

VINTON PUBLIC POWER AUTHORITY
A Component Unit of the Town of Vinton, Louisiana
Annual Financial Report and Independent Auditors' Report
Year Ended September 30, 2015

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VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis

Within this section of the Vinton Public Power Authority's (Authority) annual financial report, the Authority's management is pleased to provide this narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2015. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$18,480,167 (net position), \$14,086,778 for 2014, for the fiscal year reported.
- Total revenues of \$7,016,055 exceeded total expenditures of \$2,620,772, which resulted in a current year surplus of \$4,395,283 compared to prior year surplus of \$4,489,106.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$3,831,310 include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase of capital assets.
 - (2) Restricted for debt service of \$3,071,037.
 - (3) Unrestricted net position of \$11,577,820.
- Overall, the Authority continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Authority's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Basic Financial Statements

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long term portions of assets and liabilities separately. Total assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources is net position, and it may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position is reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Financial Analysis of the Authority as a Whole

The Authority's net position at fiscal year-end is \$18,480,167. The following table provides a summary of the Authority's net position:

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 14,975,010	\$ 11,530,911
Capital assets	13,161,310	13,309,556
Other assets	-	-
Total assets	<u>\$ 28,136,320</u>	<u>\$ 24,840,467</u>
Deferred outflows of resources	<u>\$ 953</u>	<u>\$ -</u>
Liabilities:		
Current liabilities	\$ 1,448,967	\$ 1,378,689
Long-term liabilities	8,207,997	9,375,000
Total liabilities	<u>\$ 9,656,964</u>	<u>\$ 10,753,689</u>
Deferred inflows of resources	<u>\$ 142</u>	<u>\$ -</u>
Net position:		
Net investment in capital assets	\$ 3,831,310	\$ 2,904,556
Restricted	3,071,037	2,961,134
Unrestricted	11,577,820	8,221,088
Total net position	<u>\$ 18,480,167</u>	<u>\$ 14,086,778</u>

21%, (21% for 2014), of the Authority's net position is tied up in capital assets. The Authority uses these capital assets to provide services to its customer.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Authority's changes in net assets:

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 2,593,014	\$ 2,476,721
Nonoperating Revenues	<u>4,423,041</u>	<u>4,634,867</u>
Total Revenues	7,016,055	7,111,588
Depreciation Expense	382,044	343,741
Other Operating Expenses	1,874,369	1,892,885
Nonoperating Expenses	<u>364,359</u>	<u>385,856</u>
Total Expenses	<u>2,620,772</u>	<u>2,622,482</u>
Change in Net Position	4,395,283	4,489,106
Beginning Net Position	14,086,778	9,597,672
Prior Period Adjustment	<u>(1,894)</u>	-
Beginning Net Position-Restated	<u>14,084,884</u>	<u>9,597,672</u>
Ending Net Position	<u>\$ 18,480,167</u>	<u>\$ 14,086,778</u>

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of September 30, 2015, was \$13,161,310. See Note B for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2015</u>	<u>2014</u>
Nondepreciable assets:		
Construction in progress	\$ <u>63,242</u>	\$ <u>-</u>
Depreciable assets:		
Distribution system	17,612,877	17,442,321
Less accumulated depreciation	<u>4,514,809</u>	<u>4,132,766</u>
Book value-depreciable assets	<u>\$ 13,098,068</u>	<u>\$ 13,309,556</u>
Percentage depreciated	<u>20%</u>	<u>20%</u>
Book value-all assets	<u>\$ 13,161,310</u>	<u>\$ 13,309,556</u>

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Long-Term Debt

At the end of the fiscal year, the Authority had total debt obligations outstanding of \$9,330,000. During the year, the Authority retired \$1,075,000 of the outstanding debt balance. See Note C for additional information regarding long-term debt.

Economic Factors

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Authority's office, Ms. Mary Vice, Clerk at (337) 589-7453.



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
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BRIAN MCCAIN, C.P.A.

INDEPENDENT AUDITORS' REPORT

January 25, 2016

Board of Directors
Vinton Public Power Authority
Vinton, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2015, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risk 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 significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

Board of Directors
Vinton Public Power Authority
January 25, 2016
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of September 30, 2015, and the respective changes 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 and budgetary comparison information on pages 3 through 7 and 29 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 VPPA's basic financial statements. The schedule of compensation, benefits and other payments to chief executive officer 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 chief executive officer is the responsibility of management and was derived from and relate 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

Board of Directors
Vinton Public Power Authority
January 25, 2016
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in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Accounting Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of the Vinton Public Power 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 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 Vinton Public Power Authority's internal control over financial reporting and compliance.

Gragson, Casiday & Guillory

VINTON PUBLIC POWER AUTHORITY

Statement of Net Position

September 30, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 11,449,004	\$ 8,098,951
Accounts receivable	254,932	259,032
Prepaid insurance	18,882	19,948
	<u>11,722,818</u>	<u>8,377,931</u>
Restricted assets		
Cash	3,252,192	3,152,980
Total current assets	<u>14,975,010</u>	<u>11,530,911</u>
Fixed assets, at cost, net of accumulated depreciation of \$4,514,809 for 2015	13,161,310	13,309,556
TOTAL ASSETS	<u><u>\$ 28,136,320</u></u>	<u><u>\$ 24,840,467</u></u>
DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 953</u></u>	<u><u>\$ -</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 142,812	\$ 156,843
Payable from restricted assets		
Interest payable	181,155	191,846
Current maturities of long-term debt	1,125,000	1,030,000
Total current liabilities	<u>1,448,967</u>	<u>1,378,689</u>
Net pension liability	2,997	-
Long-term debt, net of current maturities	<u>8,205,000</u>	<u>9,375,000</u>
TOTAL LIABILITIES	<u><u>\$ 9,656,964</u></u>	<u><u>\$ 10,753,689</u></u>
DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 142</u></u>	<u><u>\$ -</u></u>
NET POSITION		
Net investment in capital assets	\$ 3,831,310	\$ 2,904,556
Net position - Restricted for debt service	3,071,037	2,961,134
Net position - Unrestricted	11,577,820	8,221,088
TOTAL NET POSITION	<u><u>\$ 18,480,167</u></u>	<u><u>\$ 14,086,778</u></u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in Net Position

Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Charges for services, less rebate of \$148,256	\$ 2,593,014	\$ 2,476,721
OPERATING EXPENSES		
Advertising	445	638
Depreciation	382,044	343,741
Dues	4,370	4,392
Insurance	52,159	53,363
Miscellaneous	2,448	1,695
Power cost	1,223,935	1,301,408
Professional fees	479,425	385,053
Repairs and maintenance	72,628	104,482
Secretarial	27,000	27,000
Telephone	10,993	11,523
Travel	966	3,331
Total operating expenses	<u>2,256,413</u>	<u>2,236,626</u>
Operating Income	336,601	240,095
NONOPERATING REVENUES (EXPENSES)		
Interest income	14,929	13,959
NISCO revenue	4,269,844	4,590,786
Intergovernmental - SRG&T	35,444	27,209
Other income	102,824	2,913
Interest expense	<u>(364,359)</u>	<u>(385,856)</u>
Total nonoperating revenues (expenses)	<u>4,058,682</u>	<u>4,249,011</u>
Changes in Net Position	4,395,283	4,489,106
NET POSITION-BEGINNING - RESTATED	14,086,778	9,597,672
Prior period adjustment	<u>(1,894)</u>	<u>-</u>
NET POSITION-BEGINNING - RESTATED	<u>14,084,884</u>	<u>9,597,672</u>
NET POSITION-ENDING	<u>\$ 18,480,167</u>	<u>\$ 14,086,778</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows

Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,597,114	\$ 2,481,307
Cash payments to suppliers for goods and services	<u>(1,897,733)</u>	<u>(1,892,913)</u>
Net cash from operating activities	699,381	588,394
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(233,798)	(301,626)
Payment of principal on bonds	(1,075,000)	(1,030,000)
Interest paid on bonds	(364,359)	(385,856)
Proceeds from NISCO and intergovernmental	<u>4,408,112</u>	<u>4,620,908</u>
Net cash from capital and related financing activities	2,734,955	2,903,426
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>14,929</u>	<u>13,959</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,449,265	3,505,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,251,931</u>	<u>7,746,152</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 14,701,196</u>	<u>\$ 11,251,931</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 375,050</u>	<u>\$ 396,100</u>

See accompanying notes

Continued

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows (Continued)

Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 336,601	\$ 240,095
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	382,044	343,741
(Increase) decrease in accounts receivable	4,100	4,586
(Increase) decrease in prepaid insurance	1,066	439
Increase (decrease) in accounts payable	(14,031)	9,777
Increase (decrease) in interest payable	(10,691)	(10,244)
Increase (decrease) in net pension liability	292	-
Net cash flow from operating activities	<u>\$ 699,381</u>	<u>\$ 588,394</u>

See accompanying notes

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vinton Public Power Authority (VPPA) is a public power authority created pursuant to Article VI, Section 19 of the Louisiana Constitution of 1974, Louisiana Revised Statutes of 1950, as amended, Title 33, Section 4172 and by Ordinance No. 295, adopted by the Mayor and the Board of Aldermen of the Town of Vinton, LA on September 2, 1980. Louisiana Revised Statutes 33:4172 authorizes public power authorities to contract with the municipality creating it or any other public power authority for the sale of electric power for a term not exceeding 40 years on such terms and conditions as may be specified in a written contract which the power authority may negotiate and execute and provides authority for all other contractual arrangements incidental to the sale of such power. Resolutions were approved by the Mayor and Board of Aldermen of the Town of Vinton, LA, acting ex officio as the Board of Directors of VPPA. The Directors receive no compensation for serving on the board. The Authority has no employees and utilizes Town of Vinton, Louisiana employees for any operating and administrative duties through a joint service agreement, to which Vinton Public Power Authority has paid the Town \$226,500 in administrative fees for the year.

1. Reporting Entity

The Authority is a component unit of the Town of Vinton, Louisiana, the financial reporting entity. The Town is financially accountable for the Authority because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the Town, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Basis of Presentation

The accompanying financial statements of the Vinton Public Power Authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the Authority are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Authority come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

3. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2015, the Authority has \$11,449,999 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance, and \$4,715,306 of pledged securities held by the custodial bank in the name of the fiscal agent bank, and \$6,234,693 is unsecured.

4. Accounts Receivable

Of the total accounts receivable of \$254,932, is due from the Town of Vinton, LA, a related party and the Authority's only customer. Due to the nature of this transaction an allowance for bad debts is not recorded.

5. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$14,701,196 which represents unrestricted amounts of \$11,449,004 and restricted amounts of \$3,252,192.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the Authority's Board of Directors for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

7. Net Position

In the financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – 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.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Authority's policy is to first apply the expense toward the restricted resource and then toward the unrestricted resources.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Use of Estimates

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

9. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

10. Subsequent Events

Management has evaluated subsequent events through January 25, 2016 the date the financial statements were available to be issued.

NOTE B – FIXED ASSETS

A summary of changes in fixed assets for the year follows:

	<u>Beginning of year</u>	<u>Net Additions (Deletions)</u>	<u>End of Year</u>
Plant	\$ 17,321,635	\$ 170,556	\$ 17,492,191
Transportation equipment	120,686	-	120,686
Construction in progress	<u>-</u>	<u>63,242</u>	<u>63,242</u>
	17,442,321	<u>\$ 233,798</u>	17,676,119
Less accumulated depreciation	<u>4,132,765</u>		<u>4,514,809</u>
TOTALS	<u>\$ 13,309,556</u>		<u>\$ 13,161,310</u>

Depreciation expense was \$382,044 for the year ended September 30, 2015.

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset, materially extend asset lives or exceed \$2,500 are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE B – FIXED ASSETS - CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant	50 years
Equipment	3-10 years

Major fixed assets additions for the year include a transformer addition at Sam Rayburn Dam.

Construction in progress of \$63,242 at September 30, 2015 represents a new line to Vinton High School. The estimated completion date is August 2016 at a total cost of approximately \$95,000.

NOTE C – LONG-TERM DEBT

A. Debt Outstanding

The following is a summary of debt transactions of the Authority for the year ended September 30, 2015:

Bonds payable, September 30, 2014	\$ 10,405,000
Bonds paid	(1,075,000)
Bonds issued	-
Bonds payable, September 30, 2015	<u>\$ 9,330,000</u>

Debt payable at September 30, 2015 are comprised of the following individual issue:

\$11,805,000 Bonds dated May 1, 2012, due in annual installments of \$1,170,000-\$3,070,000 through October 1, 2021, interest at 1.0-4.5%	\$ 9,330,000
Less currently payable	<u>1,125,000</u>
Total Long-Term Debt	<u>\$ 8,205,000</u>

B. Debt Services Requirements to Maturity

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE C – LONG-TERM DEBT - CONTINUED

The annual requirements, including interest, to amortize all debts outstanding as of September 30, 2015 are as follows:

Year Ending September 30,	
2016	\$ 1,478,050
2017	1,488,400
2018	1,515,100
2019	1,535,500
2020	1,554,300
2021-2022	3,254,200

C. Section 6.11 Compliance

VPPA has complied for the year ended September 30, 2015 with the net revenue requirements of Section 6.11 of the loan agreement. Compliance with section 6.11 of the loan agreement allows VPPA to receive monies accumulated in the "Refund Fund."

With respect to section 6.11 of the loan agreement, net revenues available for debt service for the year ended September 30, 2015 (\$5,791,931) is in excess of the total debt service requirement (\$1,488,305) by at least 1.15 times, actual is 3.89 times.

NOTE D – COMPONENTS OF RESTRICTED NET POSITION

Restricted Assets – Cash at September 30, 2015 is detailed as follows:

Revenue Fund	\$ -
Debt Service Fund	1,307,321
Reserve Fund	1,180,855
Refund Fund	17,179
Operating Reserve Fund	41,847
Renewal & Replacement Fund	254,715
Non-Routine Maintenance Fund	450,275
Total Cash	<u>\$ 3,252,192</u>

Certain proceeds of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue fund" account is used to aggregate resources for power costs and net resources available for debt service. The "debt service fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the debt service fund account, up to a maximum amount of \$1,180,500. The "refund fund" account is used to accumulate excess funds in other restricted asset funds and is

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE D – COMPONENTS OF RESTRICTED NET POSITION-CONTINUED

payable to the Authority once a year. The "operating reserve fund" account is used to accumulate funds for non-routine maintenance, up to a maximum amount of approximately \$39,000. The "renewal and replacement fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements, up to a maximum of \$250,000. The "non-routine maintenance fund" account is used to accumulate funds for payment of extraordinary repairs and maintenance, with a \$50,000 contribution required each year.

The amount of net position restricted for debt service is detailed as follows:

Restricted assets-cash	\$ 3,252,192
Less: Accrued interest, payable from restricted assets	<u>181,155</u>
Net Position Restricted	<u>\$ 3,071,037</u>

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

Previously the Sam Rayburn Municipal Power Authority (SRMPA) provided all of the power requirement to VPPA for VPPA's wholesale load. VPPA, in turn, supplied all of the power requirements of the Town of Vinton, LA. The Town in turn sold the power to the end use customers. The SRMPA, VPPA, and the Town are all independent entities bound together through power supply and sales contracts and have been contractually bound in this manner since 1981. Developments in 2002 made it attractive for VPPA to exit its long-standing contractual relationship with the SRMPA after securing its own financing and power supplies. VPPA continues its relationship as the Town of Vinton, LA's sole power supplier.

VPPA and the SRMPA has fixed its debt load and taken full advantage of expected growth to insure that the rates the Town must charge will be competitive with or below those that would be charged had VPPA remained in the SRMPA, assuming like growth rates and eliminate dependence on the SRMPA board. In addition, VPPA simultaneously transferred its interest in the Nelson Unit No. 6 project to Entergy Power, Inc. (EPI), which was originally obtained from SRMPA on December 18, 1992.

Under a Power Sales Contract, dated as of July 1, 2002, VPPA agrees to sell, and the Town agrees to buy on a "take or pay" basis, all power and energy which the Town shall require for its electric system. VPPA however, shall not be required to supply and the Town shall not be required to purchase power and energy in excess of the maximum power available to VPPA pursuant to the Exit Agreement. Under the Power Sales Contract, the Town agrees to take its all requirements power supply from VPPA and to pay for such supply as an operating expense.

The Town covenants in its Power Sales Contract with VPPA that the Town will establish and collect rates and charges for the electric services sufficient with other revenues and reserves

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS - CONTINUED

to meet all of the obligations of the Town, including all amounts payable to VPPA under the Power Sales Contract, all operation and maintenance expenses, and debt service on any related revenue bonds.

VPPA has accepted an assignment from SRMPA of certain rights and benefits in, and assumed a payment obligation under, the Requirements Power Supply Agreement ("RPSA"), dated November 1, 1998, as amended by Amendment No. 1, dated November 1, 1998, between Entergy Power Marketing Corp. ("EPMC", now merged into Entergy-Kock Trading LP or "EKT"), and SRMPA as assigned without novation by EPMC to EWO Marketing LP ("EWOM"). VPPA will thereafter purchase all its requirements power supply, net of certain hydroelectric power resources, under the RPSA. The term of the RPSA expires September 30, 2021. SRMPA will likewise also assign to VPPA certain rights and benefits with respect to the R.D. Willis Hydro Project. VPPA will retain an entitlement to the output of the Sam Rayburn Dam Project.

NOTE F – CONCENTRATIONS

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer. VPPA has only one retail customer assigned from Entergy Gulf States, Inc. (EGSI).

NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD

VPPA together with SRMPA developed a separate wholesale power enterprise (Cambridge Project) which became effective on December 1, 2011. The Cambridge Project utilized VPPA's historical Nelson Industrial Steam Company (NISCO) Project as a basis for its development by adding loan and wholesale power supplies made with Entergy operating companies to create an expanded project which included SRMPA. As with the NISCO Project, the Cambridge Project is distinct and separate from VPPA's primary wholesale power supply obligation serving the Town of Vinton, LA. after the Requirements Power Supply Agreement (RPSA) expires in 2021.

In the original NISCO Project agreement for the assignment of retail load between Entergy Gulf States Louisiana LLC (EGSL) and VPPA, EGSL assigned the rights to serve certain retail industrial load to VPPA. VPPA agreed to take assignment from WSGE of the purchase and delivery of the electrical output from the NISCO generation facilities for service to the assigned load. The original NISCO Project agreement was finalized on May 25, 2001 and was suspended and replaced as of October 1, 2011 under the Cambridge Project agreement and will end on December 31, 2035. This Long Term Retail Assignment agreement is subject to review and action by the Louisiana Public Service Commission.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD - CONTINUED

The additional power supply resources to the Cambridge Project include generation from third parties and power supply purchases from EGSL and EWOM. The Cambridge Project loads include the assignment of industrial load from EGSL to VPPA and the new wholesale load requirements to Entergy Texas Inc. (ETI). The Cambridge Project supplements the existing VPPA system under the RPSA. EGSL coordinates and delivers energy and VPPA will purchase energy sufficient to fulfill those contracts assigned to VPPA by EGSL. The loads include three retail industrial loads as with the NISCO Project; two large oil refineries and a chemical company (also known as the Industrial Participants or IP's) plus the wholesale power supply load requirement serving ETI.

Under the Supplemental RPSA (SRPSA) agreement with EWOM, VPPA replaced the right to increase purchases for load growth at a maximum 3% annual rate for a 2% annual growth rate, which is more in line with anticipated growth rates. The SRPSA only serves VPPA municipal loads in excess of 2% annual cumulative load growth through September 30, 2021 and the full load, net of hydro, after September 30, 2021 through 2035. Should any of the Cambridge Project contractual arrangements be terminated, the Cambridge contracts would terminate and the VPPA system reverts to their original condition with wholesale energy provided under the RPSA for VPPA to serve the Town of Vinton, LA.

The profit potential from the Cambridge Project provides for the opportunity to reduce long-term power supply costs, build reserves and for the potential distribution of funds to the Town of Vinton, LA. VPPA receives a load ration share (9.39%) of the Cambridge Project's net revenues available for distribution. In addition, the terms of the project's agreements specify that VPPA will retain one-third of a certain fee amount from the Jasper/Vinton Settlement Trust. The total net payments for the year ended September 30, 2015 were \$4,269,844. In accordance with an agreement between SRMPA and VPPA, \$1.5 million of net revenues from the Cambridge Project will be placed in operating reserves (based on load ration shares) for the first 5 years of operation to be maintained through the life of the contracts; however, this agreement is subject to change by mutual consent of the two parties.

NOTE H - PENSION PLAN

Employees of the Vinton Public Power Authority are members of the Municipal Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plans administered by a separate boards of trustees. Pertinent information relative to the plan follows:

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality 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 municipality funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. 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. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the VPPA is required to contribute at an actuarially determined rate. The current rate is 19.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the VPPA are established and may be amended by state statute. As provided by R. S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The VPPA contributions to the System under Plan A for the year ending September 30, 2015 was \$283.

At September 30, 2015, Vinton Public Power Authority reported a liability of \$2,997 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. VPPA's proportion of the net

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

pension liability was based on a projection of the VPPA's long-term share of contributions to their pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, VPPA's proportion was .0008418%.

For the year ended September 30, 2015, VPPA recognized pension expense (benefit) of \$292 including employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$18. At September 30, 2015, the VPPA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 124
Difference between expected and actual investment	382	-
Difference between expected and actual assumptions	251	-
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	37	18
Contributions subsequent to the measurement date	283	-
Total	\$ 953	\$ 142

\$283 reported as deferred outflows of resources related to pensions resulting from VPPA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Amount
2016	\$ 176
2017	176
2018	176
2019	-
2020	-
Thereafter	-

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

Actuarial methods and assumption. 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 on net pension liability of the System's employers as of June 30, 2015 are as follows:

Total Pension Liability	\$	1,056,200,030
Plan Fiduciary Net Pension		698,984,365
Total Net Pension Liability	\$	<u>357,215,665</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015 are as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5% (Net of investment expense)
Expected Remaining Service Lives	3 years
Projected Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Cost-of-living adjustment	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Tables for active members RP-2000 Health Annuitant Tables for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

The discount rate used to measure the total pension liability was 7.5%. 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 and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems'

Actuarial Committee. Based on those assumptions, the System's fiduciary net position 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 to changes in discount rate. The following presents the net pension liability of the System calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate.

	Changes in Discount Rate 2015		
	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability (Asset)	\$ 2,186,219	\$ 1,670,533	\$ 1,231,162

NOTE I – PRIOR PERIOD ADJUSTMENT

The beginning net position has been restated to reflect the following adjustments for the implementation of GASB 68:

	Total
Net position at September 30, 2014	\$ 14,086,778
Net Pension Liability	(2,997)
Fiscal year 2014 contributions to retirement system	1,103
Net position at September 30, 2014, restated	\$ 14,084,884

REQUIRED SUPPLEMENTAL INFORMATION

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenditures and Changes in
Net Position - Budget and Actual

Year Ended September 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 2,700,000	\$ 2,593,014	\$ (106,986)
OPERATING EXPENSES			
Advertising	480	445	35
Depreciation	360,000	382,044	(22,044)
Dues	4,500	4,370	130
Insurance	59,500	52,159	7,341
Miscellaneous	2,100	2,448	(348)
Power cost	1,337,400	1,223,935	113,465
Professional fees	188,775	479,425	(290,650)
Repairs and maintenance	144,000	72,628	71,372
Secretarial	27,000	27,000	-
Telephone	10,000	10,993	(993)
Travel	9,000	966	8,034
TOTAL OPERATING EXPENSES	<u>2,142,755</u>	<u>2,256,413</u>	<u>(113,658)</u>
OPERATING INCOME	<u>557,245</u>	<u>336,601</u>	<u>(220,644)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	12,241	14,929	2,688
NISCO revenue	900,000	4,269,844	3,369,844
Intergovernmental - SRG&T	32,400	35,444	3,044
Other income	-	102,824	102,824
Interest expense	(364,300)	(364,359)	(59)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>580,341</u>	<u>4,058,682</u>	<u>3,478,341</u>
CHANGES IN NET POSITION	1,137,586	4,395,283	3,257,697
NET POSITION-BEGINNING	<u>14,084,884</u>	<u>14,084,884</u>	<u>-</u>
NET POSITION-ENDING	<u>\$ 15,222,470</u>	<u>\$ 18,480,167</u>	<u>\$ 3,257,697</u>

OTHER INFORMATION

VINTON PUBLIC POWER AUTHORITY

Schedule of Compensation, Benefits and Other Payments
To Chief Executive Officer

Year Ended September 30, 2015

Chief Executive Officer: Kenneth Stinson, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
JULIA W. PORTUS, C.P.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BRANEFF, C.P.A.
BRIAN MCCAIN, C.P.A.

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

January 25, 2016

Board of Directors
Vinton Public Power Authority
Vinton, 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 Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Vinton Public Power Authority's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vinton Public Power Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances of the Vinton Public Power Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vinton Public Power Authority's internal control.

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

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

Board of Directors
Vinton Public Power Authority
January 25, 2016
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vinton Public Power Authority's financial statements are free of 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses.

Vinton Public Power Authority's Response to Findings

Vinton Public Power Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Vinton Public Power Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Gragson, Casiday & Guillory

VINTON PUBLIC POWER AUTHORITY

Schedule of Findings and Responses

Year Ended September 30, 2015

Finding 2015-02:

Condition: Inadequate budgeting procedures resulted in expenditures being over budget by 5% or more

Criteria: Inadequate budgeting procedures

Effect: Violation of Louisiana Revised Statute 39:1310

Cause: Administrative lack of oversight.

Recommendation: The Authority should review actual revenues and expenditures on an interim basis and amend the budget if necessary.

Corrective Action Planned/Management Response: The Authority agrees with the finding and will implement the recommendations.

3. Findings and Questioned Costs for Federal Awards
N/A
4. Prior Year Findings
None