

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**
Charenton, Louisiana

Financial Report

Year Ended September 30, 2017

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1234 David Dr. Ste. 203
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 Commission'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 Commission'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, each major fund and the aggregate remaining fund information of the Commission as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that schedules for employer's share of net pension liability and employer pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedule of employer's share of net pension liability on page 37, schedule of employer contributions on page 38, or note to retirement system schedules on page 39 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 comparative financial statements and other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative financial statements on pages 41 through 54 and the other supplementary schedules on pages 55 through 58 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC

Certified Public Accountants

Morgan City, Louisiana
March 15, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana
Statement of Net Position
September 30, 2017

	Business-type Activities
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 69,049
Receivables:	
Accounts	220,973
Prepaid expenses	27,174
Restricted assets:	
Cash and interest-bearing deposits	<u>2,361,731</u>
Total current assets	<u>2,678,927</u>
Noncurrent assets:	
Restricted assets:	
Cash and interest-bearing deposits	184,252
Capital assets:	
Land and construction in progress	1,539,237
Other, net of accumulated depreciation	<u>7,656,113</u>
Total noncurrent assets	<u>9,379,602</u>
Total assets	12,058,529
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>119,556</u>
Total assets and deferred outflows of resources	<u>\$ 12,178,085</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position (continued)
September 30, 2017

LIABILITIES	<u>Business-type Activities</u>
Current liabilities:	
Accounts payable	\$ 90,083
Accrued liabilities	28,762
Current maturities of bonds payable	38,081
Due to other governmental units	243,514
Payable from restricted assets:	
Current maturities of bonds payable	351,000
Accrued interest	24,526
Refundable deposits	<u>171,183</u>
Total current liabilities	<u>947,149</u>
Noncurrent liabilities:	
Bonds payable	5,196,611
Compensated absences	102,050
Net pension liability	<u>77,354</u>
Total noncurrent liabilities	<u>5,376,015</u>
Total liabilities	<u>6,323,164</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>22,241</u>
NET POSITION	
Net investment in capital assets	5,404,641
Restricted for debt service	205,342
Unrestricted	<u>222,697</u>
Total net position	<u>5,832,680</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,178,085</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Activities
Year Ended September 30, 2017

	<u>Business-type Activities</u>
OPERATING REVENUES	
Water sales	\$ 1,268,054
Sewer user and inspection fees	345,269
Commissions and fees for services	47,666
Other	<u>7,200</u>
Total operating revenues	<u>1,668,189</u>
OPERATING EXPENSES	
Salaries and related benefits	681,531
Supplies and materials	6,553
Operation and maintenance	445,170
Other services and charges	174,751
Plant operation	307,929
Bad debt expense	160,788
Depreciation	<u>901,326</u>
Total operating expenses	<u>2,678,048</u>
Operating loss	<u>(1,009,859)</u>
NONOPERATING REVENUES (EXPENSES)	
Ad valorem taxes, net	942,279
Bond interest and fiscal charges	(205,261)
Interest income	7,093
Miscellaneous income	<u>105,447</u>
Total nonoperating revenues (expenses)	<u>849,558</u>
Net loss	<u>(160,301)</u>
NET POSITION, beginning	<u>5,992,981</u>
NET POSITION, ending	<u>\$ 5,832,680</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet
Year Ended September 30, 2017

	Major			Non-Major	Total
	Operating	Waterworks District No. 6	Sewerage District No. 9	Sewerage District No. 7	
ASSETS					
Current assets:					
Cash and interest-bearing deposits	\$ 70,764	\$ -	\$ -	\$ 651	\$ 71,415
Receivables:					
Accounts	220,973	-	-	-	220,973
Due from other funds	-	133,588	5,403	-	138,991
Prepaid expenses	27,174	-	-	-	27,174
Restricted assets:					
Cash and interest-bearing deposits	<u>2,181,412</u>	<u>81,900</u>	<u>96,053</u>	<u>-</u>	<u>2,359,365</u>
Total current assets	<u>2,500,323</u>	<u>215,488</u>	<u>101,456</u>	<u>651</u>	<u>2,817,918</u>
Noncurrent assets:					
Restricted assets:					
Cash and interest-bearing deposits	184,252	-	-	-	184,252
Capital assets:					
Land and construction in progress	1,532,311	6,926	-	-	1,539,237
Other, net of accumulated depreciation	<u>1,564,716</u>	<u>2,125,262</u>	<u>3,402,901</u>	<u>563,234</u>	<u>7,656,113</u>
Total noncurrent assets	<u>3,281,279</u>	<u>2,132,188</u>	<u>3,402,901</u>	<u>563,234</u>	<u>9,379,602</u>
Total assets	5,781,602	2,347,676	3,504,357	563,885	12,197,520
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to net pension liability	<u>119,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,556</u>
Total assets and deferred outflows of resources	<u>\$5,901,158</u>	<u>\$ 2,347,676</u>	<u>\$ 3,504,357</u>	<u>\$ 563,885</u>	<u>\$12,317,076</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet (continued)
Year Ended September 30, 2017

	Major			Non-Major	Total
	Operating	Waterworks District No. 6	Sewerage District No. 9	Sewerage District No. 7	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 90,083	\$ -	\$ -	\$ -	\$ 90,083
Accrued liabilities	28,762	-	-	-	28,762
Due to other funds	138,991	-	-	-	138,991
Due to other governmental units	81,267	-	-	162,247	243,514
Payable from restricted assets:					
Current maturities of bonds payable	351,000	16,486	21,595	-	389,081
Accrued interest	24,526	-	-	-	24,526
Refundable deposits	146,912	24,271	-	-	171,183
Total current liabilities	<u>861,541</u>	<u>40,757</u>	<u>21,595</u>	<u>162,247</u>	<u>1,086,140</u>
Noncurrent liabilities:					
Bonds payable	3,644,000	712,550	840,061	-	5,196,611
Compensated absences	37,165	64,885	-	-	102,050
Net pension liability	77,354	-	-	-	77,354
Total noncurrent liabilities	<u>3,758,519</u>	<u>777,435</u>	<u>840,061</u>	<u>-</u>	<u>5,376,015</u>
Total liabilities	<u>4,620,060</u>	<u>818,192</u>	<u>861,656</u>	<u>162,247</u>	<u>6,462,155</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to net pension liability	<u>22,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,241</u>
NET POSITION					
Net investment in capital assets	880,524	1,419,638	2,541,245	563,234	5,404,641
Restricted for debt service	27,389	81,900	96,053	-	205,342
Unrestricted (deficit)	350,944	27,946	5,403	(161,596)	222,697
Total net position	<u>1,258,857</u>	<u>1,529,484</u>	<u>2,642,701</u>	<u>401,638</u>	<u>5,832,680</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$5,901,158</u>	<u>\$ 2,347,676</u>	<u>\$ 3,504,357</u>	<u>\$ 563,885</u>	<u>\$ 12,317,076</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017

	Major		Non-Major	Total	
	Operating	Waterworks District No. 6	Sewerage District No. 9		Sewerage District No. 7
OPERATING REVENUES					
Water sales	\$1,268,054	\$ -	\$ -	\$ -	\$1,268,054
Sewer user and inspection fees	345,269	-	-	-	345,269
Commission and fees for services	47,666	-	-	-	47,666
Other	7,200	-	-	-	7,200
Total operating revenues	<u>1,668,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,668,189</u>
OPERATING EXPENSES					
Salaries and related benefits	681,531	-	-	-	681,531
Supplies and materials	6,553	-	-	-	6,553
Operation and maintenance	445,170	-	-	-	445,170
Other services and charges	174,572	179	-	-	174,751
Plant operation	307,929	-	-	-	307,929
Bad debt expense	160,788	-	-	-	160,788
Depreciation	136,779	322,368	369,759	72,420	901,326
Total operating expenses	<u>1,913,322</u>	<u>322,547</u>	<u>369,759</u>	<u>72,420</u>	<u>2,678,048</u>
Operating loss	<u>(245,133)</u>	<u>(322,547)</u>	<u>(369,759)</u>	<u>(72,420)</u>	<u>(1,009,859)</u>
NONOPERATING REVENUES (EXPENSES)					
Ad valorem taxes, net	942,279	-	-	-	942,279
Bond interest and fiscal charges	(130,724)	(35,260)	(39,277)	-	(205,261)
Interest income	6,688	405	-	-	7,093
Miscellaneous income	105,447	-	-	-	105,447
Total nonoperating revenues (expenses)	<u>923,690</u>	<u>(34,855)</u>	<u>(39,277)</u>	<u>-</u>	<u>849,558</u>
Income (Loss) before operating transfers	678,557	(357,402)	(409,036)	(72,420)	(160,301)
Transfers in	-	55,848	66,472	-	122,320
Transfers out	<u>(122,320)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,320)</u>
Change in net position	556,237	(301,554)	(342,564)	(72,420)	(160,301)
NET POSITION, beginning	<u>702,620</u>	<u>1,831,038</u>	<u>2,985,265</u>	<u>474,058</u>	<u>5,992,981</u>
NET POSITION, ending	<u>\$1,258,857</u>	<u>\$1,529,484</u>	<u>\$ 2,642,701</u>	<u>\$ 401,638</u>	<u>\$ 5,832,680</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2017

	Major		Non-Major	Total	
	Operating	Waterworks District No. 6	Sewerage District No. 9		Sewerage District No. 7
OPERATING ACTIVITIES					
Revenue collected	\$1,387,645	\$ -	\$ -	\$ -	\$ 1,387,645
Payments for goods and services	(878,474)	(179)	-	-	(878,653)
Payments to employees	(651,059)	-	-	-	(651,059)
Net cash used by operating activities	<u>(141,888)</u>	<u>(179)</u>	<u>-</u>	<u>-</u>	<u>(142,067)</u>
NONCAPITAL FINANCING ACTIVITIES					
Miscellaneous receipts	\$ 105,447	\$ -	\$ -	\$ -	\$ 105,447
Receipts from other funds	72,293	55,848	66,472	-	194,613
Payments to other funds	(122,320)	(73,775)	-	-	(196,095)
Taxes received	439,454	-	-	-	439,454
Net cash provided (used) by noncapital financing activities	<u>494,874</u>	<u>(17,927)</u>	<u>66,472</u>	<u>-</u>	<u>543,419</u>
CAPITAL AND RELATED FINANCING ACTIVITIES					
Taxes received	502,825	-	-	-	502,825
Acquisition of capital assets	(1,411,531)	-	-	-	(1,411,531)
Interest and fiscal charges paid	(113,863)	(35,260)	(39,277)	-	(188,400)
Principal payments on bonds	(340,000)	(15,726)	(20,650)	-	(376,376)
Net cash used by capital and related financing activities	<u>(1,362,569)</u>	<u>(50,986)</u>	<u>(59,927)</u>	<u>-</u>	<u>(1,473,482)</u>
INVESTING ACTIVITIES					
Interest received	6,688	405	-	-	7,093
Net increase (decrease) in cash and cash equivalents	(1,002,895)	(68,687)	6,545	-	(1,065,037)
Cash and cash equivalents, beginning	3,439,323	150,587	89,508	651	3,680,069
Cash and cash equivalents, ending	<u>\$2,436,428</u>	<u>\$ 81,900</u>	<u>\$ 96,053</u>	<u>\$ 651</u>	<u>\$ 2,615,032</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2017

	<u>Operating</u>	<u>Waterworks District No. 6</u>	<u>Sewerage District No. 9</u>	<u>Sewerage District No. 7</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (245,133)	\$ (322,547)	\$ (369,759)	\$ (72,420)	\$ (1,009,859)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-					
Depreciation	136,779	322,368	369,759	72,420	901,326
Provision for uncollectible accounts	160,788	-	-	-	160,788
Pension expense, net of nonemployer contributions	20,200	-	-	-	20,200
Changes in assets and liabilities:					
Receivables	(273,344)	-	-	-	(273,344)
Prepaid expenses and other assets	(352)	-	-	-	(352)
Accounts payable	55,317	-	-	-	55,317
Accrued liabilities	(1,062)	-	-	-	(1,062)
Due to other governmental entities	4,919	-	-	-	4,919
Net cash used by operating activities	<u>\$ (141,888)</u>	<u>\$ (179)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (142,067)</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements

INTRODUCTION

The St. Mary Parish Water and Sewer Commission No. 4 (“Commission”) was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Mary Parish Council on January 10, 2007. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within a designated territory of St. Mary Parish. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criteria includes:

1. Appointing a voting majority of an organization’s governing body, and
 - a) The ability of the Parish to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish.
2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish council.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance to the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. Also, based upon the criteria described above, Waterworks District No 6 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and Sewerage District No. 9 of the Parish of St. Mary were determined to be components of the Commission and have been blended in these financial statements. The accompanying financial statements present information only on the funds maintained by the Commission and its blended components and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

The emphasis in fund financial statements is on major funds. Nonmajor funds, if any, are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of enterprise funds combined) for the determination of major funds. The Commission may determine as a major fund any fund whose classification as a nonmajor fund may be misleading to the reader. The funds classified as major are as follows:

1. Operating fund
2. Waterworks District No. 6 enterprise fund
3. Sewerage District No. 9 enterprise fund

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Proprietary Funds

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net position, changes in position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's funds are enterprise funds.

Enterprise Funds

Enterprise funds are used to account for operations (a) that 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 goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the statement of net position. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Water system	20-50 years
Sewer System	50 years
Buildings	40 years
Improvements	20 years
Equipment	5-20 years

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Commission reports decreases (increases) in net position that relate to future periods as deferred outflows (inflows) of resources in separate sections of its statements of net position. The Commission reports deferred outflows of resources and deferred inflows of resources related to its net pension liability. These amounts are being amortized over a period of five years.

Compensated Absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 120 days of sick leave may be paid as a termination benefit upon retirement.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists primarily of bonds payable.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on its use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

F. Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and the Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2017, the Commission has cash and interest-bearing deposits (book balances) totaling \$2,615,032 as follows:

Cash on hand	\$ 200
Demand deposits	1,123,830
Time deposits	<u>1,491,002</u>
Total cash	<u>\$ 2,615,032</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Bank balances	<u>\$ 2,655,759</u>
Federal deposit insurance	720,121
Pledged securities	<u>1,935,638</u>
Total insured and secured	<u>\$ 2,655,759</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2017, deposits in the amount of \$1,935,638 were exposed to custodial credit risk. These deposits are uninsured but collateralized with securities held by the pledging financial institution's agent, but not in the Commission's name.

Louisiana Revised Statute 39:1225 requires that the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit, except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2017:

	<u>Interest-bearing Deposits</u>
 <u>St. Mary Parish Water and Sewer Commission No. 4</u>	
Water improvement bonds	\$ 2,181,412
Customer security deposits	<u>184,252</u>
	<u>2,365,664</u>
 <u>St. Mary Parish Waterworks District No. 6</u>	
Revenue bond reserve fund	40,950
Capital additions and contingencies fund	<u>40,950</u>
	<u>81,900</u>
 <u>St. Mary Parish Sewer District No. 9</u>	
Sinking fund	6,442
Reserve fund	44,804
Contingency fund	<u>44,807</u>
	<u>96,053</u>
 Total	 <u>\$ 2,543,617</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(4) Interfund Receivables/Payables

	Interfund Receivables	Interfund Payables
Business-type activities:		
Operating fund	\$ -	\$ 138,991
Waterworks District No. 6	133,588	-
Sewerage District No. 9	5,403	-
Total interfund receivables/payables	\$ 138,991	\$ 138,991

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

(5) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem tax millages:

	Authorized/ Levied Millage
Commission taxes:	
Debt millage	3.50
Operating millage	14.67
District taxes:	
Bond and Interest-	
Waterworks District No. 6 of the Parish of St. Mary	7.54

Levied millages for debt taxes and bond and interest taxes are restricted to payment of principal and interest on general obligation bonds and are reported as nonoperating revenue on the statement of revenues, expenses and changes in net position.

Ad valorem taxes for the operation and maintenance millage are reported as operating revenue on the statement of revenues, expenses and changes in net position.

Total taxes of \$956,414 were levied on property having assessed taxable valuations totaling \$51,911,256.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(6) Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and improvements	\$ 6,926	\$ -	\$ -	\$ 6,926
Construction in progress	294,136	1,331,404	93,229	1,532,311
Total capital assets not being depreciated	<u>301,062</u>	<u>1,331,404</u>	<u>93,229</u>	<u>1,539,237</u>
Capital assets being depreciated:				
Water system	10,721,771	124,300	-	10,846,071
Sewer system	10,693,293	18,238	12,235	10,699,296
Buildings	254,025	-	-	254,025
Improvements	444,709	9,650	-	454,359
Equipment	1,916,592	23,829	19,686	1,920,735
Total capital assets being depreciated	<u>24,030,390</u>	<u>176,017</u>	<u>31,921</u>	<u>24,174,486</u>
Less accumulated depreciation for:				
Water system	7,579,558	369,026	-	7,948,584
Sewer system	7,220,743	437,987	9,573	7,649,157
Buildings	38,504	5,561	-	44,065
Improvements	160,719	22,268	-	182,987
Equipment	646,781	66,485	19,686	693,580
Total accumulated depreciation	<u>15,646,305</u>	<u>901,327</u>	<u>29,259</u>	<u>16,518,373</u>
Total capital assets being depreciated, net	<u>8,384,085</u>	<u>(725,310)</u>	<u>2,662</u>	<u>7,656,113</u>
Capital assets, net	<u>\$ 8,685,147</u>	<u>\$ 606,094</u>	<u>\$ 95,891</u>	<u>\$ 9,195,350</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2017 totaled \$901,326.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
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Notes to Financial Statements (continued)

(7) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water improvement bonds, series 2007	\$ 165,000	\$ -	\$ 25,000	\$ 140,000	\$ 26,000
General obligation bonds, series 2008	865,000	-	55,000	810,000	55,000
\$900,000 Water revenue notes payable	744,762	-	15,726	729,036	16,486
\$1,100,000 Sewer revenue bonds	882,307	-	20,651	861,656	21,595
General obligation bonds, series 2014	2,650,000	-	185,000	2,465,000	190,000
Gen. oblig. refund bonds, series 2016	655,000	-	75,000	580,000	80,000
Compensated absences	98,978	5,709	2,637	102,050	-
	<u>\$ 6,061,047</u>	<u>\$ 5,709</u>	<u>\$ 379,014</u>	<u>\$ 5,687,742</u>	<u>\$ 389,081</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
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Notes to Financial Statements (continued)

Bonds payable at September 30, 2017 are comprised of the following individual issues:

\$350,000 Water Improvement Bonds, Series 2007, dated 09/05/07; due in annual installments of \$16,000-\$30,000 through August 1, 2022; interest rate of 4.119% per annum, secured by system revenue.	<u>\$ 140,000</u>
\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08; due in annual installments of \$35,000-\$95,000 through March 1, 2028; interest rate of 3.94% per annum, secured by ad valorem taxation.	<u>\$ 810,000</u>
\$900,000 Water Revenue Notes Payable, issued for constructing improvements to the waterworks plant and system, payable in Monthly installments of \$4,230 from 2003 to 2043, with interest at 4.75% per annum; secured by system revenues	<u>\$ 729,036</u>
\$1,100,000 Sewerage Revenue Bonds; due in monthly installments of \$4,994 beginning January 5, 2002; payable over 40 years; interest rate of 4.50% per annum	<u>\$ 861,656</u>
\$3,000,000 General Obligation Bonds, Series 2014, issued July 2014 for construction improvements to the waterworks plant and system, payable in annual installments of \$175,000 to \$260,000 from 2015 to 2028, semi-annual interest payable at 0.25% to 3.00% per annum. The bonds maturing March 2028 and thereafter are callable for redemption in full, or in part, after March 2024; secured by ad valorem tax revenues.	<u>\$2,465,000</u>
\$655,000 General Obligation Refunding Bonds, Series 2016, dated June 22, 2016; due in annual installments of \$75,000 to \$90,000 through March 1, 2024; semi-annual interest payable at 1.875% to 2.125% per annum.	<u>\$ 580,000</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The bonds are due as follows:

Year Ending September 30,	Water Improvement Bonds		General Obligation Bonds		Revenue Bonds/Notes		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	26,000	6,090	325,000	100,351	38,081	72,607	568,129
2019	27,000	4,960	330,000	93,932	39,873	70,815	566,580
2020	28,000	3,784	340,000	86,983	41,749	68,938	569,454
2021	29,000	2,566	360,000	79,171	43,716	66,974	581,427
2022	30,000	1,306	370,000	70,258	45,776	65,066	582,406
2023 - 2027	-	-	1,775,000	191,305	261,709	301,712	2,529,726
2028 - 2032	-	-	355,000	5,772	329,853	237,080	927,705
2033 - 2037	-	-	-	-	415,765	155,595	571,360
2038 - 2042	-	-	-	-	374,170	44,521	418,691
	<u>\$ 140,000</u>	<u>\$ 18,706</u>	<u>\$ 3,855,000</u>	<u>\$ 627,772</u>	<u>\$1,590,692</u>	<u>\$1,083,308</u>	<u>\$ 7,315,478</u>

(8) Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	Transfers In	Transfers Out
Operating Fund	\$ -	\$ 122,320
Waterworks District No. 6	55,848	-
Sewerage District No. 9	66,472	-
Total	<u>\$ 122,320</u>	<u>\$ 122,320</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(9) Employee Retirement

Parochial Employees' Retirement System of Louisiana (PERS) is the administrator of a cost sharing multiple employer defined benefit pension plan. PERS was established and provided for by R.S. Title 11:1901 of the Louisiana Revised Statute (LRS). Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised PERS to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. PERS provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of PERS.

Retirement Benefits

Any member of Plan B hired prior to January 1, 2007 can retire providing he/she meets one of the following criteria: age 55 with thirty (30) years of creditable service; age 60 with a minimum of ten (10) years of creditable service; age 65 with a minimum of seven (7) years of creditable service. For employees hired after January 1, 2007, he/she must meet the following criteria to retire: age 55 with 30 years of service; age 62 with 10 years of service; age 67 with 7 years of service. Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Disability Benefits

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Survivor Benefits

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55. A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Cost of Living Adjustments

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the plan year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2016 was 9.00% for Plan B.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Non-employer Contributions

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2017, the Commission reported liabilities in its financial statements of \$77,354 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2016 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Commission's proportional share of PERS was 0.595456%, which was an increase of 0.014448% from its proportion measured as of December 31, 2015.

For the year ended September 30, 2017, the Commission recognized a net pension expense of \$72,266 in its activities.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 22,079
Changes of assumptions	9,226	-
Net difference between projected and actual earnings on pension plan investments	77,227	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	565	162
Employer contributions subsequent to the measurement date	<u>32,538</u>	<u>-</u>
	<u>\$ 119,556</u>	<u>\$ 22,241</u>

The \$32,538 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2017	21,612
2018	26,757
2019	18,583
2020	<u>(2,175)</u>
	<u>\$ 64,777</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan B
Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense, including inflation
Projected Salary Increases	5.25% (2.75% Merit, 2.50% Inflation)
Mortality Rates	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 7.00% for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
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Notes to Financial Statements (continued)

major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	35%	1.24%
Equity	51%	3.63%
Alternatives	11%	0.67%
Real assets	3%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

	Changes in Discount Rate		
	2015		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 294,080	\$ 77,354	\$ (105,593)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Changes in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2015 were recognized in the current reporting period as pension expense except as follows:

- a. Differences between Expected and Actual Experience – Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred inflow of resources in the amount of \$22,079 for the year ended September 30, 2017.
- b. Differences between Projected and Actual Investment Earnings – Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$77,227 for the year ended September 30, 2017.
- c. Change in Proportion – Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred inflow of \$403 for the year ended September 30, 2017.
- d. Change in Assumptions – Changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$9,226 for the year ended September 30, 2017.

Payables to the Pension Plan

The Commission recorded accrued liabilities to PERS for the year ended September 30, 2017, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accrued liabilities. The balance due to PERS as of September 30, 2017 is \$10,257.

(10) Contingencies

The Commission operates a water and sewerage plant, which are regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(11) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Thomas Ducote, President	\$ 2,850
Anthony Darden, Vice President	2,700
Willie Scott, Secretary/Treasurer	2,750
Julius Hebert	2,700
Herbert Bell	2,700
Stephanie Milton	2,475
Camile Punch	2,700
	<u>\$ 18,875</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head of chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's chief officer. For the year ended September 30, 2017, the Commission's chief officer, Thomas Ducote received \$2,400 in per diem payments.

(12) Related Party Activity

Parish of St. Mary ("Parish"):

The Commission collects garbage fees and mosquito charges on behalf of the Parish. The Commission gets 4.333% of each month's collections for their services.

(13) Intergovernmental Agreement

On March 1, 1995, the Sewerage District No. 9 of the Parish of St. Mary entered into an agreement with the Sovereign Nation of the Chitimacha (Chitimacha Tribe of Louisiana) for the construction, operation and maintenance of sanitary sewerage collection and treatment facilities. The agreement shall be binding on the District and Tribe for a period of 40 years unless renewed upon mutual consent or terminated by agreement between the parties. The agreement provides for the designation of the components of the proposed sewerage works as joint-service components and non joint-service components. Non joint-service components service either the District or the Tribe, but not both parties. Joint-service components service both the District and the Tribe. The agreement provides that the District and the Tribe will each be responsible for the construction, maintenance and operation of the non joint-service components that service their customers only. The District is responsible for the construction, administration, operation and maintenance of the joint service components. The costs associated with the construction of the sewer treatment facility shall be shared equally by the District and the Tribe up to \$425,000 each. If actual construction costs exceed 10 percent of the projected cost

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

to construct the facility, the parties shall have the right to renegotiate the cost sharing arrangements. The Tribe shall contribute a lump sum amount of \$35,000 as its share of costs related to the construction of other joint service components such as regional pump stations and regional force mains to be constructed under the agreement and that may be constructed in the future over an anticipated 20 year period. For the treatment facility and the other joint service components, ownership shall vest to the District and the Tribe in relation of their cost contribution in proportion to the total costs of the construction.

Subject to the direction of the Management Committee, made up of one representative from the District and one from the Tribe, the District shall be responsible for the proper physical operation and maintenance of all joint service components constructed under the agreement. The District shall determine, establish and institute an equitable system of user charges for the users of the facilities for the payment of the necessary costs of operation and maintenance of the joint service components. The Tribe shall, on a monthly basis, pay to the District their pro-rata share of the costs of operating and maintaining the joint service components. The pro-rata share of the costs shall be determined based on the proportionate burden placed on the facility by the sewer customers of each of the parties as indicated by flow measurements. The District shall pay all costs of operation and maintenance of the facility as they become due and payable and shall submit to the Tribe, monthly, following such payment, an itemized statement showing such costs.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Employer's Share of Net Pension Liability
Year Ended September 30, 2017

Year Ended Dec 31	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.590839%	\$ 1,641	513,227	0.32%	99.89%
2015	0.609904%	\$ 108,591	512,135	21.20%	93.48%
2016	0.595456%	\$ 77,354	593,188	13.04%	95.50%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Employer Contributions
Year Ended September 30, 2017

Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 53,893	\$ 53,893	\$ -	\$ 512,135	10.52%
2016	\$ 47,455	\$ 47,455	\$ -	\$ 593,188	8.00%
2017	\$ 44,868	\$ 44,868	\$ -	\$ 560,836	8.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Note to Retirement System Schedules
Year Ended September 30, 2017

Parochial Employees' Retirement System

Changes of assumptions – The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan for the year ended September 30, 2017.

Changes of assumptions – Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented as deferred outflows or deferred inflows for the year ended September 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Balance Sheet
September 30, 2017

With Comparative Totals as of September 30, 2016

	2017	2016
ASSETS		
Current assets		
Cash and interest-bearing deposits	\$ 70,764	\$ 67,983
Receivables		
Accounts	220,973	108,417
Prepaid expenses	27,174	26,822
Restricted assets		
Cash and interest-bearing deposits	2,181,412	3,259,897
Total current assets	2,500,323	3,463,119
Noncurrent assets		
Restricted assets		
Cash and interest-bearing deposits	184,252	111,443
Capital assets		
Land and construction in progress	1,532,311	294,136
Other, net of accumulated depreciation	1,564,716	1,528,139
Total noncurrent assets	3,281,279	1,933,718
Total assets	5,781,602	5,396,837
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	119,556	169,495
Total assets and deferred outflows of resources	\$ 5,901,158	\$ 5,566,332

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Balance Sheet (continued)
September 30, 2017

With Comparative Totals as of September 30, 2016

	2017	2016
LIABILITIES		
Current liabilities		
Accounts payable	\$ 90,083	\$ 34,766
Due to other funds	138,991	138,990
Due to other governmental units	81,267	76,348
Accrued liabilities	28,762	32,896
Payable from restricted assets		
Current maturities of bonds payable	351,000	340,000
Accrued interest payable	24,526	7,665
Refundable deposits	146,912	74,619
Total current liabilities	861,541	705,284
Long-term liabilities		
Water improvement bonds payable	114,000	140,000
General obligation bonds payable	3,530,000	3,855,000
Compensated absences	37,165	34,093
Net pension liability	77,354	108,591
Total long term liabilities	3,758,519	4,137,684
Total liabilities	4,620,060	4,842,968
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	22,241	20,744
NET POSITION		
Net investment in capital assets	880,524	747,172
Restricted for debt service	27,389	29,159
Unrestricted (deficit)	350,944	(73,711)
Total net position	1,258,857	702,620
Total liabilities, deferred inflows of resources, and net position	\$ 5,901,158	\$ 5,566,332

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017
With Comparative Totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Water sales	\$ 1,268,054	\$ 843,146
Sewer user and inspection fees	345,269	357,290
Commissions and fees for services	47,666	47,253
Other	<u>7,200</u>	<u>7,287</u>
Total operating revenues	<u>1,668,189</u>	<u>1,254,976</u>
OPERATING EXPENSES		
Salaries and related benefits	681,531	726,062
Supplies and materials	6,553	7,796
Operation and maintenance	445,170	493,679
Other services and charges	174,572	184,392
Plant operation	307,929	317,773
Bad debt expense	160,788	-
Depreciation	<u>136,779</u>	<u>133,850</u>
Total operating expenses	<u>1,913,322</u>	<u>1,863,552</u>
Operating loss	<u>(245,133)</u>	<u>(608,576)</u>
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes - debt service	439,454	127,974
Ad valorem taxes - operating	502,825	531,565
Bond interest and fiscal charges	(130,724)	(121,624)
Interest income	6,688	8,430
Miscellaneous income	<u>105,447</u>	<u>23,198</u>
Total nonoperating revenue (expense)	<u>923,690</u>	<u>569,543</u>
Income before transfers	<u>678,557</u>	<u>(39,033)</u>
Transfers in	-	525,595
Transfers out	<u>(122,320)</u>	<u>(757,039)</u>
Change in net position	556,237	(270,477)
NET POSITION, beginning	<u>702,620</u>	<u>973,097</u>
NET POSITION, ending	<u>\$ 1,258,857</u>	<u>\$ 702,620</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Statement of Cash Flows
September 30, 2017

With Comparative Totals for the year ended September 30, 2016

	2017	2016
OPERATING ACTIVITIES		
Revenue collected	\$ 1,387,645	\$ 1,248,959
Payments for goods and services	(878,474)	(1,022,855)
Payments to employees	(651,059)	(702,401)
Net cash used by operating activities	(141,888)	(476,297)
NONCAPITAL FINANCING ACTIVITIES		
Receipts for customer deposits	-	3,237
Miscellaneous receipts	105,447	23,198
Receipts from other funds	72,293	525,595
Payments to other funds	(122,320)	(757,039)
Receipts from nonoperating taxes	439,454	127,974
Net cash provided (used) by noncapital financing activities	494,874	(77,035)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Ad valorem tax receipts	502,825	531,565
Acquisition of capital assets	(1,411,531)	(363,489)
Interest and fiscal charges paid	(113,863)	(121,843)
Principal payments on bonds	(340,000)	(174,000)
Net proceeds from bonds	-	580,000
Net cash provided by capital and related financing activities	(1,362,569)	452,233
INVESTING ACTIVITIES		
Interest received	6,688	8,430
Net increase (decrease) in cash	(1,002,895)	(92,669)
Cash and cash equivalents, beginning	3,439,323	3,531,992
Cash and cash equivalents, end	\$ 2,436,428	\$ 3,439,323

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Statement of Cash Flows (continued)
September 30, 2017

With Comparative Totals for the year ended September 30, 2016

	2017	2016
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (245,133)	\$ (608,576)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities -		
Depreciation	136,779	133,850
Provision for uncollectible accounts	160,788	-
Pension expense, net of nonemployer contributions	20,200	23,126
Changes in assets and liabilities:		
Receivables	(273,344)	1,270
Prepaid expenses and other assets	(352)	(2,363)
Accounts payable	55,317	(18,420)
Accrued liabilities	(1,062)	(10,822)
Due to other governmental entities	4,919	5,638
Net cash provided (used) by operating activities	\$ (141,888)	\$ (476,297)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Waterworks District No. 6 Enterprise Fund
Balance Sheet
September 30, 2017
With Comparative Totals as of September 30, 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 1,821
Receivables:		
Due from other funds	133,588	133,588
Restricted assets:		
Cash	81,900	75,160
Total current assets	215,488	210,569
Noncurrent assets:		
Restricted assets		
Cash	-	73,606
Capital assets:		
Land and construction in progress	6,926	6,926
Other, net of accumulated depreciation	2,125,262	2,447,630
Total noncurrent assets	2,132,188	2,528,162
Total assets	\$ 2,347,676	\$ 2,738,731
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of bonds payable	\$ 16,486	\$ 15,722
Payable from restricted assets:		
Refundable deposits	24,271	98,046
Total current liabilities	40,757	113,768
Noncurrent liabilities:		
Bonds payable	712,550	729,040
Compensated absences	64,885	64,885
Total noncurrent liabilities	777,435	793,925
Total liabilities	818,192	907,693
Net Position:		
Net investment in capital assets	1,403,152	1,709,794
Restricted	81,900	148,766
Unrestricted	44,432	(27,522)
Total net position	1,529,484	1,831,038
Total liabilities and net position	\$ 2,347,676	\$ 2,738,731

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Waterworks District No. 6 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017
With Comparative Totals for the year ended September 30, 2016

	2017	2016
OPERATING EXPENSES		
Other services and charges	\$ 179	\$ 9,407
Depreciation	322,368	319,281
Total operating expenses	322,547	328,688
 Operating loss	 (322,547)	 (328,688)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	-	278,962
Bond interest and fiscal charges	(35,260)	(58,495)
Interest income	405	663
Total non-operating revenues (expenses)	(34,855)	221,130
 Loss before operating transfers	 (357,402)	 (107,558)
Transfers in	55,848	694,605
Transfers out	-	(525,594)
Change in net position	(301,554)	61,453
 NET POSITION, beginning	 1,831,038	 1,769,585
 NET POSITION, ending	 \$ 1,529,484	 \$ 1,831,038

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Waterworks District No. 6 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2017
With Comparative Totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Payments for goods and services	\$ (179)	\$ (9,407)
Net cash used for operating activities	<u>(179)</u>	<u>(9,407)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Closure of customer deposits account	(73,775)	-
Receipts from other funds	55,848	694,605
Payments to other funds	<u>-</u>	<u>(525,594)</u>
Net cash provided (used) by non-capital financing activities	<u>(17,927)</u>	<u>169,011</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from taxes	-	278,962
Interest and fiscal charges paid	(35,260)	(55,156)
Principle paid on bonds	<u>(15,726)</u>	<u>(720,721)</u>
Net cash used by capital and related financing activities	<u>(50,986)</u>	<u>(496,915)</u>
INVESTING ACTIVITIES		
Interest received	<u>405</u>	<u>663</u>
Net increase in cash and cash equivalents	(68,687)	(336,648)
Cash and cash equivalents, beginning	<u>150,587</u>	<u>478,191</u>
Cash and cash equivalents, ending	<u>\$ 81,900</u>	<u>\$ 141,543</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (322,547)	\$ (328,688)
Adjustment to reconcile operating loss to net cash provided by operating activities - Depreciation	<u>322,368</u>	<u>319,281</u>
Net cash used by operating activities	<u>\$ (179)</u>	<u>\$ (9,407)</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 7 Enterprise Fund
Balance Sheet
September 30, 2017
With Comparative Totals as of September 30, 2016

	2017	2016
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 651	\$ 651
Noncurrent assets:		
Capital assets, net of accumulated depreciation	563,234	635,654
Total assets	\$ 563,885	\$ 636,305
LIABILITIES		
Current liabilities:		
Due to other governmental units	\$ 162,247	\$ 162,247
NET POSITION		
Net investment in capital assets	563,234	635,654
Unrestricted (deficit)	(161,596)	(161,596)
Total net position	401,638	474,058
Total liabilities and net position	\$ 563,885	\$ 636,305

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 7 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017
With Comparative Totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING EXPENSES		
Depreciation	\$ 72,420	\$ 139,022
Total operating expenses	<u>72,420</u>	<u>139,022</u>
Operating loss	<u>(72,420)</u>	<u>(139,022)</u>
Change in net position	(72,420)	(139,022)
NET POSITION, beginning	<u>474,058</u>	<u>613,080</u>
NET POSITION, ending	<u>\$ 401,638</u>	<u>\$ 474,058</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 7 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2017
With Comparative Totals for the Year Ended September 30, 2016

	2017	2016
OPERATING ACTIVITIES		
Payments for goods and services	\$ -	\$ -
Net cash provided (used) in operating activities	-	-
Cash and cash equivalents, beginning	651	651
Cash and cash equivalents, end	\$ 651	\$ 651
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (72,420)	\$ (139,022)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	72,420	139,022
Net cash used by operating activities	\$ -	\$ -

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 9 Enterprise Fund
Balance Sheet
September 30, 2017
With Comparative Totals as of September 30, 2016

	2017	2016
ASSETS		
Current assets:		
Due from other funds	\$ 5,403	\$ 5,403
Restricted assets:		
Cash - contingency, reserve, and sinking funds	96,053	89,508
Total current assets	101,456	94,911
Noncurrent assets:		
Capital assets, net of accumulated depreciation	3,402,901	3,772,660
Total assets	\$3,504,357	\$3,867,571
LIABILITIES		
Current liabilities:		
Current portion of revenue bonds payable	\$ 21,595	\$ 20,646
Noncurrent liabilities:		
Revenue bonds payable	840,061	861,660
Total liabilities	861,656	882,306
NET POSITION		
Net investment in capital assets	2,541,245	2,890,354
Restricted	96,053	89,508
Unrestricted	5,403	5,403
Total net position	2,642,701	2,985,265
Total liabilities and net position	\$3,504,357	\$3,867,571

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 9 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017
With Comparative Totals for the Year Ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING EXPENSES		
Depreciation	\$ 369,759	\$ 369,759
Operating loss	(369,759)	(369,759)
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>(39,277)</u>	<u>(40,185)</u>
Loss before transfers	(409,036)	(409,944)
Transfers in	<u>66,472</u>	<u>62,432</u>
Change in net position	(342,564)	(347,512)
NET POSITION, beginning	<u>2,985,265</u>	<u>3,332,777</u>
NET POSITION, ending	<u>\$2,642,701</u>	<u>\$2,985,265</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 9 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2017
With Comparative Totals for the Year Ended September 30, 2016

	2017	2016
NONCAPITAL FINANCING ACTIVITIES		
Receipts from other funds	\$ 66,472	\$ 62,432
CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(20,650)	(19,744)
Interest paid on capital debt	(39,277)	(40,185)
Net cash used by capital and related financing activities	(59,927)	(59,929)
Net increase in cash	6,545	2,503
Cash and cash equivalents, beginning	89,508	87,003
Cash and cash equivalents, end	\$ 96,053	\$ 89,506
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (369,759)	\$ (369,759)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	369,759	369,759
Net cash provided by operating activities	\$ -	\$ -

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Number of Customers
September 30, 2017

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Records maintained by the Commission indicate the following number of residential and non-residential water customers were being served during the month of September 2017 were as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	2,223	913
Non-residential	<u>201</u>	<u>44</u>
Total	<u>2,424</u>	<u>957</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Insurance in Force
September 30, 2017

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

The insurance for the District is now accounted for in Water and Sewer Commission No. 4 and is as follows:

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2018	\$ 300,000.00
Surety Bonds-		
Blanket coverage of Board of Directors		60,000
Public Officials and Employees		3,000,000
Employee Theft	3/6/2018	\$50,000 per Loss
Real and Personal Property	2/25/2018	Replacement Cost

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Aged Accounts
September 30, 2017

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Billings and collections relative to revenues and receivables are being accounted for in Water and Sewer Commission No. 4. Aged receivables were as follows at September 30, 2017:

Under 30 days	\$ 85,231
31 to 60 days	55,204
61 to 90 days	34,288
91 to 120 days	32,964
Over 120 days	<u>114,634</u>
Subtotal	322,321
Allowance for doubtful accounts	(160,788)
Accrual for unbilled receivables	<u>59,440</u>
Total receivables	<u>\$ 220,973</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Water and Sewer Rates
September 30, 2017

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Residential and non-residential:

\$14.23 per month for the first 2,000 gallons

\$3.21 per thousand or part thereof over 2,000 gallons

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
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Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1234 David Dr. Ste. 203
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

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

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, 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, each major fund, and the aggregate remaining fund information of St. Mary Parish Water and Sewer Commission No. 4, (hereinafter "Commission"), a component unit of the Parish of St. Mary, 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 15, 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 Commission'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. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2017-001 and 2017-002.

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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are included in the accompanying corrective action plan for current year 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 the responses.

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. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 15, 2018

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2017

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission's business-type activities, each major fund (Operating fund, Waterworks District No. 6 enterprise fund, and Sewerage District No. 9 enterprise fund), and the aggregate remaining fund information (Sewerage District No. 7 enterprise fund).

Three deficiencies in internal control were disclosed by the audit of the financial statements and all are considered to be material weaknesses.

Material instances of noncompliance or other matters required to be reported in accordance with *Government Auditing Standards* are included in Part II of this schedule.

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2017-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2017

2017-002 - Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The Commission's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance and Other Matters

Part III. Findings and questioned costs for Federal awards reported in accordance with the Uniform Guidance:

The requirements of the Uniform Guidance do not apply to the Commission.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Summary Schedule of Prior Audit Findings (continued)
Year Ended September 30, 2017

A. Internal Control-

2016-001 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2017-001.

2016-002 - Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2017-002.

2016-003 – Bank Reconciliations

CONDITION: The Commission does not reconcile all bank account balances to accounting records on a periodic basis.

CURRENT STATUS: The finding was resolved.

B. Compliance and Other Matters

2016-004- Failure to Publish Minutes

CONDITION: The Commission did not publish minutes for its public meetings in the Commission's official journal in a timely manner.

CURRENT STATUS: The finding was resolved.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Summary Schedule of Prior Audit Findings (continued)
Year Ended September 30, 2017

2016-005- Net Position Deficit

CONDITION: The Commission reports an accumulated net position deficit in its business-type activities totaling \$257,426.

CURRENT STATUS: The finding was resolved.

C. OMB Uniform Guidance-

This section was not applicable.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2017

2017-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Due to the size of the operation and the cost-benefit of additional personnel, we were advised that a response to this issue is not required.

2017-002 - Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The Board of Commissioners has determined that it would be more cost effective to outsource the preparation of the Commission's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**
Charenton, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2016 through September 30, 2017

KOLDER, SLAVEN & COMPANY, LLC

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Casey L. Ardoin, CPA, CFE

P. O. Box 3438
Morgan City, LA 70381

Phone (985) 384-2020
Fax (985) 384-3020

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1234 David Dr. Ste. 203
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES ON CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

To the Board of Commissioners,
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have performed the procedures enumerated below, which were agreed to by the St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission") and the Louisiana Legislative Auditor (LLA) on the control and compliance 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 control and compliance areas identified in the SAUPs.

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

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain the Commission'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 Commission does not have any written policies and procedures), as applicable:

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

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

The Commission does not have written policies and procedures which address the functions noted above.

Board (or Finance Committee, if applicable)

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

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

Obtained and reviewed minutes of the Commission's board meetings for the fiscal period noting that the board met (with a quorum) at least monthly.

- 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 Commission's prior audit (GAAP-basis).

Minutes did not specifically reference monthly budget-to-actual comparisons. However, the Commission operates as a Proprietary Fund and is not required to adopt a budget by the Local Government Budget Act (RS 39:1301 et seq.

- 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.

Not applicable.

- 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.

Minutes referenced/included non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

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

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

- a) Bank reconciliations have been prepared;

Obtained bank statements and/or reconciliations for all months in the fiscal period for four (4) bank accounts, noting that reconciliations have been prepared for all accounts for all months.

- 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

Obtained bank statements and/or reconciliations for all months in the fiscal period for four (4) bank accounts. There was no evidence of review by a board member on any of the bank reconciliations.

- 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.

There were no reconciling items which have been outstanding for more than six (6) months.

Collections

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

Obtained listing of cash collection location and management's representation that the listing is complete.

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

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

The Commission has a single cash collection location in which the individuals responsible for collecting cash were also –

- *Not responsible for depositing cash in the bank.*
- *Responsible for recording the deposit.*
- *Responsible for reconciling the bank statements.*

The individuals responsible for collecting cash were appropriately bonded.

No individuals responsible for collecting cash shared the same cash drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Commission 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.

The Commission does not have a formal process to reconcile cash collections to the general ledger by a person who is not responsible for collecting cash.

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

- Using Commission 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.

Deposits were made within one day of collection.

- 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.

Collection documentation was obtained and adequately supported.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Commission has a process specifically defined (identified as such by the Commission) 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.

The Commission does not have a written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.

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

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

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

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 Commission 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.

Of the twenty-five (25) transactions tested, ten (10) were not initiated using a requisition/purchase order system or electronic equivalent.

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

Examined supporting documentation for each of the fifteen (15) disbursements having purchase orders noting approval of the purchase order by an individual who also initiated 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.

Examined supporting documentation for each of the twenty-five (25) disbursements selected for testing, noting all payments were processed having a receiving report or equivalent document and an approved invoice, as necessary. Fifteen (15) disbursements also evidenced an approved purchase order.

10. Using Commission 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 Commission's purchasing/disbursement system.

The Commission does not have written documentation prohibiting the individual responsible for processing payments from adding vendors to the purchasing/disbursement system.

11. Using Commission 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.

The Commission does not have written documentation prohibiting individuals with signatory authority from initiating and/or recording 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 Commission documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is in a locked location and persons not having signatory authority have no access to those checks.

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 – signature stamp or signature machine is not used.

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.

Obtained listing of active credit cards, bank debit cards, fuel cards and name of the individuals maintaining possession of the cards from management and management's representation that the listing is complete.

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

Commission maintains five (5) fuel cards and two (2) were selected for testing.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Monthly statements were obtained. Monthly statements for the cards selected for testing did not evidence review and approval, in writing, by someone other than the authorized cardholder.

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

No finance charges and/or late fees were observed on the statements.

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

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

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

Each transaction appearing on the statement was supported by an original itemized receipt.

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

None of the transactions appearing on the statements were supported by documentation of the business/public purpose.

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

The Commission does not have a written policy regarding credit card purchases..

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Commission'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.

The Commission does not have a written policy regarding purchasing/disbursements. No credit card purchases tested required compliance with the Public Bid Law.

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

Nature of the credit card transactions were not obscured and all transactions tested appear compliant with Article VII, Section 14 of the Louisiana Constitution.

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.

Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management's representation that the listing is complete.

18. Obtain the Commission'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.

The Commission does not have written policies regarding travel and expense reimbursements; however, documentation evidencing the Commission reimbursing mileage at a rate of \$0.55/mile, which exceeds GSA rates, was observed.

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 Commission does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The Commission does not have written policies regarding travel and expense reimbursements. None of the travel and expense reimbursements examined for the three persons having the most travel costs during the fiscal period included a mileage component.

- 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.]

Each expense appearing on the reimbursement report was supported by an original itemized receipt precisely identifying the purchase.

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

Each expense appearing on the reimbursement report was supported by documentation of the business/public purpose.

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

The Commission does not have a written policy regarding travel and expense reimbursements.

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

Nature of the expenses reimbursed and related supporting documentation were not obscured and all reimbursements tested appear compliant with Article VII, Section 14 of the Louisiana Constitution.

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

Reimbursement requests and related documentation did not evidence review and approval, in writing, by someone other than the individual receiving the reimbursement.

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.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

- 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.

Payments to vendors were supported by a written agreement describing the services to be provided and the fees to be charged.

- 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 Commission complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Four (4) of the five (5) contracts selected for testing were subject to the requirements of the Public Bid Law. There was no evidence of noncompliance observed with any of the applicable legal requirements.

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

One (1) of the (5) five contracts selected for testing was not subject to the requirements of the Public Bid Law. Quotes were not solicited 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.

Two (2) of the five (5) contracts tested were amended. One of the contracts was amended twice to include additional fees of \$2,885 and \$15,973 for unforeseen/unexpected conditions not included in the original specifications. The other contract was also amended to include an additional fee of \$51,626 for unforeseen/unexpected conditions not included in the original specifications. Original contract terms provided for such amendments.

- 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.

Obtained supporting invoices and/or progress payments for the largest payment of the five (5) contracts selected for testing and compared to the contract terms. Invoices and related payments appear compliant 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).

The District does not have written policies regarding contracts and contract approval.

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.

Obtained a listing of employees from management and management's representation that the listing is complete.

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

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

Compensation paid to the individuals tested were made in accordance with Commission's authorized pay rates and/or contracts for employment without exception.

- 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.

Not applicable – no changes were made to authorized pay rates.

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 Commission had less than 25 employees during the fiscal period), and:

Obtained attendance and leave records for one-third of the Commission's employees, or four (4) employees.

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

All selected employees documented their daily attendance and leave.

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

Daily attendance and leave records evidence supervisory approval.

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

Leave records for Commission personnel are maintained in writing and/or electronically.

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.

Not applicable – there were no terminations during the fiscal period.

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.

There were two exceptions regarding the filing of payroll related reporting forms to the appropriate agencies by the required deadlines. No other exceptions were noted.

Ethics (excluding nonprofits)

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

Obtained ethics compliance documentation for five (5) randomly selected individuals. Documentation of the completion of the required ethics training was on file for one (1) of the five (5) individuals tested.

27. Inquire of management whether any alleged ethics violations were reported to the Commission 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 Commission’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that there were no allegations of ethics violations reported during the fiscal period.

Debt Service (excluding nonprofits)

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

Not applicable – Commission did not issue any new debt during the fiscal period.

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

All scheduled debt service payments were timely made. Debt reserves required by applicable debt covenants were appropriately maintained.

30. If the Commission 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.

Millage collections did not exceed debt service payments by more than 10% during the fiscal period. The District does not collect any millage for which the associated debt has been retired and/or satisfied.

Other

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

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

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

Notice required by RS 24:523.1 was posted on Commission's premises, but not on its website.

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

No exceptions to management's representations.

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 control and compliance 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 control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance and is solely for use by the Commission's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 15, 2018