

**WATER AND SEWER
COMMISSION NO. 1 OF THE
PARISH OF ST. MARY,
STATE OF LOUISIANA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water and Sewer Commission No. 1
of the Parish of St. Mary, State of Louisiana
Amelia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana ("Commission"), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this 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 respective financial position of the business-type activities of the Commission, as of December 31, 2018, 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of number of utility customers, schedule of insurance policies in force, and schedule of compensation, benefits and other payments to the board of commissioners are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to the board of commissioners 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 the board of commissioners is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of number of utility customers and schedule of insurance policies in force have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019, on our consideration of the Commission'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 11, 2019

BASIC FINANCIAL STATEMENTS

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
December 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,097,518
Investments	136,874
Receivables:	
Accounts	81,465
Ad valorem taxes	928,554
Inventories	69,516
Prepaid expenses	<u>25,444</u>
Total current assets	6,339,371
Noncurrent assets:	
Restricted assets:	
Customer deposits	83,261
Capital assets:	
Nondepreciable	372,758
Depreciable, net of accumulated depreciation	<u>4,779,633</u>
Total capital assets	<u>5,152,391</u>
Total assets	<u>\$ 11,575,023</u>

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
December 31, 2018

LIABILITIES

Current liabilities:

Accounts payable - trade	\$ 57,711
Accrued payroll and payroll taxes	93,769
Due to St. Mary Parish Council	<u>36,355</u>
Total current liabilities	187,835
Current liabilities payable from restricted assets -	
Customers' meter deposits	<u>83,261</u>
Total liabilities	271,096

NET POSITION

Net investment in capital assets	5,152,391
Restricted for maintenance	4,523,175
Unrestricted	<u>1,628,361</u>
Total net position	<u>11,303,927</u>

Total liabilities and net position \$ 11,575,023

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

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended December 31, 2018

Operating revenues:	
Water sales	\$ 436,438
Sewer fees	288,927
Delinquent charges	12,591
Reconnect charges	4,440
Transfer fees	3,200
Garbage collection commissions	6,786
Miscellaneous	<u>21,276</u>
Total operating revenues	773,658
Operating expenses:	
Salaries and payroll taxes	386,675
Installation and repair of lines, hydrants, pumps and meters	61,451
Plant maintenance	110,428
Sewer maintenance	39,490
Field maintenance	16,136
Repairs and maintenance of buildings and towers	4,674
Depreciation	336,811
Commissioners' fees	3,360
Utilities	77,051
Insurance	77,288
Miscellaneous	15,639
Employee medical insurance	117,394
Postage	5,698
Professional services	14,798
Contract labor	11,496
Printing and office supplies	7,770
Telephone	11,709
Vehicle	15,403
Parish pension deduction	31,490
Pension expense	28,650
Chemicals	150,695
Plant supplies	19,292
Pond testing fees	26,100
Permit fees	<u>2,271</u>
Total operating expenses	<u>1,571,769</u>
Operating loss	(798,111)
Nonoperating revenues:	
Ad valorem taxes	998,208
Interest	<u>9,171</u>
Total nonoperating revenues	<u>1,007,379</u>
Change in net position	209,268
Net position, beginning	<u>11,094,659</u>
Net position, ending	<u>\$11,303,927</u>

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

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows
Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 767,160
Payments to suppliers for goods and services	(874,860)
Payments to employees	<u>(386,350)</u>
Net cash used by operating activities	(494,050)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	<u>900,167</u>
Net cash provided by noncapital financing activities	900,167
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(384,187)</u>
Net cash used by capital and related financing activities	(384,187)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(2,591)
Interest received	<u>9,171</u>
Net cash provided by investing activities	<u>6,580</u>
Net increase in cash and cash equivalents	28,510
Cash and cash equivalents - January 1, 2018	<u>5,152,269</u>
Cash and cash equivalents - December 31, 2018	<u>\$ 5,180,779</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (798,111)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	336,811
Increase in accounts receivable	(8,377)
Decrease in prepaid expenses	7,527
Decrease in accounts payable	(34,104)
Increase in payroll related liabilities	325
Increase in due to other governments	299
Increase in customers' meter deposits	<u>1,580</u>
Total adjustments	<u>304,061</u>
Net cash used by operating activities	<u>\$ (494,050)</u>
Reconciliation of total cash:	
Current assets - cash	\$ 5,097,518
Restricted assets - cash	<u>83,261</u>
Total cash	<u>\$ 5,180,779</u>

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

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

INTRODUCTION

Pursuant to Ordinance No. 1281 adopted by the St. Mary Parish Council on October 27, 1995, the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission) was created on January 24, 1996 to provide water and sewerage services to the customers of the former Waterworks District No. 3 of the Parish of St. Mary, State of Louisiana, the former Sewerage District No. 4 of the Parish of St. Mary, State of Louisiana, and that area of Sewerage District No. 1 of the Parish of St. Mary, State of Louisiana, outside the corporate limits of Morgan City, Louisiana. Effective July 1, 1996, the operations of Waterworks District No. 3 and Sewerage District No. 4 were incorporated into the Commission Sewerage District No. 1 of the Parish of St. Mary merged into Commission in October 1999. The Commission is a component unit of the Parish of St. Mary. The Commission is an integral part of the Parish of St. Mary for financial reporting purposes. The more significant of the Commission's accounting policies are described below.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of certain significant policies:

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.
 - a. The ability of the reporting entity to impose its will on the organization.
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 14, the Commission is a component unit of the St. Mary Parish Council, the reporting entity (the Oversight Unit). The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the St. Mary Parish Council.

Fund Accounting

The accounts of the Commission are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Fund 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.

The proprietary fund is accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 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 principal operating revenues of the Commission are water and sewer user fees. The operating cost of the proprietary fund is all costs associated with the operation of the water and sewer distribution system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Resources

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

Inventories

Proprietary fund inventories consist of chemicals and parts. Inventory is valued at lower of cost or market using the first-in, first-out method (FIFO).

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$2,000 or more for furniture and \$5,000 or more for equipment are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair market value as of the date received. The costs of maintenance and repairs are expensed as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 10 years
Improvements other than building	25 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with maturity of three months or less when purchased.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Under state law, the Commission may deposit funds within a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in the United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. All of the Commission's investments are in LAMP, which are stated at amortized cost.

Ad Valorem Tax

The Commission levies an ad valorem tax based on property values determined by the Parish Tax Assessor's Office. The levy is effective and becomes an enforceable lien on the property upon mailing of the tax bills to property owners (usually between November 1 and November 15). Tax payment is due by December 31 and becomes delinquent on January 1 at which time interest begins to accrue. The taxes are billed and collected by the St. Mary Parish Sheriff's Office. The Commission is a proprietary fund and recognizes the taxes as non-operating revenues in the year in which they are levied.

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 2018 are considered to be collectible.

Equity Classifications

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of 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 items 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.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the Commission.

Use of Estimates

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

Vacation and Sick Leave

Vacation and sick leave are accrued as an expense of the period in which incurred. Accrued vacation pay and sick leave for the year ended December 31, 2018 was \$79,461.

Subsequent Events

The Commission has evaluated subsequent events through June 11, 2019, the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the Commission's cash and interest-bearing deposits with financial institutions at December 31, 2018 totaled \$5,180,779 and the bank balance was \$5,183,422. Federal deposit insurance covered \$250,225 of the deposits while the remaining deposits were covered by collateral held by the pledging bank's agent in the amount of \$5,808,351. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 INVESTMENTS

Investments held at December 31, 2018 consist of \$136,874 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit risk – LAMP is rated AAAM by Standard & Poor’s.

Custodial credit risk – LAMP participants’ investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity’s investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk – Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk – LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP’s total investments is 76 days as of December 31, 2018.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 3 INVESTMENTS (CONTINUED)

Foreign currency risk – Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE 4 AD VALOREM TAXES

For the year ended December 31, 2018, the Commission levied taxes of 9.99 mills for maintenance and operation on property within the Commission's boundaries. The total assessed valuation on these properties was \$100,223,468 and total taxes levied were \$1,001,232. Taxes receivable at December 31, 2018 were \$928,554.

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WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance <u>12/31/2017</u>	Additions	Deletions	Balance <u>12/31/2018</u>
Capital assets not being depreciated:				
Land and improvements	\$ 205,726	\$ -	\$ -	\$ 205,726
Construction in progress	<u>17,220</u>	<u>155,062</u>	<u>(5,250)</u>	<u>167,032</u>
Total capital assets not being depreciated	<u>222,946</u>	<u>155,062</u>	<u>(5,250)</u>	<u>372,758</u>
Capital assets being depreciated:				
Building and improvements	4,143,216	24,070	-	4,167,286
Equipment and furniture	588,728	22,458	-	611,186
Improvements other than buildings	<u>12,127,586</u>	<u>187,847</u>	<u>-</u>	<u>12,315,433</u>
Total capital assets being depreciated	<u>16,859,530</u>	<u>234,375</u>	<u>-</u>	<u>17,093,905</u>
Less accumulated depreciation for:				
Building and improvements	(2,620,616)	(85,151)		(2,705,767)
Equipment and furniture	(346,765)	(46,650)	-	(393,415)
Improvements other than buildings	<u>(9,010,080)</u>	<u>(205,010)</u>	<u>-</u>	<u>(9,215,090)</u>
Total accumulated depreciation	<u>(11,977,461)</u>	<u>(336,811)</u>	<u>-</u>	<u>(12,314,272)</u>
Capital assets being depreciated, net	<u>4,882,069</u>	<u>(102,436)</u>	<u>-</u>	<u>4,779,633</u>
Capital assets, net	<u>\$ 5,105,015</u>	<u>\$ 52,626</u>	<u>\$ (5,250)</u>	<u>\$ 5,152,391</u>

Depreciation charged to expense was \$336,811 for the year ended December 31, 2018.

NOTE 6 RESTRICTED ASSETS

The Commission's restricted assets consisted of the following at December 31, 2018:

Customers' meter deposits

Cash	<u>\$ 83,261</u>
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WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 7 EMPLOYEE RETIREMENT PLAN

Federal regulations require that all state and local government employees not covered by the Federal Insurance Contributions Act be covered by some alternate retirement plan after June 30, 1991. The Commission chose to establish a simplified employee-retirement plan (SEP) whereby the Commission deposits an amount equal to 7.50% of total wages. Under a SEP, an individual retirement account (IRA) is set up for each participating employee and contributions are made directly into that IRA.

All employees 18 years of age or older are immediately covered and fully vested under the plan.

Total pension expense recorded by the Commission for contributions to the retirement plan for the years ended December 31, 2018, 2017, and 2016 was \$28,650, \$28,489, and \$27,961, respectively.

NOTE 8 NET POSITION RESTRICTED FOR OPERATIONS AND MAINTENANCE

A portion of net position has been restricted for future operations and maintenance of the Commission. The restricted amount at December 31, 2018 was \$4,523,175.

NOTE 9 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions or limits during the year ended December 31, 2018. Settled claims have not exceeded the commercial coverage in any of the previous five fiscal years.

NOTE 10 CONTINGENCIES

The Commission operates a sewerage collection and transport system, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of management, all applicable regulations have received full compliance. However, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

OTHER SUPPLEMENTARY INFORMATION

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2018 and 2017

Records maintained by the Commission indicated the following number of water customers were being served during the month of December:

2018	1,126
2017	1,127

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Insurance Policies in Force
(Unaudited)
December 31, 2018

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
Property and office building	April 30, 2019	\$6,051,921
General liability coverage:		
General aggregate	April 30, 2019	3,000,000
Products aggregate	April 30, 2019	3,000,000
Personal and advertising injury	April 30, 2019	1,000,000
Each occurrence	April 30, 2019	1,000,000
Damage to rented premises	April 30, 2019	1,000,000
Medical expenses	April 30, 2019	10,000
Cyber liability and privacy crisis	April 30, 2019	1,050,000
Business auto		
Commercial auto	April 30, 2019	1,000,000
Uninsured motorists	April 30, 2019	100,000
Underinsured motorists	April 30, 2019	100,000
Crime	April 30, 2019	10,000
Umbrella		
Each occurrence	April 30, 2019	2,000,000

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Compensation, Benefits and Other Payments to the Board of Commissioners
Year Ended December 31, 2018

	Number of Meetings Attended	Total Compensation
Roland H. Verret, President	12	\$ 720
Donald Patureau, Vice President	12	720
Alvin Wilkerson, Commissioner	8	480
Kenneth Mire, Commissioner	10	600
Leroy Trim, Commissioner	12	720
Oscar Toups, Commissioner	2	120
		\$ 3,360

Act 706 of the 2014 Louisiana Legislative Session amended R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's president. For the year ended December 31, 2018, the Commission's president, Roland H. Verret, received \$720 in per diem payments.

**INTERNAL CONTROL
AND
COMPLIANCE**



OTHER LOCATIONS:

Lafayette Eunice Abbeville

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

To the Board of Commissioners
Water and Sewer Commission No. 1
of the Parish of St. Mary, State of Louisiana
Amelia, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana ("Commission"), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 11, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Commission's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission'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 Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 11, 2019

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended December 31, 2018

Section I Internal Control and Compliance Material to the Financial Statements

2017-001 Inadequate Segregation of Accounting Functions

Condition: Due to the small number of accounting personnel, the St. Mary Parish Water and Sewer Commission No. 1 did not have adequate segregation of functions within the accounting system.

Recommendation: Based upon the size of the operation and the cost-benefit consideration of additional personnel, it may not be feasible to achieve complete segregation of duties.

Status: This finding is unresolved. See current year finding 2018-001.

Section II Internal Control and Compliance Material to Federal Awards

At December 31, 2017, Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

Section III Management Letter

A management letter was not issued for the year ended December 31, 2017.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses
Year Ended December 31, 2018

Part 1: Summary of Auditor's Reports

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana's financial statements as of and for the year ended December 31, 2018.

Deficiencies in Internal Control – Financial Reporting

One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2018-001 in Part 2. Item 2018-001 is considered to be a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2018.

MANAGEMENT LETTER

A management letter was not issued for the year ended December 31, 2018.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2018-001 Inadequate Segregation of Accounting Functions

Criteria: Best practices for internal controls over accounting functions require that adequate segregation of accounting functions be maintained.

Condition: Due to the small number of accounting personnel, the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not have adequate segregation of functions within the accounting system.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal control led to this condition.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses
Year Ended December 31, 2018

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*
(continued)

Effect: The likelihood that a material misstatement will not be prevented or detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

Recommendation: An analysis of the benefits that would be obtained by adequately segregating functions within the accounting system and the costs to employ additional individuals to achieve adequate segregation should be performed.

Views of Responsible Officials and Planned Corrective Actions: This information is reported in a separate schedule titled "Management's Corrective Action Plan for Current Year Findings".

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 2018, Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore this section is not applicable.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 2018

Response to Finding 2018-001:

Management is aware of the condition and has determined that based upon the size of the Commission and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Name and Title of Contact Person: Roland H. Verret, President



OTHER LOCATIONS:

Lafayette Eunice Abbeville

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the St. Mary Parish Water and Sewer Commission No. 1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the St. Mary Parish Water and Sewer Commission No. 1 (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, 2018 through December 31, 2018. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Written policies and procedures were obtained and address the functions noted above.

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.

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

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

Not applicable, the entity has no outstanding debt.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The minutes for the entity did not contain monthly budget-to-actual comparisons on the general fund.

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

Not applicable.

Bank Reconciliations

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

Obtained listing of bank accounts from management and management's representation that the listing is complete.

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

No exceptions noted.

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

Bank reconciliations include no evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections

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

Obtained listing of deposit sites and management's representation that the listing is complete.

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

Obtained listing of collection locations from management and management's representation that the listing is complete.

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

Employees responsible for cash collections share the same drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employees responsible for collecting cash are also responsible for preparing/making bank deposits.

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

Employees responsible for collecting cash are also responsible for posting collection entries to the general ledger.

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

Employees responsible for reconciling cash collections to the general ledger are also responsible for collecting cash.

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

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Receipts are not sequentially pre-numbered.

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

No exceptions noted.

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

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

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

No exceptions noted.

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

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

Listing of locations that process payments and management's representation that the listing is complete was obtained.

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

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

No exceptions noted.

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

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Employee responsible for processing payments also adds/modifies vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Employee who mails payments is also responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

No exceptions noted.

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

See exceptions for 9c and 9d above. No other exceptions noted.

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

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

Listing of active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintained possession of the cards, and management's representation that the listing is complete was obtained.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

One monthly statement was reviewed and approved by the cardholder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

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

No exceptions noted.

Travel and Travel-Related Expense Reimbursement

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

Listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete was obtained.

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

No exceptions noted.

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

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

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

Reimbursements were not approved in writing by someone other than the person receiving the reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

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

Not applicable.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

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

Not applicable.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

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

Listing of employees and management's representation that the listing is complete was obtained. Authorized salaries/pay rates traced to personnel files without exception.

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

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

leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

941 payments for Q2 and Q3 of 2018 were paid monthly (as in past) vs. semi-weekly as required, resulting in the assessment of penalties.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

Debt Service

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

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants,

obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

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

No misappropriations of public funds and assets noted.

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

No exceptions noted.

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

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.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 14, 2019

ST. MARY PARISH WATER & SEWER COMMISSION #1

POST OFFICE BOX 309
AMELIA, LOUISIANA 70340-0309

PHONE 985-631-2907 · FAX 985-631-2902

Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

Finance Committee

2. b) Management plans to document a budget to actual comparison at each monthly meeting in the 2019 fiscal year.

Bank Reconciliations

3. b) Management plans to document its review of the monthly reconciliations in the 2019 fiscal year.

Collections

5. a) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
5. b) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
5. c) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
5. d) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
7. a) Management plans to initiate the use of sequentially numbered receipts in the 2019 fiscal year.

Disbursements – General

9. c) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
9. d) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

10. b) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

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

12. a) Credit card policies and procedures including approval and review of monthly statements by someone other than the authorized card holder will be reviewed and enforced for compliance.

Travel and Expense Reimbursement

14. d) Travel and expense reimbursement policies and procedures including review and approval, in writing, of reimbursements by someone other than the receiving employee will be reviewed and enforced for compliance.

Payroll and Personnel

19. Management believes this to be an unintentional error in oversight.