

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2

Annual Component Unit Financial Statements
With Independent Auditors' Report

and

Report on Internal Control Over Financial Reporting
and Compliance and Other Matters

For the Years Ended September 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Mary Parish Water and Sewer
Commission No. 2
Bayou Vista, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of St. Mary Parish Water and Sewer Commission No. 2 (Commission), a component unit of St. Mary Parish, as of and for the years ended September 30, 2017 and 2016, and the related notes to these 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.

Auditors' 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 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 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 and the major fund of the Commission, as of September 30, 2017 and 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

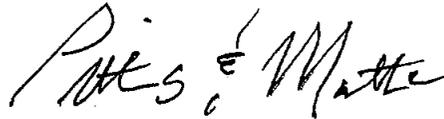
The Commission has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedules and statistical data listed in the table of contents as Other Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, has 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 March 20, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and on compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
March 20, 2018

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana

Comparative Statement of Net Position
Water and Sewer Enterprise Fund
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 865,295	\$ 555,957
Investments	1,291,107	1,283,137
Accounts receivable	155,625	152,257
Inventory	126,910	119,757
Prepaid expenses	16,097	8,384
Total current assets	<u>2,455,034</u>	<u>2,119,492</u>
RESTRICTED ASSETS (cash and investments):		
General obligation bond debt service cash	39,227	43,075
General obligation bond debt service investments	16,167	16,033
Customer meter deposits cash	48,216	49,524
Customer meter deposits investments	163,315	162,439
Total restricted assets	<u>266,925</u>	<u>271,071</u>
NONCURRENT ASSETS:		
Property, plant and equipment (net of accumulated depreciation)	5,000,387	5,181,123
Investment in Berwick-Bayou Vista Joint Waterworks Commission	<u>670,394</u>	<u>710,031</u>
Total noncurrent assets	<u>5,670,781</u>	<u>5,891,154</u>
TOTAL ASSETS	<u><u>\$ 8,392,740</u></u>	<u><u>\$ 8,281,717</u></u>

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 59,116	\$ 30,039
Contracts payable	26,519	-
Due to other governmental units	139,393	134,001
CURRENT LIABILITIES (payable from restricted assets):		
Bonds due within one year	90,000	85,000
Accrued interest on bonds	585	1,065
Customer meter deposits	<u>208,307</u>	<u>209,951</u>
Total current liabilities	523,920	460,056
LONG-TERM DEBT		
Bonds due after one year	<u>195,000</u>	<u>285,000</u>
Total liabilities	<u>718,920</u>	<u>745,056</u>
NET POSITION		
Net investment in capital assets	4,715,387	4,811,123
Restricted for:		
Debt service	54,809	58,043
Unrestricted	<u>2,903,624</u>	<u>2,667,495</u>
Total net position	<u>7,673,820</u>	<u>7,536,661</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,392,740</u>	<u>\$ 8,281,717</u>

St. Mary Parish Water and Sewer Commission No. 2

State of Louisiana

Comparative Statement of Revenues, Expenses and Changes in Net Position

Water and Sewer Enterprise Fund

Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for water service	\$ 488,318	\$ 510,357
Charges for sewer service	425,860	438,457
Delinquent charges	21,388	21,023
Meter installation, reconnects, permits, etc.	18,331	16,955
Garbage collection fees	<u>12,938</u>	<u>13,677</u>
TOTAL OPERATING REVENUES	<u>966,835</u>	<u>1,000,469</u>
OPERATING EXPENSES		
Direct operating costs		
Cost of water purchases	313,407	292,406
Sewerage treatment fees	260,325	274,575
Repair and maintenance – water system	165,362	155,940
Repair and maintenance – sewerage system	107,860	159,885
Personal services		
Clerical salaries	67,199	65,603
Other salaries	143,297	98,643
Board meetings	14,050	13,400
Retirement contributions	27,104	20,533
Health insurance	38,809	31,032
Worker's compensation	7,360	-
Operating services		
Insurance	20,855	21,845
Accounting fees	22,581	25,528
Engineering fees	2,680	4,349
Computer consulting	2,039	2,740
Utilities and telephone	30,724	29,363
Vehicle expense	6,633	6,817
Legal fees	40	283
Materials and supplies		
Office expense	6,431	4,085
Postage	7,052	7,067
Advertising	1,938	1,777
Miscellaneous	15,361	9,857
Depreciation		
Water System	166,298	163,707
Sewer System	<u>179,661</u>	<u>170,225</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,607,066</u>	<u>\$ 1,559,660</u>

	<u>2017</u>	<u>2016</u>
INCOME (LOSS) FROM OPERATIONS	\$ (640,231)	\$ (559,191)
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem taxes		
Operations and maintenance	737,581	735,034
Debt service	91,162	90,847
Interest income	10,846	6,275
Gain on disposition of fixed assets	7,810	-
Parish grant	20,157	-
Interest expense	<u>(8,339)</u>	<u>(10,576)</u>
TOTAL NON-OPERATING REVENUE	<u>859,217</u>	<u>821,580</u>
INCOME BEFORE CONTRIBUTIONS	218,986	262,389
Contributions, intergovernmental		
Berwick-Bayou Vista Joint Water Works	<u>(81,827)</u>	<u>(71,598)</u>
CHANGE IN NET POSITION	137,159	190,791
NET POSITION :		
NET POSITION - BEGINNING OF YEAR	<u>7,536,661</u>	<u>7,345,870</u>
NET POSITION - END OF YEAR	<u>\$ 7,673,820</u>	<u>\$ 7,536,661</u>

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Cash Flows - Water and Sewer Enterprise Fund
Years Ended September 30, 2017 and 2016

Increase (Decrease) in Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 963,467	\$ 1,006,160
Paid to suppliers and employees	<u>(1,195,434)</u>	<u>(1,217,098)</u>
Net cash provided (used) by operating activities	<u>(231,967)</u>	<u>(210,938)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	737,581	735,034
Cash from meter deposits	(1,644)	2,190
Advanced from other government units	5,392	(12,290)
Payment to Berwick-Bayou Vista Joint Water Works	(81,827)	(71,598)
Parish Grant	<u>20,157</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>679,659</u>	<u>653,336</u>
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Ad valorem taxes	91,162	90,847
Principal paid on bond	(85,000)	(80,000)
Interest paid on bond	(8,819)	(10,576)
Acquisition and construction of capital assets	(150,529)	(394,671)
Gain on disposition of assets	<u>7,810</u>	<u>-</u>
Net cash (used) by capital and related activities	<u>(145,376)</u>	<u>(394,400)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (Purchases) of investment securities	(8,980)	(5,643)
Interest income	<u>10,846</u>	<u>6,275</u>
Net cash provided by investing activities	<u>1,866</u>	<u>632</u>
Net increase (decrease) in cash and cash equivalents	304,182	48,630
Cash and cash equivalents at beginning of period	<u>648,556</u>	<u>599,926</u>
Cash and cash equivalents at end of period	<u>\$ 952,738</u>	<u>\$ 648,556</u>

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (640,231)	\$ (559,191)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	331,265	327,507
(Increase) decrease in accounts receivable	(3,368)	5,693
(Increase) decrease in inventory	(7,153)	(10,365)
Increase (decrease) in payable and accrued expenses	29,077	(3,782)
Increase (decrease) in contract payable	26,519	-
(Increase) decrease in prepaid expenses	(7,713)	-
(Increase) decrease in investment in Berwick-Bayou Vista Joint Waterworks	<u>39,637</u>	<u>29,200</u>
Net cash provided by (used in) operating activities	<u>\$ (231,967)</u>	<u>\$ (210,938)</u>

Cash and cash equivalents are presented on the Comparative Statement of Net Position as follows:

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 865,295	\$ 555,957
Restricted Assets:		
General obligation bond debt service cash	39,227	43,075
Customer meter deposits cash	<u>48,216</u>	<u>49,524</u>
Total cash and cash equivalents	<u>\$ 952,738</u>	<u>\$ 648,556</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA
Notes to Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On October 27, 2000, the St. Mary Parish Council adopted Ordinance No. 1474 which created "St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana (the Commission) which is a political subdivision of the Parish of St. Mary and the state of Louisiana, with authority to plan, finance, construct, acquire, improve, operate and maintain water, sewer and sewerage disposal improvements within its designated boundaries. The Commission was created, by combining the former Waterworks District No. 2 and Sewerage District No. 2.

The accounting and reporting practices of the Commission conform to generally accepted accounting principles (GAAP) as applicable to governmental units. 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 the significant accounting policies used in preparing the financial statements:

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the Commission is a component unit and integral part of the St. Mary parish Council (the primary government).

These financial statements include only the operations of the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

The financial statements of the Commission are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Commission has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Enterprise Fund

An Enterprise Fund is used to account for the Commission's operations which are *financed and operated in a manner similar to private business enterprises* where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Revenues

The following is a summary of the Commission's recognition policies for its major revenue sources:

Charges for water service come from metered sales to residential, industrial and municipal customers. Charges for sewerage service are based upon gallons of water used by customers. Revenues for water and sewer services are recognized in the month when the water is used by the customers.

Ad valorem taxes (which is based upon homesteads in the Parish) are recorded in the year the taxes are assessed and collected.

Investment earnings are recorded when earned.

Substantially all other revenues are recorded when they are earned by the Commission.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deferred Outflows and Inflows of Resources

In prior years, the Commission implemented the provision of various GASB statements related to deferred inflows and deferred outflows of resources. The Commission has evaluated its transactions with the requirements of these pronouncements, related to deferred items, and determined that there are no transactions that presently meet the requirements of these statements. Therefore as of September 30, 2016 and 2017, the Commission is not presenting any Deferred Outflows or Inflows in its financial statements.

E. Expenses

Expenses are recognized under the accrual basis of accounting where liabilities are recorded at the time expenses are incurred.

F. Budgets and Budgetary Accounting

The St. Mary Parish Water and Sewer Commission No. 2 follows these procedures in establishing administrative budgetary accounting:

- a. An administrative budget is employed as a management planning and control device during the year for the Proprietary Fund. The forecasted budget is prepared on a basis consistent with GAAP.
- b. These financial statements do not present budget and actual comparisons of the administrative budget because it is not a legally adopted budget.

G. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include bank deposits and/or certificates of deposit with original maturates of less than three months.

Investments

The Commission invests in bank certificates of deposit (CDs) and external investment pools. The CDs (nonparticipating contracts) are recorded at cost, unless there is significant impairment of the credit standing of the issuer. The pooled investments are recorded at fair market value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Receivables

Accounts receivable consist of amounts due from customers for metered water and sewerage usage. The financial statements do not contain an allowance for uncollectible accounts receivable which is a generally accepted accounting principle. Uncollectible receivables are charged off at the time information becomes available which would indicate the uncollectibility of the particular receivable. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

I. Restricted Assets

Amounts received as utility deposits are held in separate accounts. These funds are classified as restricted assets on the balance sheet because their use is limited.

In accordance with the 2002 general obligation bond issue requirements, certain funds are accumulated in a sinking fund account that is restricted for the purpose of payment of the bond principal and interest.

J. Joint Venture

The Commission and the Town of Berwick jointly constructed a treatment plant to provide a water supply to each entity. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the two communities, and they have appointed a board to operate and maintain the plant. The Berwick-Bayou Vista Joint Waterworks Commission was created to maintain, operate and administer the joint water treatment plant. The Commission has included its share of the joint venture cost and current operations in these financial statements using the equity method of accounting. See Note 8 for additional disclosure.

K. Inventory and Prepaid Items

Materials and supplies inventory is valued at cost. Cost is determined primarily by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

L. Property, Plant, and Equipment

Fixed assets including water plant, water and sewer lines, water towers, pump stations and all other water distribution and sewerage disposal assets are capitalized in the proprietary fund. Property, plant and equipment owned by the proprietary fund is recorded at cost or, if contributed property, at their market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment in the proprietary fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Water Plant	20-40 years
Water distribution system	10-33 years
Sewerage distribution system	10-45 years
Buildings	10-40 years
Furniture and equipment	3-25 years
Automobiles and trucks	6 years

M. Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expense of the period in which paid. At September 30, 2017 and 2016 unrecorded liabilities for the above are immaterial.

N. Equity Classifications

Equity is classified as net position and displayed in three components – net invested in capital assets, restricted net position; and unrestricted net position. These classifications are defined as follows:

- Net Invested in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of net invested in capital assets. Rather, that portion of the debt is included in the same net position component as the proceeds.
- Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – The component of net position consist of net position that do not meet definition of “restricted” or “net invested in capital assets.”

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Accounting Changes

In 2016 the Commission adopted GASB 72, Fair Value Measurement and Application, which provides information for all governments who report Fair Value. They also adopted GASB 79, Certain External Investment Pools and Pool Participants, which establishes criteria for external investment pools and pool participants to value its investments. After evaluating these statements the Commission has determined they have no significant effect on their financial statements.

NOTE 2 - AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Commission's boundaries. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana Law. Taxes are due and payable December 31 and are delinquent after that date with interest being charged. Lien date for all delinquent properties is April 1. The St. Mary Parish Sheriff bills and collects property taxes for the Commission using the assessed values determined by the tax assessor of St. Mary Parish. Commission property tax revenues are budgeted in the year billed.

The Commission authorized the following millages for the purpose of operating and maintaining the water and sewer system for the constituents of the Commission. The millage was dedicated as follows:

	<u>2017</u>	<u>2016</u>
Operations and maintenance	9.00	9.00
Debt service	<u>1.10</u>	<u>1.10</u>
	<u>10.10</u>	<u>10.10</u>

Based upon the taxable assessed value of the property within the District each mil of assessment generated approximately \$84,000 and \$82,000 of tax revenues in 2017 and 2016 respectively.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the Commission does not have a formal investment policy related to credit risk (including concentrations of credit). However the Commission does follow state law as to limitations on types of deposits and investments as described below.

The Commission does not invest in any investments subject to foreign currency risk.

Cash and cash equivalents

Under state law the Commission may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end 2017 and 2016 the carrying amounts of the Commission's cash were \$952,738 and \$648,556 respectively and the bank balances were \$980,417 and \$653,714 respectively.

In 2017, \$370,081 was covered by FDIC and \$610,336 was secured by collateralized securities held by a third party and pledged to the Commission. In 2016, \$369,152 was covered by FDIC and \$284,562 was secured by collateralized securities held by a third party and pledged to the Commission.

Investments

Under state law the Commission may invest in certain federal or federally guaranteed securities, certain bank time certificates of deposit, mutual or trust funds, and in the Louisiana Asset Management Pool (LAMP). LAMP is an external investment pool operated to allow local government to pool their investment funds. LAMP is not registered with the SEC as an investment company. LAMP is subject to regulatory oversight of the Louisiana State Treasurer and the LAMP board of directors. Share values for the pool are valued at fair value based on quoted market rates determined on a weekly basis.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The following is a summary of investments held by the Commission at September 30,

	2017		2016	
	Amount	Percentage of Total Investments	Amount	Percentage of Total Investments
LAMP (rated AAAM by Standard & Poors)	\$892,132	61%	\$648,743	44%
Money Market Accounts			237,188	16%
Bank certificates of deposit: Fully FDIC insured	129,919	9%	130,848	9%
Collateralized with securities held by a third party pledged to the Commission	<u>448,538</u>	<u>30%</u>	<u>444,830</u>	<u>31%</u>
	<u>\$1,470,589</u>	<u>100%</u>	<u>\$1,461,609</u>	<u>100%</u>

As of September 30, 2017, all investments had maturity dates of one through five years except LAMP. LAMP determines its maturities using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 32 days as of September 30, 2017.

NOTE 4 - DUE TO/FROM OTHER GOVERNMENTAL UNITS

The following is a detail of due from/to other governments at September 30,

	<u>2017</u>	<u>2016</u>
Due to other governments:		
Due to Berwick-Bayou Vista Joint Waterworks (water purchases)	\$29,942	\$29,936
Due to Joint Sewer Commission Wards 5 & 8 (Sewerage treatment fees)	21,943	21,384
Due to St. Mary Parish Council (Intergovernmental service-garbage/mosquito fees)	82,310	79,757
Due to State Department of Health and Hospitals (Water Program engineering/administration fees)	<u>5,198</u>	<u>2,924</u>
	<u>\$139,393</u>	<u>\$134,001</u>

NOTE 5 - PENSION PLAN

All employees participate in the Federal Social Security System. The Commission is required to remit an amount to the Social Security Administration equal to the employee's contribution. The Commission contributed approximately \$13,000 in 2017 and \$10,000 in 2016 and its employees contributed approximately \$13,000 in 2017 and \$10,000 in 2016. The Commission does not guarantee any of the benefits granted by the Social Security System.

In addition, the Commission contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis. The Commission's contributions to this plan were approximately \$11,000 in 2017 and \$8,000 in 2016 and its employees contributions were approximately \$11,000 in 2017 and \$8,000 in 2016.

NOTE 6 - FIXED ASSETS

CAPITAL ASSETS

Capital asset and depreciation activity for the years ended September 30, 2017 and 2016 is as follows:

	Balance 9/30/2015	Increases	Decreases	Reclassification	Balance 9/30/2016	Increases	Decreases	Reclassification	Balance 9/30/2017
Capital assets not being depreciated:									
Land, right of ways	\$ 51,709				\$ 51,709				\$ 51,709
Construction in process	46,348	-	\$ 16,374	-	29,974	70,382	\$ -	-	100,356
Total capital assets not being depreciated	98,057	-	16,374	-	81,683	70,382	-	-	152,065
Other capital assets:									
Buildings	\$ 48,533				\$ 48,533	27,600			\$ 76,133
Distribution system - sewerage	5,659,248	\$ 381,322	2,620		6,037,950	\$ 4,246			6,042,196
Distribution system - water	4,582,553	34,066			4,616,619	39,841			4,656,460
Water Plant	838,485				838,485				838,485
Furniture & Equipment	113,426	1,877	1,560		113,743				113,743
Vehicles	36,607	-	2,040	-	34,567	23,154	14,694	-	43,027
Total other capital assets at historical cost	11,278,852	417,265	6,220	-	11,689,897	94,841	14,694	-	11,770,044
Less accumulated depreciation for:									
Buildings	\$ 46,482	\$ 274			\$ 46,756	\$ 388			\$ 47,144
Distribution system - sewerage	2,806,237	169,368	2,620		2,972,985	178,802			3,151,787
Distribution system - water	2,449,530	158,231			2,607,761	157,788			2,765,549
Water Plant	838,485				838,485				838,485
Furniture & Equipment	105,652	2,526	3,535		104,643	2,554			107,197
Vehicles	16,294	3,533	-	-	19,827	6,427	14,694	-	11,560
Total accumulated depreciation	6,262,680	333,932	6,155	-	6,590,457	345,959	14,694	-	6,921,722
Other capital assets, net	5,016,172	83,333	65	-	5,099,440	(251,118)	-	-	4,848,322
Total capital assets, net	\$ 5,113,959	\$ 83,333	\$ 16,169	-	\$ 5,181,123	\$ (180,736)	-	-	\$ 5,000,387

Depreciation expense for the years ended September 30, 2017 and 2016 was approximately \$350,000 and \$330,000, respectively.

NOTE 7 - LONG TERM DEBT

The following is a summary of long-term debt activity:

Balance at September 30, 2015	\$450,000
Repaid during 2016	<u>80,000</u>
Balance at September 30, 2016	370,000
Repaid during 2017	<u>85,000</u>
Balance at September 30, 2017	<u>\$ 285,000</u>

A detail of long-term debt is as follows:

\$1,400,000 of General Obligation Bonds, Series 2002 were issued in 2002 for the purpose of constructing and acquiring improvements to the waterworks and sewer plant and systems. The bonds currently bear interest at rates ranging from 1.75 percent to 3.0 percent and are payable through the year 2020. The bonds are being retired from the operating revenues and the portion of ad valorem taxes dedicated to debt service

\$285,000

Less: current maturities

(90,000)

Long-term debt

\$ 195,000

Debt Maturity

Debt Service requirements at September 30, 2017, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 90,000	\$ 6,738	\$ 96,738
2019	95,000	4,306	99,306
2020	<u>100,000</u>	<u>1,500</u>	<u>101,500</u>
Total	<u>\$285,000</u>	<u>\$12,544</u>	<u>\$297,544</u>

The Commission is subject to certain affirmative and negative covenants pursuant to its bond agreement. These covenants include but are not limited to:

1. Establishment and funding of certain debt service funds
2. Preparation and independent audit of financial statements
3. Restrictions on sale of property securing payments

NOTE 8 - RELATED PARTY - INVESTMENT IN BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

All of the water sold by the Commission is obtained from Berwick-Bayou Vista Joint Waterworks Commission (Joint Waterworks Commission). The Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for the Commission and Town of Berwick (Berwick). The water treatment plant was constructed and is owned by the Commission and Berwick. The Commission and Berwick appoint the members of the board for the Joint Waterworks Commission. The Commission's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets represents the Commission's equity in the joint venture. Separate financial statements for the Joint Waterworks Commission are available from the Commission or the Joint Waterworks Commission. The following is a summary of selected financial information of the Joint Waterworks Commission:

	Year Ended <u>9/30/17</u>	Year Ended <u>9/30/16</u>
Total assets and deferred outflows of resources	\$1,419,438	\$1,519,957
Total liabilities and deferred inflows of resources	78,651	99,896
Total net position	1,340,787	1,420,061
Total revenues	740,789	672,066
Total expenditures	820,063	730,466
Change in net position	(79,274)	(58,400)

NOTE 8 - RELATED PARTY - INVESTMENT IN BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION (continued)

The Commission purchased the following quantities and amounts of water from the Joint Waterworks Commission:

	Year Ended <u>9/30/17</u>	Year Ended <u>9/30/16</u>
Gallons of water purchased	210,950,000	211,988,000
Cost of water purchases	\$313,408	\$292,406

NOTE 9 - COMPENSATION OF BOARD MEMBERS AND CHIEF EXECUTIVE OFFICER

Board Members received the following per diems (Board Members, including the Chief Executive Officer, do not receive any other compensation, reimbursement of expenses, or benefits) for the years ended September 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Meetings Attended</u>	<u>Amount</u>	<u>Meetings Attended</u>	<u>Amount</u>
Herbert Adams, President & Chief Executive Officer	9	\$2,520	10	\$2,520
Albert Hebert, Commissioner			4	1,260
Tony Hensgens, Sec/Tres	9	2,520	10	2,520
Donald Lantz, Commissioner	11	2,520	10	2,520
Thomas Philbrook, Commissioner	12	2,520	3	630
Stan Robison, Vice President	10	<u>2,520</u>	10	<u>2,520</u>
		<u>\$12,600</u>		<u>\$11,970</u>
 Berwick-Bayou Vista Joint Waterworks Commission				
Tony Hensgens, Commissioner	12	720	11	710
Donald Lantz, Commissioner	12	<u>720</u>	6	<u>360</u>
		<u>\$1,440</u>		<u>\$1,430</u>

NOTE 10 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years. See the insurance schedule included in the supplemental information section for risks covered by commercial insurance.

NOTE 11 - CONCENTRATIONS

The District received approximately forty-five percent of its revenues from ad valorem taxes in 2017 and 2016.

OTHER SUPPLEMENTAL SCHEDULES

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA**

Schedule of Gallons of Water Purchased and Sold
and Number of Water Customers

For the year ended September 30, 2017 and 2016

(Unaudited)

	<u>9-30-17</u>	<u>9-30-16</u>
Gallons purchased for the period	210,950,000	211,988,000
Gallons sold for the period	124,525,945	129,771,111
Number of users at year end	1,880	1,889
Gallons not sold for the period	86,424,055	82,216,889
Cost per 1000 gallons purchased	\$1.49	\$1.38
Cost of gallons not sold	\$128,772	\$113,459
Percentage of gallons not sold	41%	39%

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA

Water and Sewer Rates
 September 30, 2017
 (Unaudited)

The board of commissioners approved a water and sewer rate increase on October 13, 2014 effective January 1, 2015. The new rate is as follows:

<u>Water</u>	<u>Sewer</u>
\$6.50 flat fee(\$7.65 out of district)	\$6.50 flat fee(\$7.65 out of district)
\$2.75 (\$3.75 out of district) per 1,000 gallons of water used	\$2.50 (\$3.50 out of district) per 1000 gallons of water used

For the period May 2008 to December 31, 2014, the water and sewer rates were as follows:

<u>Water</u>	<u>Sewer</u>
\$6.00 flat fee(\$7.15 out of district)	\$6.00 flat fee(\$7.15 out of district)
\$2.00 (\$3.00 out of district) per 1,000 gallons of water used	\$2.00 (\$3.00 out of district) per 1000 gallons of water used

For the period January 2007 to April 30, 2008, the water and sewer rates were as follows:

<u>Water</u>	<u>Sewer</u>
\$6.00 flat fee	\$6.00 flat fee
\$1.75 per 1,000 gallons of water used	\$1.75 per 1,000 gallons of water used

For the period October 1995 to December 31, 2006, the water and sewer rates were as follows:

<u>Water</u>	<u>Sewer</u>
First 3,000 gallons - \$6.00	\$7.00 flat fee
Over 3,000 gallons - \$1.90 per 1,000	\$1.15 per 1,000 gallons of water used

For the period October 1992 to September 30, 1995, the water and sewer rates were as follows:

<u>Water</u>	<u>Sewer</u>
First 3,000 gallons - \$4.75	\$6.00 flat fee
Over 3,000 gallons - \$.17 per 100	\$1.00 per 1,000 gallons of water used

For period August 1988 to September 30, 1992, the water rates were as follows:

<u>Water</u>
First 3,000 gallons - \$4.00
Over 3,000 gallons - \$.14 per 100

Prior to August, 1988 the water rates were as follows:

- First 3,000 gallons - \$3.35
- Next 3,000 gallons - \$1.05 per 1,000
- Next 3,000 gallons - \$1.00 per 1,000
- Next 3,000 gallons - \$.95 per 1,000
- Next 3,000 gallons - \$.90 per 1,000
- Next 3,000 gallons - \$.85 per 1,000
- Next 3,000 gallons - \$.80 per 1,000
- Next 3,000 gallons - \$.70 per 1,000

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA**

Insurance
September 30, 2017
(Unaudited)

<u>Insurer</u>	<u>Amount of Policy</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
Louisiana Workers Compensation Corp.	\$1,000,000	Worker's Compensation	04/26/18
American Alternative Insurance Corp.	\$3,000,000	General Liability	04/26/18
	\$1,000,000	Auto Liability	04/26/18
	\$3,000,000	Public Officials & Management Liability	04/26/18
	\$100,000	Crime Coverage	04/26/18
	\$1,000,000	Cyber Liability & Crisis	4/26/18
	\$811,200	Property	04/26/18

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



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

Board of Commissioners
St. Mary Parish Water and Sewer
Commission No. 2
Bayou Vista, 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, and the major fund of the St. Mary Parish Water and Sewer Commission No. 2 (Commission), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 20, 2018.

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 opinions 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 as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

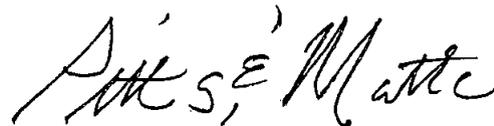
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 one instance of noncompliance that is required to be reported under Government Auditing Standards and that is described in the accompanying schedule of findings and questioned costs as item 2017-002.

St. Mary Parish Water and Sewer Commission No. 2's Response to Findings

The Commission's response to the findings identified in our audit are described in the accompanying schedule of findings. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Louisiana Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
March 20, 2018

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana

Schedule of Findings
For the Year Ended September 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Mary Parish Water and Sewer Commission No. 2.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control over Financial Reporting

There was one deficiency in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance and Other Matters

There was one instance of noncompliance noted during the audit of the financial statements that is required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2017.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

ITEM 2017-001 - SEGREGATION OF DUTIES

Auditors' Comments

Condition: While performing audit tests and inquiring about internal control, we discovered that there is little segregation of duties in the area of billings and collections.

Criteria: Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected.

Effect: Lack of segregation of duties results in a material weakness in internal accounting controls.

Cause: The Commission has limited personnel.

Management's Comments: We will constantly monitor the activity of the employees, in an effort to minimize any errors or omissions. We have determined, it is not economically feasible to hire additional employees at this time.

NONCOMPLIANCE

ITEM NO. 2017-002 NONCOMPLIANCE WITH OPEN MEETINGS LAW

Auditor's Comments:

Condition: Louisiana statutes permit public bodies to hold executive sessions under the following general conditions:

1. The executive session must be for an allowable reason as specified in state statutes.
2. Two-thirds of bodies' members present at the applicable meeting must vote affirmatively to go into executive session. A record of the vote of each member on the question and the reason for holding such executive session must be recorded in the minutes.
3. Proper notice of the executive session must have been given as specified by state statute prior to the meeting.

4. No final or binding action may be taken during the executive session.

During the reading of the minutes we discovered the board went into executive session during the year, in December 2016. The minutes do not list reasons allowed under the Revised Statutes for going into executive session.

In the minutes for the meeting, those voting for or against going into executive session were not recorded.

Criteria: A government body is only allowed to enter into executive session based upon certain specified reasons, listed in the state statutes (RS 42:17). Certain notifications must be made prior to going into executive session [(RS42:19 & RS42:17A.(1))]. The minutes must state the reasons for going into executive session and the vote of members on the question (RS42:16).

Cause: It appears the Board failed to fully understand all the requirements of the state statute for entering executive sessions.

Effect: Possible failure to comply with Louisiana Open Meetings Law

Recommendation: The board should review Louisiana's Open Meeting Laws and become familiar with them and if in doubt they should seek the advice of a legal advisor.

Management Response: The board of directors will review Louisiana's Open Meeting Laws and become familiar with them and if in doubt we will seek the advice of a legal advisor.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2017.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH
WATER AND SEWER COMMISSION NO. 2

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND
OTHER MATTERS MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weakness

Item 2016-001 Segregation of Duties

Condition: While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the Commission's accounting function.

Corrective Action: The Board will constantly monitor the activity of the employees, in an effort to minimize any errors or omissions. It is not economically feasible to hire additional employees at this time.

ITEM OF NONCOMPLIANCE

ITEM NO. 2016-002 POSSIBLE NONCOMPLIANCE WITH OPEN MEETINGS LAW

Condition: Our auditors advised us that we may not have met requirements necessary to enter into executive session during the year.

Corrective Action: The situation was not corrected during the year.

St. Mary Parish
WATER & SEWER COMMISSION 2
P.O. Box 635
Patterson, La. 70392

March 20, 2018

Mr. Daryl Purpera, CPA, CFE
Legislative Auditor, State of Louisiana
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Purpera

The St. Mary Parish Water & Sewer Commission No. 2 respectfully submits the following corrective action plan for our year ended September 30, 2017:

Person Responsible: Herbert Adams, President
St. Mary Parish Water & Sewer Commission No. 2

Time for completion: September, 2018

Item 2017 - 001 Segregation of Duties

Finding:

Our auditors noted that there is little segregation of duties in the area of billings and collections.

Corrective Action:

We will constantly monitor the activity of the employees in an effort to minimize any errors or omissions. It is not economically feasible to hire additional employees at this time.

Item 2017 – 002 Noncompliance with Open Meetings Law

Finding:

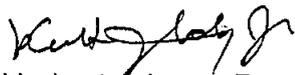
After review of our minutes our auditors noted we went into executive session in violation of the open meetings law.

Corrective Action:

The board of directors will review Louisiana's Open Meeting Laws and become familiar with them and if in doubt we will seek the advice of a legal advisor.

If you have questions concerning this corrective action plan, please contact me.

Sincerely,



Herbert Adams, President

St. Mary Parish

WATER & SEWER COMMISSION NO. 2

ST. MARY PARISH
WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA

SCHEDULE OF PROCEDURES PERFORMED AND
ASSOCIATED FINDINGS BASED UPON THE
STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED
September 30, 2017
WITH
AGREED UPON PROCEDURES REPORT
BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
St. Mary Parish Water and Sewer
Commission No. 2
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), which were agreed to by St. Mary Parish Water and Sewer Commission No. 2 (Commission) 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 October 1, 2016 through September 30, 2017. The Commission's management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule. 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 in the attached Schedule either for the purpose for which this report has been requested or for any other purpose.

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*. 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 may be distributed by the LLA as a public document.

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
March 27, 2018

ST. MARY PARISH
Water and Sewer Commission No. 2
Schedule of Procedures Performed and Associated Findings Based upon the
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2017

Guide to Presentation Format

This report contains these items presented in this order:

Statewide Agreed-Upon Procedures (AUPS) prescribed by the Louisiana Legislative Auditor (LLA),

Procedures performed by the Independent Certified Public Accountant,

Findings based upon the procedures performed, and

Management's Comments relative to the findings, if applicable.

In order to facilitate understanding this report - the procedures and findings are presented in the following format:

<u>Order of Presentation</u>	<u>Presentation Format</u>
Area or function	Centered All Capitals in Bold Type
Statewide Agreed-Upon Procedures Prescribed (AUPS) by Louisiana Legislative Auditor (LLA)	Regular type highlighted with numbers or letters (if there are multiple parts)
Actual procedures performed by Independent Certified Public Accountant	Denoted as Procedure Performed: (in bold type) followed by procedure in regular type
Finding based upon procedure performed	Denoted as Findings: (in bold type) followed by findings in regular type
Management's response to findings	Denoted as Management's Response: (in bold type) followed by managements response in italics

WRITTEN POLICIES AND PROCEDURES

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

Budgeting

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for budgeting during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for budgeting.

Purchasing

- 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.

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for purchasing during the fiscal year.

Findings: During the year end the entity did not have any written policies and procedures for purchasing.

Disbursements

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for disbursements during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for disbursements.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Receipts

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for receipts during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for receipts.

Payroll/Personnel

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

Procedure Performed: Obtained from management the "Employee Handbook" and read the written policy for payroll and personnel.

Findings: Found that at year end the written policy includes review and approving time and attendance records, including leave and overtime worked.

However, at year end the entity did not have written policies and procedures for payroll processing.

Contracting

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for contracting during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for contracting.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Credit Cards

- 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

Procedure Performed: Inquired of management and obtained management's written confirmation that they only have fuel cards and that they did not have written policies and procedures implemented for credit cards (and debit cards, fuel cards, P-cards) during the fiscal year.

Findings: The entity only has fuel cards. During the year the entity did not have any written policies and procedures for fuel cards.

Travel and expense reimbursement

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for travel and expense reimbursement during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for travel and expense reimbursement.

Ethics

- 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.

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for ethics during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for ethics.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Debt Service

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written policies and procedures implemented for debt during the fiscal year.

Findings: During the year the entity did not have any written policies and procedures for debt.

Management's response:

The Commission has policies and procedures in all areas however, at year end they were not in writing except for payroll/personnel

Shortly after year end, we established written policies and procedures in all areas listed above except debt service and additional procedures were also added in the payroll/personnel area.

BOARD

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

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

Procedure Performed: Obtained and read the board minutes for the fiscal period (October 1, 2016 to September 30, 2017).

Findings: The board met monthly with a quorum present.

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

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

Procedure Performed: Obtained and read the board minutes for the fiscal period.

Findings: Found financial statements are presented at monthly meetings but there is not a comparison to budget.

The entity did not operate at a deficit.

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

Procedure Performed: Obtained and read the board minutes for the fiscal period.

Findings: The minutes contained non-budgetary financial information (approval of disbursements) for all monthly meetings during the fiscal period.

Management's response:

We will implement a procedure to compare actual activity to budgeted amounts on a quarterly basis.

BANK RECONCILIATIONS

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

Procedure Performed: Obtained the listing of bank accounts from management and received management's written representation that the list is complete.

Findings: The listing includes five bank accounts.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Procedure Performed: Selected all 5 bank accounts. Inspected bank statements and bank reconciliations prepared for each month during the fiscal period for all accounts.

Findings: A bank reconciliation was prepared for each bank account for all months in the fiscal period.

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

Procedure Performed: Inspected bank reconciliations for all months in the fiscal period.

Findings: Found 52 out of 60 bank reconciliation during the year had evidence that a member of management (with no involvement in the transactions associated with the bank account) had reviewed the bank reconciliation.

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

Procedure Performed: Inspected bank reconciliations for the end of the fiscal period.

Findings: Found there were 6 items totaling \$142 that were outstanding for more than 6 months at year end. There was no documentation that these items were researched.

Management's response:

In the future all bank reconciliations will include evidence of review by a board member.

We have a procedure for researching and handling all items outstanding for more than 6 months however it is not done at a date that corresponds with our fiscal year end.

COLLECTIONS

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

Procedure Performed: Obtained the listing of cash/check/money order (cash) collections locations and management's written representation that the listing is complete.

Findings: The entity has only one cash collection location.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). **For each cash collection location selected:**

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

Procedure Performed: Inquired and obtained written confirmation as to all of the requirements listed above for the entities one cash collection location and requested and observed any written documentation (insurance policy, bank reconciliations, deposit slips, payment listing, and manual General Journal Log).

Findings: For the year the entity does not have written documentation in this area other than insurance policy, bank reconciliations, deposit slips, payment listing, and manual General Journal Log.

The office manager and clerk responsible for cash collections are bonded.

The office manager and clerk are both responsible for collecting, depositing the cash/checks/money orders in the bank and recording related transactions. However only the office manager is responsible for reconciling the related bank account.

Found there is a compensating control (See Procedure and Finding at 4b above) the bank reconciliation is reviewed by board members (who have no involvement with the transactions or associated with bank account).

The office manager and clerk share a locking cash drawer.

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

COLLECTIONS (CONTINUED)

Procedure Performed: Inquired of management and obtained and inspected and compared the written documentation (bank reconciliations, deposit slips, payment listing and manual General Ledger Log).

Findings: The entity has a formal process to reconcile cash collections, it is not in writing.

The entity reconciles the cash collections to the general ledger by revenue source. The reconciliation is done by the person responsible for cash collections, however the reconciliation is reviewed by the Board of Directors.

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

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

Procedure Performed: Obtained and inspected the entity's collection documentation (deposit slips, reconciliations, bank statements, payment listing and manual General Journal Log). For the week in which the entity had its largest weekly receipt, we traced daily collections to the deposit date on the corresponding bank statement documenting number of days from receipt to deposit for each day.

Findings: All cash/checks/money order deposits were made within one day of receipt.

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

Procedure Performed: Observed and compared payment listing, bank deposit slips, bank statements, and general ledger postings for the items selected in 6(c).

Findings: All collections recorded in the general ledger are in agreement with and are supported by documentation (payment listing, deposit slips, and bank statements)

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

COLLECTIONS (CONTINUED)

Procedure Performed: Inquired of management and obtained management's written confirmation that they did have a process to determine the completeness of all collections, however it is not in writing and it is not by a person who is not responsible for collections. We inspected manual General Journal Log, Billing Register, Payment Listing.

Findings: The entity did have a process to determine completeness of collections, however it was not in writing and it is not done by a person who is not responsible for collections.

Management's response:

Shortly after year end we put our policies and procedures in this area in writing.

**DISBURSEMENTS – GENERAL (EXCLUDING CREDIT CARD/DEBIT CARD/FUEL
CARD/P-CARD PURCHASES OR PAYMENTS):**

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

Procedure Performed: Obtained the listing of disbursements and received management's written representation that the listing was complete.

Findings: Management confirmed the listing is complete. The listing contained 589 disbursements including voids which totaled \$1,847,411

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

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

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

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

Procedure Performed: Randomly selected 25 disbursements from the list provided in #8 (excluding voids and fuel card payments) and obtained supporting documentation (approved vendor invoices, [also used to evidence receipt of goods] and check images). Compared supporting documents, approved invoices and check images with payees, dates, check numbers, and amounts with list obtained in #8 above.

Findings: a) The entity does not use a purchase requisition or purchase order system.

b) The entity does not use purchase orders, therefore there is no approval of a purchase order.

c) Payments for purchases were made without an approved purchase requisition or purchase order.

No payments were made without approval of receipt of goods and an approved invoice.

DISBURSEMENTS (CONTINUED)

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

Procedure Performed: We inquired of management and obtained documentation (approved Vendors listing in Minutes Book) related to adding vendors to the entity's purchasing/disbursement system.

Findings: The Board of Directors approves adding of new vendors. The person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system without Board approval.

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they did not have written documentation in this area during the fiscal period. Also see procedures performed in #9 above.

Findings: At year end there is no written documentation in this area. However, based upon procedures in #9 above it is determined that the persons with final authorization for disbursements do not initiate or record purchases.

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

Procedure Performed: Inquired of management, and observed that all supplies of unused checks are maintained in a locked location, with access restricted to only those persons that do not have signatory authority.

Findings: Supplies of unused checks are maintained in a locked location. The office manager and clerk have access to the checks, they do not have signatory authority and no other check signers have access.

DISBURSEMENTS (CONTINUED)

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

Not applicable-a signature stamp or signature machine is not used.

Management's response:

As noted above, shortly after year end our policies and procedures in this area were put in writing.

We will utilize a purchase order system for certain of our purchases.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

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

Procedure Performed: We requested a listing of all active credit cards, bank debit cards, fuel cards, and P-cards and related information and obtained management's written confirmation that the list was complete.

Findings: The list contains only 2 active fuel cards, 1 active credit card and related information. The entity has no other types of cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder;
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Procedure Performed: We randomly selected 1 active fuel card from the list obtained in #14 above that were used during the fiscal period and obtained monthly statements. We selected and obtained the monthly statement with the largest dollar activity and observed evidence that the monthly statement and supporting documentation (original itemized receipts) was reviewed and approved in writing by someone other than the authorized card holder. Observed the selected monthly fuel card statement to determine whether finance charges and/or late fees were assessed on the selected statements

Findings: The monthly statements and supporting documentation selected are reviewed and approved in writing by the Board of Directors.

Found that there were finance charges and late fees assessed on the selected statement totaling \$97.15.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS (CONTINUED)

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

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

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

Procedure Performed: Compared each transaction in the sample as shown in the applicable monthly billing statement to the original supporting itemized receipt.

Findings: Found that all 5 transactions totaling \$176.66 were supported by itemized receipts.

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

Not applicable as cards are used only to purchase fuel

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

Not applicable the entity does not have other documentation required by written policies

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

Not applicable the entity does not have written policies and none of the transactions are subject to Louisiana Public Bid Law.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions

Procedure Performed: Read Article 7, Sections 14 of the Louisiana Constitution and compared it's prohibited transactions to the transactions selected for testing above.

Findings: Found that none of the transactions in the test were prohibited.

Management's Response: We will emphasize the importance of paying the bill timely so as to eliminate interest and late fees.

TRAVEL AND EXPENSE REIMBURSEMENT

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

Procedure Performed: Obtained a listing of all travel and related expense reimbursements, by person, during the fiscal period. Obtained management's written representation that the listing is complete.

Findings: We found the list reported reimbursements to one individual for a total of \$1,019.55 for meals and lodging reimbursements for the fiscal period.

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures related to travel and expense reimbursements. We observed the per diem and mileage rates established by the U.S. General Services Administration by accessing the information on their website.

Findings: At year end the entity did not have any written policies and procedures related to travel and expense reimbursements.

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

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

Procedure Performed: We selected the one employee from the list at #17 and obtained the related documentation and compared it to the allowable GSA rates from #18 above.

Findings: The expenses were for meals and hotel.

The meal and lodging reimbursement complied with GSA rates.

TRAVEL AND EXPENSE REIMBURSEMENT (CONTINUED)

b) Report whether each expense is supported by:

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

Procedure Performed: Traced lodging expense to the original itemized receipt that identifies precisely what was purchased. Observed approval of established per diem for meal reimbursements in board minutes.

Findings: Found that the reimbursed expense for lodging were supported by an itemized receipt. Meal reimbursements were based on a \$40 per day for 6 days per diem reimbursement, therefore an original itemized receipt was not required.

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

Procedure Performed: Observed original itemized receipts for lodging. Observed approval of established per diem for meal reimbursements in board minutes.

Findings: The original itemized receipt documented business purpose and the board minutes contained an approval of per diem for the specified individual.

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

Not applicable- the entity does not have written policies in this area

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

Procedure Performed: Read Article 7, Sections 14 of the Louisiana Constitution and compared it's prohibited transactions to the transactions selected for testing above.

Findings: Found that none of the transactions in the test were prohibited.

TRAVEL AND EXPENSE REIMBURSEMENT (CONTINUED)

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

Procedure Performed: Inspected all transactions selected for testing for documentation for review and approval in writing other than by the person receiving the reimbursement

Findings: Found that all test transactions were approved by a person not receiving reimbursement.

Management's response:

As noted above, shortly after year end our policies and procedures in this area were put in writing.

CONTRACTS

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

Procedure Performed: Obtained a listing of all contract in effect during the fiscal period, and management's written confirmation that the listing was complete.

Findings: Found the list contained 2 contracts (other than our firm).

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

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Procedure Performed: We selected both contracts from the listing at #20 and obtained and read the board minutes, related formal/ written contracts, paid invoices, newspaper advertisement, and bids. We read the Louisiana Public Bid Law and Procurement Code.

We selected the largest payment to each contract and obtained and compared the supporting invoices and related payment to the contract to ensure compliance with terms and conditions of the contract.

CONTRACTS (CONTINUED)

Findings:

- a) Of the two contracts one was a general contractor and the other was a maintenance contract. Both have formal/written contracts which support the service arrangement and amounts paid.
- b) Only the general contractor contract was subject to the Louisiana Public Bid Law or Procurement Code. The Entity appropriately solicited bids, advertised, and made award to the lowest bidder.

The maintenance contract was a multiyear contract which was entered into in a previous year soliciting of quotes in the current year would not be applicable.

- c) None of the contracts were amended during the fiscal period.
- d) For the largest payment made to the contractors during the fiscal period we found that invoices and related payments complied with the terms and conditions of the written contracts.
- e) Found documentation of board approval of both contracts in minutes.

Management's response:

As noted above, shortly after year end our policies and procedures in this area were put in writing.

PAYROLL AND PERSONNEL

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Procedure Performed: We obtained a listing of employees with their related salaries and obtain management's written representation that the listing is complete.

Findings: The listing contained 5 employees with their total salaries of \$205,643.

There are no elected officials.

Randomly select five employees/officials, obtain their personnel files, and:

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

Procedure Performed: Selected all 5 employees from the above listing, obtained and inspected their personnel files and the entities Employee Handbook. We inspected employee earning record and check images for the fiscal period for each employee selected and compared to authorized pay rates.

Findings: Found that there are no employee contracts, however, payments were made in accordance with the employment pay rate structure.

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

Procedure Performed: Obtained and inspected Salary Rate Change Schedule for individuals selected at #22a for changes made to hourly pay rates/salaries during the fiscal period. Obtained and read board minutes for written approval of changes.

Findings: Found Salary Rate Change Schedule supported changes made to hourly pay rates/salaries during the fiscal period and board minutes contained written approval of those changes.

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

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

PAYROLL AND PERSONNEL (CONTINUED)

Procedure Performed: Obtained time cards and leave records (Paid Time Off Log). Randomly selected one pay period in which leave had been taken by at least one employee and within that pay period randomly selected 2 employees (one-third of 5) and inspected daily attendance from the time card and leave records from the Paid Time Off Log for that period for proper documentation.

Findings: Employees document their daily attendance by timecards, they do not document their leave. Leave is documented by the office clerk not the employee.

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

Procedure Performed: Inspected time cards and leave records in the Paid Time Off Log for supervisor approval.

Findings: Found that attendance and leave was not approved electronically or in writing by a supervisor. However, leave is recorded manually by the office clerk.

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

Procedure Performed: Obtained and observed Time Cards and Paid Time Off Log of daily attendance and leave records on those selected employees that earn leave.

Findings: The entity maintains written leave records.

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

Procedure Performed: Obtained from management and inspected Paid Time Off Log, minutes and, list of employees that terminated during the fiscal period and management's written confirmation that the list was complete.

Findings: There was one termination during the fiscal period. Found that a termination payment in the amount of \$624 was made during the fiscal period which was in accordance with the entities policies and approved by the board.

PAYROLL AND PERSONNEL (CONTINUED)

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

Procedure Performed: Obtained all payroll and retirement forms relating to payroll taxes and retirement contributions for the fiscal period and compared the actual filing or payment date to applicable deadlines for filing.

Findings: Found that all retirement forms and contributions and required Federal tax forms and payments were submitted by the required deadline.

However, One State EFT payroll tax payment and form out of 4 was submitted after the required deadline.

Management's response:

As noted above, shortly after year end additional procedures related to payroll and personnel were added to our policies and procedures.

We will emphasize to our office clerk the importance of making payments and submitting forms on a timely basis.

ETHICS

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

Procedure Performed: Inquired of management, obtained and inspected ethics compliance certificates from management for employees from #22.

Findings: Found that the entity maintained required ethics training documentation for 3 out of 5 employees.

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

Procedure Performed: Inquired of management and obtained management's written confirmation that no alleged ethics violations were reported during the fiscal period.

Findings: Found that no alleged ethics violation were reported during the fiscal period.

Management's response:

As noted above, shortly after year end policies and procedures in this area were put into writing.

We will require the two employees that do not have the required training to obtain it as soon as possible.

DEBT SERVICE

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

Procedure Performed: Inquired of management and obtained management's written confirmation that no debt was issued during the fiscal period.

Findings: Found that no debt was issued during the fiscal period.

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

Procedure Performed: Obtained and inspected debt service schedules and images of canceled checks for outstanding debt during the fiscal period and obtained and read debt covenants for outstanding debt.

Findings: The entity made scheduled debt service payments as required by debt covenants. Debt reserves are not required.

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

Procedure Performed: Obtained a confirmation of the amount of advalorem taxes paid to the Commission during the fiscal period from the St. Mary Parish Sheriff Office and compared the amount of debt service payments determined in #29 above.

Findings: The amount received for advalorem tax does not exceed the amount of debt service payments for the fiscal year.

No millages have been received for debt that has been paid

Management's response:

If we plan to incur debt in the future (including leases) we will contact our legal advisor for guidance.

OTHER

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

Procedure Performed: Inquired of management and obtained management's written confirmation that the entity had no misappropriation of public funds or assets during the fiscal period.

Findings: Found that the entity had no misappropriation of public funds or assets during the fiscal period.

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

Procedure Performed: Observed that the entity had posted on its premises and website the notice required by R.S. 24:523.1.

Findings: Found that the entity posted the above mentioned notice as required.

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

Procedure Performed: Compared managements representations to all procedures, and the results of such procedures and compared them to managements representation.

Findings: Found no exceptions regarding management's representations in the procedures and findings above.

Management's response:

No comment.