

**ST. MARY PARISH WARDS 5 AND 8  
JOINT SEWERAGE COMMISSION**  
Patterson, Louisiana

Financial Report

Year Ended September 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
St. Mary Parish Wards 5 and 8 Joint Sewerage Commission  
Patterson, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Commission, as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 24, schedule of employer contributions on page 25, or note to retirement system schedules on page 26 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of insurance in force on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that schedule.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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 29, 2018

**BASIC FINANCIAL STATEMENTS**

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Internal Service Fund  
Statement of Net Position  
September 30, 2017

ASSETS

	<u>Business-type Activities</u>
Current assets	
Cash and cash equivalents	\$ 626,116
Due from other governments	121,428
Prepaid insurance	<u>22,857</u>
Total current assets	770,401
Noncurrent assets	
Capital assets, net of accumulated depreciation	911,245
Other assets	
Deposits	<u>2,402</u>
Total assets	1,684,048
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>32,206</u>
Total assets and deferred outflows of resources	<u>\$ 1,716,254</u>

(continued)

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Internal Service Fund  
Statement of Net Position (continued)  
September 30, 2017

LIABILITIES

	Business-type Activities
Current liabilities	
Accounts payable	\$ 15,705
Accrued liabilities	21,779
Total current liabilities	37,484
Noncurrent liabilities	
Due to participants	99,110
Net pension liability	24,121
Noncurrent liabilities	123,231
Total liabilities	160,715

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	4,240
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NET POSITION

Net investment in capital assets	911,245
Unrestricted	640,054
Total net position	1,551,299
Total liabilities, deferred inflows of resources, and net position	\$ 1,716,254

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

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

	Business-type Activities
Operating revenues	
Charges for services	\$ 1,003,011
Other	866
Total operating revenues	1,003,877
Operating expenses	
Alarms	8,206
Board meeting per diem	2,450
Chemicals	54,211
Contract labor	29,013
Depreciation	90,999
Engineering	10,952
Insurance	51,026
Lab fees	14,775
Legal and accounting	9,003
Miscellaneous	7,694
Repairs and maintenance	286,016
Retirement	15,198
Salaries	75,629
Taxes - payroll	1,282
Telephone	5,768
Truck and fuel	5,925
Uniforms	3,256
Utilities	298,265
Total operating expenses	969,668
Income from operations	34,209
Non-operating revenues	
Interest income	3,104
Change in net position	37,313
Net position, beginning of year	1,513,986
Net position, end of year	\$ 1,551,299

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Internal Service Fund  
Statement of Cash Flows  
Year Ended September 30, 2017

	Business-type activities
Cash flows from operating activities	
Received from participants and other governments	\$ 1,035,082
Paid to suppliers	(846,276)
Paid to and for employees	(86,117)
Net cash provided by operating activities	102,689
Cash flows from investing activities	
Acquisition of capital assets	(24,864)
Interest received	3,104
Net cash provided (used) by capital and related financing activities	(21,760)
Net increase in cash and cash equivalents	80,929
Cash and cash equivalents, beginning of year	545,187
Cash and cash equivalents, end of year	\$ 626,116
Reconciliation of operating income to net cash provided by operating activities	
Income from operations	\$ 34,209
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	90,999
Pension expense, net of nonemployer contributions	5,126
Changes in assets and liabilities -	
Due from other governments	32,071
Prepaid insurance	(2,781)
Accounts payable	(60,773)
Accrued liabilities	3,838
Net cash provided by operating activities	\$ 102,689

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (the "Commission") was established in May 1984 by an intergovernmental agreement between the participants, the Town of Berwick, the City of Patterson, St. Mary Parish Sewerage District No. 2, and the St. Mary Parish Government. The Commission's sole responsibility and duty is to maintain, operate, and administer the sewerage treatment facility that is jointly owned by the participants.

During the year ended September 30, 1995, the St. Mary Parish Government entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Government's component units, St. Mary Parish Sewerage District No. 2 and St. Mary Parish Sewerage District No. 8. In October 2000, the St. Mary Parish Council combined St. Mary Parish Sewerage District No. 2 and St. Mary Parish Waterworks District No. 2 to create St. Mary Parish Water and Sewer Commission No. 2. During the year ended September 30, 2017, the St. Mary Parish Council consolidated St. Mary Parish Sewerage District No. 8 into the newly created St. Mary Parish Water and Sewer Commission No. 3 and abolished St. Mary Parish Sewerage District No. 8. The following components of the Parish of St. Mary and governmental entities are currently participants in and funding the operation of the Commission:

- Town of Berwick
- City of Patterson
- St. Mary Parish Water and Sewer Commission No. 2
- St. Mary Parish Water and Sewer Commission No. 3
- St. Mary Parish Government

A. Reporting Entity

As the governing authority of the parish, for financial 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 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.

Government Accounting Standards Board Statement (GASB) 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 criterion includes:

1. Appointing a voting majority of an organization's governing body, and (a) the ability of the Parish to impose its will on the organization, and/or (b) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Parish.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish Council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints a voting majority of the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission 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.

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 changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an internal service fund.

Internal service funds –

An internal service fund is a proprietary fund that is used to account for any activity that provides goods or services to other governments, on a cost-reimbursement basis. The operating revenues of the Commission are from sales to municipal and other governmental customers. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and 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

Internal service fund 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. Internal service fund equity is classified as net position.

Basis of Accounting

Internal service funds utilize 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 is 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 statement of cash flows, “cash and equivalents” include 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.

Prepaid items

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

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 cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of the donation. The Commission maintains a threshold level of \$1,500 for capitalizing assets.

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

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 assets is as follows:

Buildings and improvements	10-25 years
Equipment	7-15 years
Vehicles	5-10 years

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

Compensated absences

The Commission currently employs one full-time employee. The employee earns vacation and sick leave benefits based on length of service. Sick leave does not accumulate and is not payable upon termination. Accumulated vacation, sick leave and compensatory time are recorded as an expense of the period in which it is paid. At September 30, 2017, the unrecorded liability for earned but unpaid vacation is immaterial and therefore, not recorded.

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.

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 their 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 WARD 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

E. Revenues and Expenses

The Commission uses the following practices in recording certain revenues and expenses:

Revenues

Charges for sewerage service are based upon usage and are recorded as revenues and receivables in the month the service is provided. Investment earnings are recorded when earned.

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

Expenses

Expenses are recognized in the period that the liabilities are incurred.

F. Budgets

The Commission is not legally required to and does not adopt a budget.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require 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 reported amounts of revenues, expenditures, and expenses 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 having principal offices in Louisiana. At September 30, 2017, the Commission had cash and cash equivalents (book balances) totaling \$626,116 in non-interest bearing and interest bearing demand deposits.

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 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. At September 30, 2017, deposit balances (bank balances) totaling \$681,494 are secured as follows:

Federal deposit insurance	\$ 250,000
Uninsured and collateralized with securities	<u>431,494</u>
Total	<u>\$ 681,494</u>

ST. MARY PARISH WARD 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

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. Deposits in the amount of \$431,494 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.

(3) Due from other Governmental Units

Due from other governmental units are amounts due from each participant for unpaid user fees of the sewerage system and reimbursements of expenses from other governmental units.

At September 30, 2017, amounts due from other governmental units consisted of the following:

Sewer treatment charges:

City of Patterson	\$ 47,721
St. Mary Parish Government	24,143
St. Mary Parish Water and Sewer Commission No. 2	19,919
St. Mary Parish Water and Sewer Commission No. 3	21,943
Town of Berwick	7,702
Total due from other governments	\$ 121,428

(4) Capital Assets

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

	Beginning of year	Increases	Decreases	End of year
Other capital assets				
Buildings	\$ 313,572	\$ -	\$ -	\$ 313,572
Equipment	675,574	24,863	-	700,437
Vehicles	38,657	-	-	38,657
Improvements	1,548,910	-	-	1,548,910
Total other capital assets, at cost	2,576,713	24,863	-	2,601,576
Less accumulated depreciation for				
Buildings	815,249	10,582	-	825,831
Equipment	517,112	22,940	-	540,052
Vehicles	38,657	-	-	38,657
Improvements	228,314	57,477	-	285,791
Total accumulated depreciation	1,599,332	90,999	-	1,690,331
Total capital assets, net	\$ 977,381	\$ (66,136)	\$ -	\$ 911,245

Depreciation expense related to the utilization of fixed assets for the year ended September 30, 2017 was \$90,999.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

(5) Due to Participants

At September 30, 2017, advances received from participants are as follows:

City of Patterson	\$ 31,292
St. Mary Parish Government	15,820
St. Mary Parish Water and Sewer Commission No. 3	4,518
St. Mary Parish Water and Sewer Commission No. 2	19,487
Town of Berwick	<u>27,993</u>
Total due to participants	<u>\$ 99,110</u>

(6) Pension Plan

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 A hired prior to January 1, 2007 can retire providing he/she meets one of the following criteria: any age with thirty (30) or more years of creditable service; age 55 with twenty-five (25) years of creditable service; age 60 with a minimum often (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 of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

*Disability Benefits*

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were 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 A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

*Survivor Benefits*

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

*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 A 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 year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2016 was 13.00% for Plan A. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, 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 \$24,121 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 0.011712%, which was an increase of 0.002383% from its proportion measured as of December 31, 2015.

For the year ended September 30, 2017, the Commission recognized a net pension expense of \$15,198 in its activities.

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	\$ -	\$ 4,221
Changes of assumptions	4,580	-
Net difference between projected and actual earnings on pension plan investments	18,719	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,803	19
Employer contributions subsequent to the measurement date	<u>7,104</u>	<u>-</u>
	<u>\$ 32,206</u>	<u>\$ 4,240</u>

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

The \$7,104 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:

Year	
2017	7,961
2018	8,454
2019	4,952
2020	(505)
	\$ 20,862

*Actuarial Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2017 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan A
Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
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.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

The discount rate used to measure the total pension liability was 7.00% for Plan A. 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 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.

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 PERS'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.

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	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

*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		
	2016		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 72,156	\$ 24,121	\$ (16,494)

*Changes in Net Pension Liability*

The changes in the net pension liability for the year ended September 30, 2017 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 \$4,221 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 \$18,719 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 outflow of \$1,784 for the year ended September 30, 2017.
- d. Changes 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 \$4,580 for the year ended September 30, 2017.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

*Payables to the Pension Plan*

The District 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 \$2,524.

*Pension Plan Fiduciary Net Positions*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at [www.persla.com](http://www.persla.com).

(7) Sewerage Fees

In order to defray the cost of maintaining the system, the Commission charges each participant \$1.80 per thousand gallons of water consumed by each participant's water customers. The Commission has set aside \$0.15 of each \$1.80 charged in a money market account specifically for any repairs paid by the Commission. The remaining \$1.65 is used to fund the Commission's operating expenses. At September 30, 2017, the balance in the repair and replacement money market account was \$3,457.

(8) Related Party Transactions

The Commission charges its participants, all of which are governmental entities, for sewerage service based upon usage. All of the Commission's participants are related parties. During the year ended September 30, 2017, the Commission recorded, as charges for services, the following from related parties:

City of Patterson	\$272,632
Town of Berwick	274,216
St. Mary Parish Water and Sewer Commission No. 2	259,766
St. Mary Parish Water and Sewer Commission No. 3	129,569
St. Mary Parish Government	<u>43,088</u>
Total related party revenue	<u>\$979,271</u>

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

(9) Compensation and Other Payments to Board Members

Compensation and other payments to board members for the year ended September 30, 2017, are as follows:

Board members:	
Lonnie Easley	\$ 600
Harlan Guillot, Jr	250
Tony Hensgens	600
Rafael Lopez	600
Gary Beadle	150
	<u>\$ 2,200</u>

Act 706 of the Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. The Commission's chief officer was Rafael Lopez for the period October 1, 2016 through September 30, 2017. 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, Rafael Lopez, received \$600 in per diem payments.

(10) Contingencies

The Commission operates a sewerage treatment plant, which is regulated by the Louisiana Department of Environmental Quality (DEQ) and the US Environmental Protection Agency (EPA). 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.

(11) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retention, or limits during the year ended September 30, 2017. Settled claims have not exceeded the commercial coverages in any of the previous three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, 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	0.011699%	\$ 3,199	66,446	4.81%	99.15%
2015	0.009329%	\$ 24,557	71,745	34.23%	92.23%
2016	0.011712%	\$ 24,121	69,458	34.73%	94.15%

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, 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	\$ 10,677	\$ 10,677	\$ -	\$ 71,745	14.88%
2016	\$ 9,616	\$ 9,616	\$ -	\$ 71,957	13.36%
2017	\$ 9,205	\$ 9,205	\$ -	\$ 72,990	12.61%

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, 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.

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 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.

**SUPPLEMENTARY INFORMATION**

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Schedule of Insurance in Force  
Year Ended September 30, 2017

Insurer	Type of Coverage	Coverage		Exp Date
American Alternative Insurance Company	Public officials and management liability	Aggregate	\$ 3,000,000	7/2/2018
American Alternative Insurance Company	Cyber Liability crisis management	Aggregate	1,000,000 50,000	7/2/2018
American Alternative Insurance Company	Auto	Combined	1,000,000	7/2/2018
LWCC Insurance Company	Worker's compensation	Each accident Aggregate	1,000,000 1,000,000	7/2/2018
American Alternative Insurance Company	General liability	Aggregate Each occurrence	3,000,000 1,000,000	7/2/2018
American Alternative Insurance Company	Commercial umbrella	Aggregate Each occurrence	1,000,000 1,000,000	7/2/2018

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

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## 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*

Board of Commissioners  
St. Mary Parish Wards 5 and 8 Joint Sewerage Commission  
Patterson, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission, (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 29, 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. We did identify 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 audit 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 it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 29, 2018

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

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

A. Internal Control and Compliance Material to the Financial Statements -

2016-001 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CURRENT STATUS: This finding has not been resolved and will be reiterated.

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.

CURRENT STATUS: This finding has not been resolved and will be reiterated.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWER COMMISSION  
Patterson, 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.

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

No instances of noncompliance were identified which are required to be reported under *Government Auditing Standards*.

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 WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, 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

No compliance issues are reported.

Part III. Findings and questioned costs for federal awards

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

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

Response to Finding 2017-001:

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

Response to Finding 2017-002:

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 WARDS 5 AND 8  
JOINT SEWERAGE COMMISSION**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2016 through September 30, 2017

# KOLDER, SLAVEN & COMPANY, LLC

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## 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 Wards 5 and 8 Joint Sewerage Commission  
Patterson, Louisiana

We have performed the procedures enumerated below, which were agreed to by St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (hereinafter "the 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 that 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 that address the functions noted above.*

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

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

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

*The Commission does not have written policies and procedures that 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 that 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 that 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 that 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 that 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 District's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

*The Commission does not have written policies and procedures that 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 that 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 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 District's prior audit (GAAP-basis).

*As an enterprise fund, the Commission is not required to adopt a budget under the provision of the Local Government Budget Act; therefore, monthly budget-to-actual comparisons are not presented.*

- 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.

*This section of the Statewide Agreed Upon Procedures is 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 included references to non-budgetary financial information for at least one meeting during the fiscal period.*

### ***Bank Reconciliations***

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- 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 three (3) bank accounts noting that reconciliations had been prepared in a timely manner.*

- 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 three (3) bank accounts noting no evidence of management's review of reconciliations for all accounts.*

- 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.

*Obtained bank statements and/or reconciliations for all months in the fiscal period for three (3) bank accounts noting that outstanding reconciling items older than 6 months have not been researched.*

***Collections***

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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 locations 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.

*One (1) location was determined to be a cash collection location. At the collection location tested, the person responsible for collecting cash was –*

- o Responsible for depositing cash in the bank.*
- o Responsible for recording the deposit.*
- o Responsible for reconciling the bank statement.*

*The Commission did not have a crime bond policy in effect for the fiscal period tested.*

*There are no sharing of cash registers or drawers.*

- 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 has no formal reconciliation process. In the collection location tested, the informal process of reconciling cash collections to the general ledger is performed by the same individual having responsibility for cash collections.*

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

- Using the Commission's 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.

*In the collection location tested, there were no instances of a deposit not being made within one (1) business day. Four (4) deposits were tested.*

- 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 addresses the functions noted above.*

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 has no 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)***

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

*Obtained the general ledger and sorted for entity disbursements. Managements representation of completeness obtained.*

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.

*The Commission does not utilize a purchase order or an electronic equivalent system that separates initiation from approval functions.*

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

*Not applicable.*

- 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 twenty-three (23) of the twenty-five (25) disbursements selected for testing. The Commission does not use a requisition and/or purchase order system, or electronic equivalent. Invoices were reviewed for each disbursement noting receipt of goods purchased, as applicable, and management's approval of the invoice. Supporting documentation for two (2) of the selected purchases could not be provided.*

10. Using the Commission's 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 policies and procedures documenting whether the person responsible for processing payments is prohibited from adding vendors to the purchasing/disbursement system.*

Using the Commission's 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 policies and procedures stating that those with signatory authority have no responsibility for initiating 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 the Commission's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*Access to the supply of unused checks is restricted to those persons that do not have signatory authority.*

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.

*Signature stamp or signature machine is not used.*

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

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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 a listing of active credit cards from management and managements 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.

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.]]

*Credit card statements selected for testing noted no evidence of management approval by someone other than the card holder.*

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

*Credit card statements show no finance charges or late fees were assessed.*

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)

*Original itemized receipt for the selected transactions could not be obtained.*

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

*The selected transactions not supported by documentation of the 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 the use of credit cards, bank debit cards, or fuel cards.*

- 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 selected transaction was not subject to Louisiana 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 transaction was not obscured, and all transactions tested appear compliant with Article VII, Section 14 of the Louisiana Constitution.*

### ***Travel and Expense Reimbursement***

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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.

*The Commission did not incur travel-related reimbursements for the fiscal period tested, therefore, this section of the Statewide Agreed Upon Procedures is not applicable. Obtained management's representation that there were no travel-related reimbursements.*

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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The Commission does not have written policies and procedures regarding travel and expense reimbursements.*

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

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

*Not applicable.*

- 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.]

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

- 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.

*Not applicable*

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

*Not applicable.*

***Contracts***

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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.

*The Commission did not enter into any contracts for the fiscal period tested. Obtained management's representation that there were no contracts in effect during the fiscal period.*

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.

*Not applicable.*

- 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)

*Not applicable.*

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

*Not applicable.*

- 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.

*Not applicable.*

- 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.

*Not applicable.*

- 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).

*Not applicable.*

***Payroll and Personnel***

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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 including their related salaries 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.

*Payments made to each employee were made in accordance with the pay rate structure.*

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

*No changes were made to hourly pay rates or salaries during the fiscal period. The Commission does not have a written policy regarding payroll.*

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:

- 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.)

*Of the two (2) employees selected for testing, one (1) did not document 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.

*Of the two (2) employees selected for testing, one (1) employee's attendance and leave records did not reflect supervisory approval.*

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

*Of the two (2) employees selected for testing, one (1) employee did not have written documentation for leave records.*

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

*Obtained management representation that there were no employees or officials that terminated 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.

*Obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period. Documentation showed evidence of required payroll taxes and retirement contributions, as well as their reporting forms were submitted after the required deadlines and incurred late fees.*

***Ethics (excluding nonprofits)***

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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.

*Of the two (2) selected employees from procedure #22 and four (4) board members, ethics certificates could only be obtained for three (3) board members.*

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 ethics violations reported to the Commission during the fiscal period.*

***Debt Service (excluding nonprofits)***

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

*The Commission did not issue 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.

*The Commission had no debt outstanding during the fiscal period.*

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.

*The Commission had no tax millages relating to debt services during the fiscal period.*

***Other***

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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 Commission 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.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The Commission does not have a brick and mortar office facility or a website in which to post the notice as required by R.S. 24:523.1.*

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 District'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 29, 2018