 from 2016 and a decrease of \$279,393 in miscellaneous settlement income from 2016. Issuer fees increased due to a higher volume of bond closings during 2017, including two large issues over \$200M. Miscellaneous settlement income in 2016 was due to a large derivative settlement received by the Authority, and the additional settlement received in 2017 was lower.

Total expenses increased \$77,562, which is approximately 13% of total expenses. The increase is due primarily to increases in pension expense relating to the Authority's participation in the statewide pension plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

An explanation of the financial statements is as follows:

Statement of net position:

This statement presents the assets, liabilities and net position of the Authority as of December 31, 2017.

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

This statement presents the results of the Authority's operations and changes in fund net position during the years ended December 31, 2017.

Statement of cash flows:

This statement reflects the cash inflows and outflows that had a direct impact on the cash account for 2017.

Notes to the financial statements:

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

FINANCIAL ANALYSIS

	<u>2017</u>	<u>2016</u>
Assets	\$ 11,413,444	\$ 10,929,545
Deferred outflows	<u>171,987</u>	<u>203,512</u>
Total assets and deferred outflows	<u>\$ 11,585,431</u>	<u>\$ 11,133,057</u>
Liabilities	\$ 640,628	\$ 613,267
Deferred inflows	18,410	18,459
Net position	<u>10,926,393</u>	<u>10,501,331</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,585,431</u>	<u>\$ 11,133,057</u>

	<u>2017</u>	<u>2016</u>
Operating revenue	\$ 944,013	\$ 709,714
Operating expenses	<u>609,794</u>	<u>532,232</u>
Operating income (loss)	334,219	177,482
Other revenue	<u>90,843</u>	<u>227,840</u>
Change in net position	<u>\$ 425,062</u>	<u>\$ 405,322</u>

REQUESTS FOR INFORMATION

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

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
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STATEMENT OF NET POSITION
December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 470,199
Investments - LAMP	958,661
Investment - money market	523,493
Investments	9,354,090
Accounts receivable	50,000
Accrued interest receivable	31,089
Prepaid expenses	<u>8,219</u>
Total current assets	11,395,751
OTHER ASSETS	
Restricted cash - held in escrow	10,000
CAPITAL ASSETS, NET	
	<u>7,693</u>
Total assets	11,413,444
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>171,987</u>
Total assets and deferred outflows	<u>\$ 11,585,431</u>
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accrued leave-current employees	\$ 1,584
Other liabilities	<u>20,310</u>
Total current liabilities	<u>21,894</u>
LONG-TERM LIABILITIES	
Accrued leave-current employees, less current portion	14,259
Net pension liability	<u>604,475</u>
	<u>618,734</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>18,410</u>
NET POSITION	
Net investment in capital assets	7,693
Unrestricted	<u>10,918,700</u>
	<u>10,926,393</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,585,431</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2017

REVENUE	
Issuer fees	\$ 484,666
Application fees	1,250
Program administration fees	100,000
Program termination income	100,000
Redemption/settlement income	<u>258,097</u>
Total revenue	<u>944,013</u>
EXPENSES	
Accounting and audit fees	23,977
Auto expenses	14,400
Board per diem	31,250
Depreciation	3,284
Dues and subscription	849
Employee benefits-current employees	170,867
Insurance	11,398
Legal fees	10,000
Miscellaneous	808
Office supplies and equipment	10,590
Payroll tax expense	4,100
Rent and utilities	24,930
Salaries	266,288
Telephone	7,965
Travel	9,023
Outsourced services	<u>20,065</u>
Total expenses	<u>609,794</u>
Operating (loss)	<u>334,219</u>
OTHER REVENUE	
Investment income	81,949
Miscellaneous income	<u>8,894</u>
Total other revenue	<u>90,843</u>
Change in net position	425,062
Net position, beginning of year	<u>10,501,331</u>
Net position, end of year	<u>\$ 10,926,393</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
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STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

Cash flows from operating activities:	
Receipts from operations	\$ 894,013
Receipts from other sources	145,800
Payments to employees and employee-related costs	(420,510)
Payments for other operating expenses	<u>(126,413)</u>
Net cash provided by operating activities	<u>492,890</u>
Cash flows from investing activities	
Equipment purchases	(3,041)
Purchase of investments	(2,690,905)
Sales of investments	<u>1,600,000</u>
Net cash (used in) investment activities	<u>(1,093,946)</u>
Net (decrease) in cash	(601,056)
Cash, beginning of year	<u>1,081,255</u>
Cash, end of year	<u>\$ 480,199</u>
Cash and cash equivalents at year end consisted of:	
Unrestricted cash	\$ 470,199
Restricted cash - escrow	<u>10,000</u>
	<u>\$ 480,199</u>

(continued on next page)

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
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STATEMENT OF CASH FLOWS
Year Ended December 31, 2017
(Continued)

Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 425,062
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	3,284
Loss on sale of investments	6,306
Unrealized (gain) loss on sale of investments	50,217
Change in operating assets and liabilities:	
Accounts receivable	(50,000)
Accrued interest receivable	(1,566)
Prepaid expenses	750
Accounts payable	(1,433)
Accrued leave-current employees	7,621
Other liabilities	654
Net pension liability	20,519
Change in deferred inflows and outflows of resources:	
Deferred outflows related to pension	31,525
Deferred inflows related to pension	<u>(49)</u>
Net cash provided by operating activities	<u>\$ 492,890</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
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NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1. Summary of Significant Accounting Policies

A. BACKGROUND AND FINANCIAL STATEMENT PRESENTATION

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

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

B. BASIS OF ACCOUNTING

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

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

- *Net investment in capital assets.* This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted.* This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted.* This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets".

C. USE OF ESTIMATES

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

D. CASH, CASH EQUIVALENTS AND INVESTMENTS

For purposes of the statements of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Authority had no cash equivalents for the year ended December 31, 2017.

Louisiana R.S. 33:2955(A)(1) authorizes the Authority to invest in United States bonds, treasury notes, or any other federally sponsored or guaranteed investment. The Authority has stated all investments at fair value as of December 31, 2017.

E. FIXED ASSETS

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

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

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

F. COMPENSATED ABSENCES

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

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

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

G. ISSUER, APPLICATION AND PROGRAM FEES

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

Note 2. Restricted Cash

The Authority has restricted cash associated with a land purchase. The cash is held in an escrow account until the purchase is finalized.

Note 3. Investments

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

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

As of December 31, 2017, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money market funds	\$ 523,493	\$ 523,493	\$ -	\$ -	\$ -
Mortgage backed securities	6,884,149	1,847,434	5,036,715	-	-
United States Treasury bonds	2,469,941	250,000	2,219,941	-	-
Louisiana Asset Management Pool	<u>958,661</u>	<u>958,661</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$10,836,244</u>	<u>\$ 3,579,588</u>	<u>\$ 7,256,656</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

As of December 31, 2017, all of the Authority's investments were held according to policy.

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

Note 4. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of December 31, 2017:

Investments by Fair Value Level	12/31/17	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury	\$ 2,469,941	\$ 2,469,941	\$ -	\$ -
Mortgage backed securities	<u>6,884,149</u>	<u>-</u>	<u>6,884,149</u>	<u>-</u>
Total investments by fair value level	<u>\$ 9,354,090</u>	<u>\$ 2,469,941</u>	<u>\$ 6,884,149</u>	<u>\$ -</u>

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

Note 5. Fixed Assets

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

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017
Buildings	\$ -	\$ 3,041	\$ -	\$ 3,041
Computer equipment	16,562	-	-	16,562
Office equipment	30,109	-	-	30,109
Software	4,054	-	-	4,054
Leasehold improvements	<u>2,825</u>	<u>-</u>	<u>-</u>	<u>2,825</u>
	<u>53,550</u>	<u>3,041</u>	<u>-</u>	<u>56,591</u>
Less accumulated depreciation:				
Buildings	-	-	-	-
Computer equipment	11,503	1,909	-	13,412
Office equipment	29,110	295	-	29,405
Software	3,492	563	-	4,055
Leasehold improvements	<u>1,509</u>	<u>517</u>	<u>-</u>	<u>2,026</u>
	<u>45,614</u>	<u>3,284</u>	<u>-</u>	<u>48,898</u>
Total fixed assets, net	<u>\$ 7,936</u>	<u>\$ (243)</u>	<u>\$ -</u>	<u>\$ 7,693</u>

Depreciation expense was \$3,284 for the year ended December 31, 2017.

Note 6. Multi-Employer Pension Plan

Plan descriptions:

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

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Authority are members of Plan A. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds are eligible to participate in MERS.

Benefits provided:

Retirement benefits

Any member of Plan A hired before January 1, 2013 may retire at any age with 25 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan A hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 3% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Deferred retirement options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has

completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

Disability benefits

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

Survivor's benefit

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

Cost of living increases

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

Contributions:

The MERS employer contribution rate is established annually under La R.S 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending December 31, 2017 the employer contribution rate for MERS Plan A was 22.75% from January through June, and 24.75% from July through December. Employer contributions to MERS were \$63,243 for the year ended December 31, 2017. Employees participating in MERS Plan A are required to contribute 9.50%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. The Authority recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2017, the Authority recognized revenue as a result of support received from non-employer contributing entities of \$8,894 for its participation in MERS.

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

At December 31, 2017, the Authority reported a liability for MERS of \$604,475 for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2017 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Authority's proportion of the net pension liability for the retirement system was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Authority's proportionate share for MERS was 0.144493%. This reflects an increase for MERS of 0.002020% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>
MERS	\$ 124,132

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual	\$ -	\$ 18,410
Changes in assumptions	10,109	-
Net difference between projected and actual earnings on pension plan investments	121,895	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,030	-
Employer contributions subsequent to measurement date	<u>32,953</u>	<u>-</u>
Total	<u>\$ 171,987</u>	<u>\$ 18,410</u>

During the year ended December 31, 2017, employer contributions totaling \$32,953 were made subsequent to the measurement date for MERS. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended June 30:	<u>MERS</u>
2018	\$ 38,222
2019	50,486
2020	26,447
2021	<u>5,469</u>
Total	<u>\$ 120,624</u>

Actuarial assumptions:

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS employers as of June 30, 2017 are as follows:

	<u>MERS Plan A</u>
Total pension liability	\$ 1,115,400,101
Plan fiduciary net position	<u>697,057,939</u>
Total net pension liability	<u>\$ 418,342,162</u>

The Authority's allocation is 0.144493% of the Total Net Pension Liability for MERS Plan A.

The total pension liabilities for MERS in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	MERS Plan A
Actuarial cost method	Entry age normal
Expected remaining service	
Lives	3 years for Plan A
Investment rate of return	7.40%, net of investment expense
Inflation rate	2.775%
Projected salary increases	5.00% (2.775% inflation, 2.225% merit)
Cost of living adjustments	None
Mortality	Mortality tables used:
	For active members, RP-2000 Employee Table (set back 2 years for males and females)
	For healthy annuitants, RP-2000 Healthy Annuitant Table (set forward 2 years for Males and 1 for females)
	For disabled annuitants, RP-2000 Disabled Lives Mortality Tables (set back 5 years For males and 3 years for females)

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

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 7.20% for the year ended June 30, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	50%	2.30%
Fixed income	35%	1.60%
Alternatives	<u>15%</u>	<u>0.70%</u>
Subtotal	<u>100%</u>	4.60%
Inflation adjustment		<u>2.60%</u>
Total		<u>7.20%</u>

Discount rates:

The discount rate used to measure the total pension liability for MERS was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

The following table presents the Authority's proportionate share of the net pension liability using the discount rate of 7.40% for MERS, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
MERS	\$ 770,303	\$ 604,475	\$ 463,029

Payables to the Pension Plans:

At December 31, 2017, the payable to MERS was \$7.016 for December 2017 employee and employer legally-required contributions.

Note 7. Long-Term Obligations

The following is a summary of the long-term obligation activity for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Net pension liability	\$ 583,956	\$ 20,519	\$ -	\$ 604,475	\$ -
Accrued leave	<u>8,222</u>	<u>7,621</u>	<u>-</u>	<u>15,843</u>	<u>1,584</u>
	<u>\$ 592,178</u>	<u>\$ 28,140</u>	<u>\$ -</u>	<u>\$ 620,318</u>	<u>\$ 1,584</u>

Note 8. Lease

The Authority leases its premises under a net, non-cancellable operating lease which expires July 30, 2018. For 2018, the monthly rental payment increases to \$2,216.50. Future minimum lease payment obligations for this lease are as follows:

2018	<u>\$ 15,512</u>
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Rent expense for the year ended December 31, 2017 was \$24,930.

Note 9. Cash and Cash Equivalents

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

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

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S.

government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Authority's bank demand and time deposits at year end were not fully collateralized.

The deposits at December 31, 2017 are as follows:

December 31, 2017	<u>Demand Deposits</u>
Carrying amount	\$ <u>484,423</u>
Bank balances:	
a. Federally insured	\$ 250,000
b. Collateralized by securities held by the pledging financial institution	234,423
c. Uncollateralized and uninsured	<u>-</u>
Total bank balances	\$ <u>484,423</u>

Note 10. Subsequent Events

The Authority evaluated all subsequent events through April 13, 2018, the date the financial statements were available to be issued. As a result, the Authority noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Employer's Pension
Contributions

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY

Year Ended December 31, 2017*

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

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

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

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
Year Ended December 31, 2017

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

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

OTHER SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits and
Other payments to Executive Director

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
Year Ended December 31, 2017

Agency Head Name: Ty Carlos, Executive Director

Purpose	Amount
Salary	\$ 164,440
Benefits - insurance	8,021
Benefits - retirement	46,454
Vehicle allowance	14,400
Travel	2,761
Business meals	338
	<u>236,414</u>
	<u>\$ 236,414</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority (a Quasi-Public organization), as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Local Government Environmental Facilities and Community Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Local Government Environmental Facilities and Community Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a

timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

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

Ms Elroy Quirk & Burch

Lake Charles, Louisiana

April 13, 2018

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

 Yes X No

Significant deficiency identified not
considered to be material weakness?

 Yes X None reported

Noncompliance material to financial statements
noted?

 Yes X No

(continued on next page)

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES
December 31, 2017

No reported findings.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
December 31, 2017

No prior year findings.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the Louisiana Local Government Environmental Facilities and Community Development Authority (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

No exceptions noted.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The purchasing policy does not address how vendors are added to the vendor list. All accounting functions are handled by a third-party bookkeeping firm, so the firm adds vendors to the list at the direction of the Executive Director. The purchasing policy does not address purchase orders due to the fact that the entity does not utilize purchase orders.

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

No exceptions noted.

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

No exceptions noted.

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

The payroll/personnel policy does not address payroll processing, as that function is performed by a third-party bookkeeping firm. The payroll/personnel policy does not address the review or approval of attendance.

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

No exceptions noted.

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

The credit card policy does not address how cards are to be controlled or allowable business uses.

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

No exceptions noted.

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

The ethics policy does not address actions to be taken if an ethics violation takes place or a system to monitor possible ethics violations.

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

No exceptions noted.

Board (or Finance Committee, if applicable)

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

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

No exceptions noted.

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

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

Minutes of the monthly Executive Committee meetings reference monthly budget to actual comparisons.

A formal plan to eliminate deficits was not necessary since the Entity's net position is positive.

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

No exceptions noted.

Bank Reconciliations

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

No exceptions noted.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Collections

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

No exceptions noted.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

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

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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

The entity does not utilize purchase orders or an equivalent electronic system due to the nature of disbursements and limited number of transactions.

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

The entity does not utilize purchase orders or an equivalent electronic system due to the nature of disbursements and limited number of transactions.

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

All of the payments were processed without purchase orders or receiving reports, as the entity does not utilize purchase orders or receiving reports. All disbursements tested were processed with an approved invoice.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted

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

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

No exceptions noted.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

No exceptions noted.

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

No exceptions noted.

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased)

No exceptions noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions noted.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Travel and Expense Reimbursement

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

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Contracts

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

No exceptions noted.

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

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

No exceptions noted.

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

No contracts subject to the Louisiana Public Bid Law.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No quotes were solicited on the contracts tested (office lease and copier lease).

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

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

No exceptions noted.

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

No exceptions noted.

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

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

All employees of the entity are salaried and do not document daily attendance. Leave was documented for all employees.

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

Daily attendance was not approved as employees do not document daily attendance. Leave was approved by the appropriate supervisor in accordance with policy.

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

No exceptions noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were no terminated employees during the year.

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

No exceptions noted.

Ethics (excluding nonprofits)

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

No exceptions noted.

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

No exceptions noted.

Debt Service (excluding nonprofits)

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

Not applicable.

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

Not applicable.

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

Not applicable.

Other

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

No reported misappropriations of public funds or assets during the year.

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

No exceptions noted.

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

No exceptions noted.

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) **Written Policies and Procedures- Purchasing:** The Authority has addressed this exception through the adoption of a revised purchasing policy on March 8, 2018.
- b) **Written Policies and Procedures- Payroll:** The Authority has addressed this exception through the adoption of a revised payroll policy on March 8, 2018.
- c) **Written Policies and Procedures- Credit Card:** The Authority has addressed this exception through the adoption of a revised credit card policy on March 8, 2018.
- d) **Written Policies and Procedures- Ethics:** The Authority has addressed this exception through the adoption of a revised ethics policy on March 8, 2018.
- e) **Payroll and Personnel:** The employees of the LCDA will begin to document daily attendance and have attendance records approved by a supervisor, as established by the revised payroll policy adopted on March 8, 2018.

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

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

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
April 13, 2018