

**VERNON PARISH WATER AND  
SEWER COMMISSION NO. 1**

New Llano, Louisiana

Financial Report

Year Ended May 31, 2019

## TABLE OF CONTENTS

	<u>Page</u>	
Independent Auditor's Report	1-2	
BASIC FINANCIAL STATEMENTS		
Proprietary Fund Type - Enterprise Fund:		
Statement of net position	4	
Statement of revenues, expenses and changes in net position	5	
Statement of cash flows	6-7	
Notes to basic financial statements	8-17	
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS		
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 <i>Government Auditing Standards</i>		19-20
Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan	21-24	

# 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. 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. 1201 David Dr.  
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.KCSRPCAS.COM

## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Vernon Parish Water and Sewer Commission No. 1  
New Llano, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Vernon Parish Water and Sewer Commission No. 1 (Commission), a component unit of the Vernon Parish Police Jury, as of and for the year ended May 31, 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Vernon Parish Water and Sewer Commission No. 1, as of May 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Management has omitted 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2019, on our consideration of the Vernon Parish Water and Sewer Commission No. 1'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***

Certified Public Accountants

Oberlin, Louisiana  
July 29, 2019

## **BASIC FINANCIAL STATEMENTS**

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Statement of Net Position  
May 31, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$1,828,459
Accounts receivable	95,825
Due from other governmental agencies	2,400,386
Inventory	26,863
Prepaid items	<u>10,300</u>
Total current assets	<u>4,361,833</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	326,899
Capital assets, net	<u>1,732,681</u>
Total noncurrent assets	<u>2,059,580</u>
Total assets	<u>6,421,413</u>

LIABILITIES

Current liabilities (payable from current assets):	
Accounts payable	13,417
Accrued liabilities	1,846
Salaries payable	1,993
Contracts and retainage payable	271,213
Other liabilities	<u>14,498</u>
Total	<u>302,967</u>
Current liabilities (payable from restricted assets):	
Customer deposits	130,025
Accrued interest	3,819
Revenue bonds payable	<u>101,000</u>
Total	<u>234,844</u>
Total current liabilities	<u>537,811</u>
Noncurrent liabilities:	
Compensated absences payable	45,893
Revenue bonds payable	<u>2,474,000</u>
Total noncurrent liabilities	<u>2,519,893</u>
Total liabilities	<u>3,057,704</u>

NET POSITION

Net investment in capital assets	1,554,248
Unrestricted	<u>1,809,461</u>
Total net position	<u>\$3,363,709</u>

The accompanying notes are an integral part of the basic financial statements.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended May 31, 2019

Operating revenues:	
Charges for services -	
Water sales	\$ 975,577
Penalty, service and connection fees	34,308
Other fees	<u>16,297</u>
Total operating revenues	<u>1,026,182</u>
Operating expenses:	
Salaries and related benefits	289,448
Depreciation	157,933
Utilities and telephone	78,200
Repairs and maintenance	82,589
Insurance	96,533
Office expense	33,374
Professional fees	29,374
Commissioner fees	3,540
Truck expense	11,125
Miscellaneous	<u>6,785</u>
Total operating expenses	<u>788,901</u>
Operating income	237,281
Nonoperating revenues (expense):	
Interest income	3,124
Gain on sale of assets	600
Interest expense	<u>(3,819)</u>
Total nonoperating revenues (expense)	<u>(95)</u>
Income before capital contributions	237,186
Capital contributions	<u>15,000</u>
Change in net position	252,186
Net position, beginning	<u>3,111,523</u>
Net position, ending	<u>\$3,363,709</u>

The accompanying notes are an integral part of the basic financial statements.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Statement of Cash Flows  
Year Ended May 31, 2019

Cash flows from operating activities:	
Receipts from customers	\$ 1,021,979
Payments to suppliers	(338,021)
Payments to employees and related costs	(281,476)
Other receipts	<u>16,297</u>
Net cash provided by operating activities	<u>418,779</u>
Cash flows from noncapital financing activities:	
Increase in meter deposits, net	<u>5,150</u>
Cash flows from capital and related financing activities:	
Net proceeds from bonds payable	174,614
Proceeds from grants	15,000
Net acquisition of capital assets	<u>(430,997)</u>
Net cash used by capital and related financing activities	<u>(241,383)</u>
Cash flows from investing activities:	
Interest income	<u>3,124</u>
Net increase in cash and cash equivalents	185,670
Cash and cash equivalents, beginning of period	<u>1,969,688</u>
Cash and cash equivalents, end of period	<u>\$2,155,358</u>

(continued)

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Statement of Cash Flows (Continued)  
Year Ended May 31, 2019

Reconciliation of operating income to net cash  
provided by operating activities:

Operating income	\$ 237,281
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	157,933
(Increase) decrease in operating assets -	
Accounts receivable	12,192
Inventory	10,667
Prepaid items	(698)
Increase (decrease) in operating liabilities -	
Accounts payable	(6,470)
Accrued liabilities	161
Salaries payable	1,993
Compensated absences payable	5,818
Other liabilities	(98)
Net cash provided by operating activities	<u>\$ 418,779</u>

Cash and cash equivalents reported on statement of net position as:

Cash and cash equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 1,844,813
Cash and interest-bearing deposits - restricted	<u>124,875</u>
	<u>\$ 1,969,688</u>
Cash and cash equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	\$ 1,828,459
Cash and interest-bearing deposits - restricted	<u>326,899</u>
	<u>\$ 2,155,358</u>
Net increase	<u>\$ 185,670</u>

The accompanying notes are an integral part of the basic financial statements.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of Vernon Parish Water and Sewer Commission No. 1 (the Commission) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Commission's accounting policies are described below.

A. Financial Reporting Entity

The Commission was created in 1984 under the provisions of Louisiana Revised Statutes 33:3811-3837 for the purpose of providing water service to the rural areas of Vernon Parish. The Commission is governed by a board comprised of five Commissioners. The initial Board was appointed by the Vernon Parish Police Jury upon creation of the Commission. All changes to the Board are made by recommendation of the current Board members.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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.

Because the Vernon Parish Police Jury appoints the Commission's governing body, the Commission was determined to be a component unit of the Vernon Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vernon Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

C. Fund Accounting

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 minimum number of funds is maintained consistent with legal and managerial requirements.

The Commission maintains one fund as described below:

Proprietary Fund – Enterprise Fund

The Enterprise Fund is 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 net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

The measurement focus determines the accounting and financial reporting treatment applied to a fund. 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. The statement of net position and statement of activities are presented using the economic resources measurement focus.

Measurement Focus

The enterprise fund utilizes an “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 financial statements have been prepared in accordance with the accrual basis of accounting. Accordingly, revenues are recorded when earned, and expenses and related liabilities are recorded when incurred.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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 deposits of the Commission. For the purposes of the statement of 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.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts, if any. There was no allowance recorded at May 31, 2019 due to immateriality.

Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. All inventories are accounted for as assets when purchased and recorded as expenditures when consumed.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond May 31, 2019, are recorded as prepaid items.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Donated assets are recorded as capital assets at acquisition value at the date of donation. The Commission maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

The estimated useful lives are as follows:

Buildings	30 years
Land improvements	10 years
Equipment and Vehicles	5-15 years
Water distribution system	20 - 40 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Commission has no deferred outflows of resources at May 31, 2019.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Commission has no deferred inflows of resources at May 31, 2019.

Compensated Absences

Sick leave is earned at the rate of one day for each month worked, with a limit of twelve days per year. Vacation leave is earned over a calendar year basis at a rate of one day for each month worked. Employees are allowed to carry over accumulated sick leave and up to 20 days of accumulated vacation leave each calendar year. Total accumulated vacation and sick leave time up to 60 days is payable at termination of employment.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists 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 borrowings that are attributable to the acquisition, construction, or improvements of those assets.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

- b. Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, and contributors, laws or regulations of other governments; or law through constitutional provisions or enabling legislation. It is the Commission's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted new position are available for an expense which has been incurred.
- c. Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities, and deferred inflows or resources that do not meet the definition of "restricted" or "net investment in capital assets."

It is the Commission's policy to use restricted amounts first when both restricted and unrestricted resources are available unless prohibited by legal or contractual provisions.

F. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds generally are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise fund are charges to customers for sales and services. The Commission also recognizes as operating revenue the portion of new installation and tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues and expenses are all amounts not meeting the above definition.

G. Use of Estimates

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

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

(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 the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At May 31, 2019, the Commission had cash and interest-bearing deposits (book balances) totaling \$2,155,358.

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 collateral securities that are in the possession of an outside party will not be recovered. These deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at May 31, 2019, are as follows:

Bank balances	<u>\$2,168,219</u>
Federal deposit insurance	\$ 500,000
Pledged securities	<u>1,668,219</u>
Total	<u>\$2,168,219</u>

Deposits in the amount of \$1,668,219 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Commission's name. The Commission does not have a policy for custodial credit risk.

(3) Accounts Receivable

Accounts receivable at May 31, 2019 of \$95,825 consisted of the following:

Accounts	\$ 16,977
Unbilled water	<u>78,848</u>
Total	<u>\$ 95,825</u>

(4) Due from Other Governmental Agencies

Amounts due from other governmental agencies of \$2,400,386 includes amounts receivable from the Louisiana Department of Health, Drinking Water Revolving Loan Fund for the purchase of the Taxable Water Revenue Bonds, Series, Series 2019 which will be funded in installments as the Commission's Improvements Project progresses.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

(5) Restricted Assets

Restricted assets consisted of the following at May 31, 2019:

Revenue bond debt service account	\$ 15,314
Revenue bond reserve account	81,560
Revenue bond depreciation & contingency account	100,000
Customer deposits	<u>130,025</u>
Total restricted assets	<u>\$ 326,899</u>

(6) Capital Assets

Capital asset activity for the year ended May 31, 2019 was as follows:

	Beginning Balance <u>06/01/18</u>	Increases <u></u>	Decreases <u></u>	Ending Balance <u>05/31/19</u>
Capital assets not being depreciated:				
Land	\$ 34,649	\$ -	\$ -	\$ 34,649
Construction in process	31,793	447,758	-	479,551
Capital assets being depreciated:				
Buildings	104,336	-	-	104,336
Land improvements	22,982	-	-	22,982
Equipment and vehicles	384,600	-	-	384,600
Water distribution system	<u>3,675,971</u>	<u>255,052</u>	<u>5,014</u>	<u>3,926,009</u>
Total capital assets	<u>4,254,331</u>	<u>702,810</u>	<u>5,014</u>	<u>4,952,127</u>
Less accumulated depreciation for:				
Buildings	102,486	1,360	-	103,846
Land improvements	19,595	940	-	20,535
Equipment and vehicles	221,462	38,248	-	259,710
Water distribution system	<u>2,722,984</u>	<u>117,386</u>	<u>5,014</u>	<u>2,835,356</u>
Total accumulated depreciation	<u>3,066,527</u>	<u>157,933</u>	<u>5,014</u>	<u>3,219,446</u>
Capital assets, net	<u>\$ 1,187,804</u>	<u>\$ 544,877</u>	<u>\$ -</u>	<u>\$ 1,732,681</u>

Depreciation expense included in the financial statements for 2019 totaled \$157,933.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

(7) Change in Long-Term Debt

The following is a summary of debt transactions of the Commission for the year ended May 31, 2019:

Long-term debt payable at May 31, 2018	\$ -
Long-term debt issued	2,575,000
Long-term debt retired	<u>-</u>
Long-term debt payable at May 31, 2019	\$2,575,000
Less portion of long-term debt due within one year	<u>(101,000)</u>
Portion of long-term debt due in more than one year	<u>\$2,474,000</u>

Long-term debt at May 31, 2019 is comprised of the following individual issue:

\$2,575,000 Taxable Water Revenue Bonds, Series 2019, due in annual installments of \$101,000 - \$160,000 through February 1, 2039; interest at 1.95%. The bonds were sold to the Louisiana Department of Health, Drinking Water Revolving Loan Fund.	<u>\$2,575,000</u>
---	--------------------

The annual requirements to amortize all debt outstanding at May 31, 2019 is as follows:

	Principal	Interest	Total
2020	\$ 101,000	\$ 37,380	\$ 138,380
2021	104,000	48,243	152,243
2022	106,000	46,215	152,215
2023	109,000	44,148	153,148
2024	112,000	42,023	154,023
2025 - 2029	600,000	176,378	776,378
2030 - 2034	678,000	114,894	792,894
2035 - 2039	<u>765,000</u>	<u>45,455</u>	<u>810,455</u>
Total	<u>\$2,575,000</u>	<u>\$ 554,736</u>	<u>\$3,129,736</u>

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

(8) Flow of Funds; Restrictions on Use – Utility Revenues

Under the terms of the bond indenture on the \$2,575,000 Taxable Water Revenue Bond, Series 2019, all income and revenue of every nature, earned or derived from operations of the Commission are pledged and dedicated to the retirement of said bonds are to be set aside into funds in the following order of priority and for the following express purposes:

All revenue must be deposited into a Water System Revenue Fund to be first used for the payment of all reasonable and necessary expense of operating and maintaining the System.

Water Revenue Bond Debt Service Fund – An amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due is required to be set aside into this fund and may be used only for such purposes.

Water Revenue Bond Reserve Fund – The Commission is required to set aside twenty-five percent (25%) of the amount to be paid into the Debt Service Fund until \$81,591 has been accumulated.

Water Revenue Bond Depreciation and Contingencies Fund – Each month the Commission is required to set aside five percent (5%) of the net revenues for the preceding month until \$100,000 has been accumulated.

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

During the year ended May 31, 2019, all required balances were designated as restricted by the Commission; however, separate bank accounts were not established for these funds as required. .

(9) Compensation of Board Members

The following is a list of the commissioners and compensation paid for the year ended May 31, 2019:

<u>Commissioner</u>	<u>Compensation</u>
Susan Redmond	\$ 780
Carney Jean Midkiff	660
Gary R. Wilson	720
Sue Bailey	660
Mavis Odette	720
	<u>\$ 3,540</u>

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Notes to Basic Financial Statements (Continued)

(10) Compensation, Benefits, and Other Payments to Commission Supervisor

A detail of compensation, benefits, and other payments paid to the Commission Supervisor, Milton Midkiff, for the year ended follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 65,054
Benefits - insurance	<u>68</u>
Total	<u>\$ 65,122</u>

(11) Risk Management

The Commission is exposed to risks of loss in the areas of general liability, property hazards, and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year, nor have settlements exceeded coverage for the past three years.

(12) Pending Litigation

The Commission is party to certain legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, it is the opinion of legal counsel that the resolution of this matter will not have a material adverse effect on the financial condition of the Commission.

**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\*  
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

1201 David Dr.  
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.KCSRPCAS.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  
Vernon Parish Water and Sewer Commission No. 1  
New Llano, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Vernon Parish Water and Sewer Commission No. 1 (Commission), a component unit of the Vernon Parish Police Jury, as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated July 29, 2019.

### Internal Control over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2019-001 and 2019-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2019-003.

## **Vernon Parish Water and Sewer Commission No. 1's Response to Findings**

The Commission's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

***Kolder, Slaven & Company, LLC***

Certified Public Accountants

Oberlin, Louisiana  
July 29, 2019

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended May 31, 2019

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Commission did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected 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.”

CAUSE: The cause of the condition is the fact that the Commission does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

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: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Commission has provided as much segregation as possible with the resources available.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended May 31, 2019

2019-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: 2010

CONDITION: The Commission does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

CRITERIA: AU-C §265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

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

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

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Commission has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Commission to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended May 31, 2019

B. Compliance

2019-003 Noncompliance with Bond Covenants

Fiscal year finding initially occurred: 2019

CONDITION: The Commission is not in full compliance with its bond resolution requiring the establishment and funding of certain accounts for the Series 2019 Taxable Water Revenue Bonds. These bond covenants require that the Commission maintain the Debt Service Fund, Reserve Fund, and Depreciation and Contingency Fund as separate bank accounts and make required transfers on or before the 20<sup>th</sup> of each month.

CRITERIA: The Commission's ordinance authorizing the issuance of the Series 2019 Taxable Water Revenue Bonds require that certain debt covenants be followed.

CAUSE: The Commission misinterpreted the requirements of the ordinance.

EFFECT: The Commission is not in full compliance with its bond covenants as specified in the bond ordinance.

RECOMMENDATION: Management should fully comply with all of the bond covenants set forth in the bond ordinance by establishing all restricted accounts and monitoring their balances to ensure continued compliance with the bond resolution.

MANAGEMENT'S CORRECTIVE ACTION PLAN: As of July 19, 2019, the Commission has established all required restricted accounts and transferred all required amounts to these restricted accounts.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
New Llano, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended May 31, 2019

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of Accounting Functions

CONDITION: The Commission did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2019-001.

2018-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Commission does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2019-002

B. Compliance

2018-003 Noncompliance With Bid Law

CONDITION: The Commission sold equipment without advertising for bids as required by the provisions of LA RS 33:4712.

RECOMMENDATION: Management should fully comply with the provisions of LA RS 33L4712 for any future sale of equipment.

CURRENT STATUS: Management confirmed that there were no transactions during the current fiscal year which would have required the advertising for bids. This finding is considered to be resolved.

**VERNON PARISH WATER AND  
SEWER COMMISSION NO. 1**

New Llano, Louisiana

Statewide Agreed-Upon Procedures Report

Year Ended May 31, 2019

# 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. 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. 1201 David Dr.  
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.KCSRPCAS.COM

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the  
Vernon Parish Water and Sewer  
Commission No. 1, and the  
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Vernon Parish Water and Sewer Commission No. 1 (hereinafter "Commission") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2018 through May 31, 2019. The Commission's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

### Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

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

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

### **Board or Finance Committee**

---

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

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

*Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.*

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

*profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

*A test was performed to observe that financial statements were presented to the board on a monthly basis noting no exceptions, however there were no budget to actual comparisons done.*

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

*The Commission only has one fund, which is the enterprise fund. Observed that the Commission's prior year unrestricted net position in its enterprise fund was not negative.*

### ***Bank Reconciliations***

---

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

*Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete.*

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

*Obtained bank reconciliations noting that they were prepared within 2 months of the related statement closing date.*

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

*Obtained bank reconciliations noting that they include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.*

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

*There was no documentation reflecting that management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.*

### ***Collections***

---

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

*Obtained a listing of deposit sites for the fiscal period where deposits are prepared and management's representation that the listing is complete.*

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

*For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete.*

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

*Employees responsible for cash collections do share cash drawers/registers.*

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

*Employees responsible for collecting cash are also responsible for preparing/making bank deposits; however, another employee reconciles collection documentation to the deposit.*

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

*Employees responsible for collecting cash are not responsible for posting collection entries to the general ledger.*

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

*Employees responsible for reconciling cash collections to the general ledger by revenue source is not responsible for collecting cash.*

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

*Per inquiry with management, all employees who have access to cash are covered by an insurance policy for theft.*

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

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

*Receipts are sequentially pre-numbered.*

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

*Traced supporting documentation to the deposit slips noting no exceptions.*

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

*Traced the deposit slip total to the actual deposit per the bank statement noting no exceptions.*

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

*Observed that the deposits were made within one business day of receipt at the collection location.*

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

*Traced the actual deposit per the bank statement to the general ledger noting no exceptions.*

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

---

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

*Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.*

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

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

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

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

*At least two employees are involved in processing and approving payments to vendors.*

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

*Exception noted. The employee responsible for processing payments is not prohibited from adding/modifying vendor files.*

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

*The same employee that is responsible for signing the checks is also responsible for performing the mail drop off.*

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

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

*Observed that disbursements matched the related original invoice/billing statement.*

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

*Disbursement documentation did not include evidence of segregation of duties tested.*

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

**(The following procedures were not performed since there were no exceptions in the prior year.)**

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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

*Obtained a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation the listing is complete.*

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

*Not applicable. Reimbursement selected for testing was not based on per diem rates.*

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

*Observed that the reimbursements are not supported by an original itemized receipt that identified precisely what was purchased.*

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

*Observed that each reimbursement is supported by documentation of the business/public purpose.*

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

*Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.*

### ***Contracts***

---

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

*Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period and management's representation that the listing is complete.*

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

*Observed that the contract was bid in accordance with the Louisiana Public Bid Law, noting no exceptions.*

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

*Observed that the contract was approved by the governing body/board, noting no exceptions.*

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

*Not applicable. Contract was not amended.*

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

*No exceptions noted.*

### ***Payroll and Personnel***

---

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

*Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete.*

*Obtained related paid salaries and agreed paid salaries to authorized salaries/pay rates noting no exceptions.*

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

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

*All selected employees documented their daily attendance and leave.*

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

*Supervisors approved the attendance and leave of the selected employees.*

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

*Cumulative leave records were obtained, noting no exceptions.*

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

*Entity did not have any employees terminated during the fiscal period.*

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

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

## ***Ethics***

---

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

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*Each employee/official completed one hour of ethics training during the fiscal period.*

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

*No such documentation was available regarding employees/officials attesting through signature verification that he or she has read the entity's ethics policy during the fiscal period.*

***Debt Service***

---

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

*Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete.*

*Observed that State Bond Commission approval was obtained for each bond/note issued.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete.*

*Selected the only bonds issued and inspected debt covenants noting that the Commission is not in compliance with the reserve balance requirements.*

***Other***

---

**(The following procedures were not performed since there were no exceptions in the prior year.)**

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Management's Response:**

*The Commission's management concurs with the exceptions and are working to address the deficiencies identified.*

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

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

***Kolder, Slaven & Company, LLC***

Certified Public Accountants

Oberlin, Louisiana

July 29, 2019