

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2

Annual Component Unit Financial Statements
With Independent Auditors' Report

and

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

For the Years Ended September 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of St. Mary Parish Water and Sewer Commission No. 2 (Commission), a component unit of St. Mary Parish, as of and for the years ended September 30, 2019 and 2018, and the related notes to these financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Commission, as of September 30, 2019 and 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

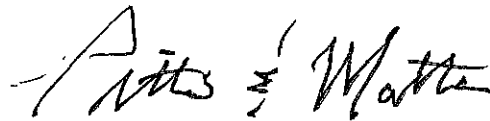
The Commission has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedules and statistical data listed in the table of contents as Other Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and on compliance.

A handwritten signature in black ink, appearing to read "A. J. & J. W. Matte". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
March 26, 2020

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Net Position
Water and Sewer Enterprise Fund
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 901,076	\$ 549,180
Investments	1,483,138	1,652,681
Accounts receivable	153,118	141,753
Inventory	124,216	123,484
Prepaid expenses	13,862	13,862
Total current assets	<u>2,675,410</u>	<u>2,480,960</u>
RESTRICTED ASSETS (cash and investments):		
General obligation bond debt service cash	54,739	9,799
General obligation bond debt service investments	4,141	16,432
Customer meter deposits cash	6,823	4,954
Customer meter deposits investments	211,380	206,452
Total restricted assets	<u>277,083</u>	<u>237,637</u>
NONCURRENT ASSETS:		
Property, plant and equipment (net of accumulated depreciation)	4,659,792	4,786,458
Investment in Berwick-Bayou Vista Joint Waterworks Commission	<u>586,321</u>	<u>639,045</u>
Total noncurrent assets	<u>5,246,113</u>	<u>5,425,503</u>
TOTAL ASSETS	<u>\$ 8,198,606</u>	<u>\$ 8,144,100</u>

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 40,112	\$ 18,031
Contracts payable	980	-
Due to other governmental units	120,996	132,253
CURRENT LIABILITIES (payable from restricted assets):		
Bonds due within one year	100,000	95,000
Accrued interest on bonds	123	585
Customer meter deposits	<u>210,713</u>	<u>208,350</u>
Total current liabilities	472,924	454,219
LONG-TERM DEBT		
Bonds due after one year	<u>-</u>	<u>100,000</u>
Total liabilities	<u>472,924</u>	<u>554,219</u>
NET POSITION		
Net investment in capital assets	4,559,792	4,591,458
Restricted for:		
Debt service	58,757	25,646
Unrestricted	<u>3,107,133</u>	<u>2,972,777</u>
Total net position	<u>7,725,682</u>	<u>7,589,881</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,198,606</u>	<u>\$ 8,144,100</u>

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

Comparative Statement of Revenues, Expenses and Changes in Net Position

Water and Sewer Enterprise Fund

Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for water service	\$ 467,473	\$ 468,966
Charges for sewer service	400,165	405,685
Delinquent charges	19,288	20,979
Tower Rent	240	-
Meter installation, reconnects, permits, etc.	45,180	16,450
Garbage collection fees	<u>13,346</u>	<u>13,856</u>
TOTAL OPERATING REVENUES	<u>945,692</u>	<u>925,936</u>
OPERATING EXPENSES		
Direct operating costs		
Cost of water purchases	284,485	303,224
Sewerage treatment fees	239,324	246,612
Repair and maintenance – water system	141,126	156,776
Repair and maintenance – sewerage system	98,319	130,723
Personal services		
Clerical salaries	72,380	68,720
Other salaries	94,029	112,774
Board meetings	13,200	14,280
Retirement contributions	20,432	22,965
Health insurance	33,375	35,260
Worker's compensation	6,642	2,727
Operating services		
Insurance	24,497	29,084
Accounting fees	32,221	44,306
Engineering fees	4,642	1,200
Computer consulting	451	2,792
Contract Labor	2,317	-
Utilities and telephone	29,340	28,567
Vehicle expense	8,225	5,984
Legal fees	425	20
Materials and supplies		
Office expense	7,038	3,878
Postage	7,015	7,830
Advertising	4,452	1,590
Miscellaneous	12,859	12,683
Depreciation		
Water System	177,037	172,373
Sewer System	<u>171,059</u>	<u>179,935</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,484,890</u>	<u>\$ 1,584,303</u>

	<u>2019</u>	<u>2018</u>
INCOME (LOSS) FROM OPERATIONS	\$ (539,198)	\$ (658,367)
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem taxes		
Operations and maintenance	593,157	553,349
Debt service	131,813	67,632
Interest income	38,904	27,450
Interest expense	<u>(3,844)</u>	<u>(6,738)</u>
TOTAL NON-OPERATING REVENUE	<u>760,030</u>	<u>641,693</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	220,832	(16,674)
Contributions, intergovernmental		
Berwick-Bayou Vista Joint Water Works	<u>(85,031)</u>	<u>(67,265)</u>
CHANGE IN NET POSITION	135,801	(83,939)
NET POSITION :		
NET POSITION - BEGINNING OF YEAR	<u>7,589,881</u>	<u>7,673,820</u>
NET POSITION - END OF YEAR	<u>\$ 7,725,682</u>	<u>\$ 7,589,881</u>

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Cash Flows - Water and Sewer Enterprise Fund
Years Ended September 30, 2019 and 2018

Increase (Decrease) in Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 934,327	\$ 939,808
Paid to suppliers and employees	<u>(1,061,741)</u>	<u>(1,266,560)</u>
Net cash provided (used) by operating activities	<u>(127,414)</u>	<u>(326,752)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	593,157	553,349
Cash from meter deposits	2,363	43
Advanced from other government units	(11,257)	(7,140)
Payment to Berwick-Bayou Vista Joint Water Works	<u>(85,031)</u>	<u>(67,265)</u>
Net cash provided by noncapital financing activities	<u>499,232</u>	<u>478,987</u>
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Ad valorem taxes	131,813	67,632
Principal paid on bond	(95,000)	(90,000)
Interest paid on bond	(4,306)	(6,738)
Acquisition and construction of capital assets	<u>(221,430)</u>	<u>(134,408)</u>
Net cash provided (used) by capital and related activities	<u>(188,923)</u>	<u>(163,514)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (Purchases) of investment securities	176,906	(404,976)
Interest income	<u>38,904</u>	<u>27,450</u>
Net cash provided (used) by investing activities	<u>215,810</u>	<u>(377,526)</u>
Net increase (decrease) in cash and cash equivalents	398,705	(388,805)
Cash and cash equivalents at beginning of period	<u>563,933</u>	<u>952,738</u>
Cash and cash equivalents at end of period	<u>\$ 962,638</u>	<u>\$ 563,933</u>

	<u>2019</u>	<u>2018</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (539,198)	\$ (658,367)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	348,096	348,337
(Increase) decrease in accounts receivable	(11,365)	13,872
(Increase) decrease in inventory	(732)	3,426
Increase (decrease) in payable and accrued expenses	22,081	2,235
Increase (decrease) in contract payable	980	(41,085)
(Increase) decrease in prepaid expenses	-	(26,519)
(Increase) decrease in investment in Berwick-Bayou Vista Joint Waterworks	<u>52,724</u>	<u>31,349</u>
Net cash provided by (used in) operating activities	<u>\$ (127,414)</u>	<u>\$ (326,752)</u>

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

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 901,076	\$ 549,180
Restricted Assets:		
General obligation bond debt service cash	54,739	9,799
Customer meter deposits cash	<u>6,823</u>	<u>4,954</u>
Total cash and cash equivalents	<u>\$ 962,638</u>	<u>\$ 563,933</u>

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

Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting practices of the Commission conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the significant accounting policies used in preparing the financial statements:

A. Reporting Entity

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

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

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

These financial statements include only the operations of the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

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

Enterprise Fund

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

C. Revenues

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

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

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

Investment earnings are recorded when earned.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deferred Outflows and Inflows of Resources

In prior years, the Commission implemented the provision of various GASB statements related to deferred inflows and deferred outflows of resources. The Commission has evaluated its transactions with the requirements of these pronouncements, related to deferred items, and determined that there are no transactions that presently meet the requirements of these statements. Therefore as of September 30, 2018 and 2019, the Commission is not presenting any Deferred Outflows or Inflows in its financial statements.

E. Expenses

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

F. Budgets and Budgetary Accounting

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

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

G. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Receivables

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

I. Restricted Assets

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

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

J. Joint Venture

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

K. Inventory and Prepaid Items

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

L. Property, Plant, and Equipment

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The estimated useful lives are as follows:

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

M. Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expense of the period in which paid. At September 30, 2019 and 2018 unrecorded liabilities for the above are immaterial.

N. Equity Classifications

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

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

NOTE 2 - AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT

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

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

	<u>2019</u>	<u>2018</u>
Operations and maintenance	9.00	9.00
Debt service	<u>2.00</u>	<u>1.10</u>
	<u>11.00</u>	<u>10.10</u>

Based upon the taxable assessed value of the property within the District each mil of assessment generated approximately \$66,000 and \$61,000 of tax revenues in 2019 and 2018 respectively.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Cash and cash equivalents

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

At year end 2019 and 2018 the carrying amounts of the Commission's cash were \$962,638 and \$563,933 respectively and the bank balances were \$968,877 and \$584,136 respectively.

In 2019, \$500,000 was covered by FDIC and \$468,877 was secured by collateralized securities held by a third party and pledged to the Commission. In 2018, \$500,000 was covered by FDIC and \$84,136 was secured by collateralized securities held by a third party and pledged to the Commission.

Investments

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

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

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

	<u>2019</u>		<u>2018</u>	
	Percentage of		Percentage of	
	Total		Total	
	<u>Amount</u>		<u>Amount</u>	
	<u>Investments</u>		<u>Investments</u>	
LAMP (rated AAAm by Standard & Poors)	\$1,482,598	87%	\$1,660,043	89%
Bank certificates of deposit:				
Fully FDIC insured	216,061	13%	128,049	7%
Collateralized with securities held by a third party pledged to the Commission			87,473	4%
	<u>\$1,698,659</u>	<u>100%</u>	<u>\$1,875,565</u>	<u>100%</u>

As of September 30, 2019, all investments had maturity dates of one through five years except LAMP. LAMP determines its maturities using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 37 days as of September 30, 2019.

NOTE 4 - DUE TO/FROM OTHER GOVERNMENTAL UNITS

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

	<u>2019</u>	<u>2018</u>
Due to other governments:		
Due to Berwick-Bayou Vista Joint Waterworks (water purchases)	\$30,937	\$28,501
Due to Joint Sewer Commission Wards 5 & 8 (Sewerage treatment fees)	18,054	15,253
Due to St. Mary Parish Council (Intergovernmental service-garbage/mosquito fees)	66,889	82,277
Due to State Department of Health and Hospitals (Water Program engineering/administration fees)	<u>5,116</u>	<u>6,222</u>
	<u>\$120,996</u>	<u>\$132,253</u>

NOTE 5 - PENSION PLAN

All employees participate in the Federal Social Security System. The Commission is required to remit an amount to the Social Security Administration equal to the employee's contribution. The Commission contributed approximately \$10,000 in 2019 and \$11,000 in 2018 and its employees contributed approximately \$10,000 in 2019 and \$11,000 in 2018. The Commission does not guarantee any of the benefits granted by the Social Security System.

In addition, the Commission contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis. The Commission's contributions to this plan were approximately \$8,000 in 2019 and \$9,000 in 2018 and its employees contributions were approximately \$8,000 in 2019 and \$9,000 in 2018.

NOTE 6 - FIXED ASSETS

CAPITAL ASSETS

Capital asset and depreciation activity for the years ended September 30, 2019 and 2018 is as follows:

	Balance 9/30/2017	Increases	Decreases	Reclassification	Balance 9/30/2018	Increases	Decreases	Reclassification	Balance 9/30/2019
Capital assets not being depreciated:									
Land, right of ways	\$ 51,709				\$ 51,709				\$ 51,709
Construction in process	100,356	\$ -	\$ -	\$ (70,382)	29,974	\$ 177,514	-	-	207,488
Total capital assets not being depreciated	152,065	-	-	(70,382)	81,683	177,514	-	-	259,197
Other capital assets:									
Buildings	\$ 76,133				\$ 76,133				\$ 76,133
Distribution system - sewerage	6,042,196				6,042,196	11,670		30,204	6,084,070
Distribution system - water	4,656,460	136,439		70,382	4,863,281	19,014		(30,204)	4,852,091
Water Plant	838,485				838,485				838,485
Furniture & Equipment	113,743	1,940	3,971		111,712	13,232		(2,040)	122,904
Vehicles	43,027	-	-	-	43,027	-	-	2,040	45,067
Total other capital assets at historical cost	11,770,044	138,379	3,971	70,382	11,974,834	43,916	-	-	12,018,750
Less accumulated depreciation for:									
Buildings	\$ 47,144	\$ 1,655			\$ 48,799	1,654			\$ 50,453
Distribution system - sewerage	3,151,787	179,078			3,330,865	170,200			3,501,065
Distribution system - water	2,765,549	162,540			2,928,089	166,446			3,094,535
Water Plant	838,485				838,485				838,485
Furniture & Equipment	107,197	1,644	3,971		104,870	2,404			107,274
Vehicles	11,560	7,391	-	-	18,951	7,392			26,343
Total accumulated depreciation	6,921,722	352,308	3,971	-	7,270,059	348,096	-	-	7,618,155
Other capital assets, net	4,848,322	(213,929)	-	70,382	4,704,775	(304,180)	-	-	4,400,595
Total capital assets, net	\$ 5,000,387	\$ (213,929)	\$ -	\$ -	\$ 4,786,458	(126,666)	-	-	\$ 4,659,792

Depreciation expense for the years ended September 30, 2019 and 2018 was approximately \$350,000 and \$350,000, respectively.

NOTE 7 - LONG TERM DEBT

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

Balance at September 30, 2017	\$285,000
Repaid during 2018	<u>90,000</u>
Balance at September 30, 2018	195,000
Repaid during 2019	<u>95,000</u>
Balance at September 30, 2019	<u>\$ 100,000</u>

A detail of long-term debt is as follows:

\$1,400,000 of General Obligation Bonds, Series 2002 were issued in 2002 for the purpose of constructing and acquiring improvements to the waterworks and sewer plant and systems. The bonds currently bear interest at rates ranging from 1.75 percent to 3.0 percent and are payable through the year 2020. The bonds are being retired from the operating revenues and the portion of ad valorem taxes dedicated to debt service	\$100,000
Less: current maturities	<u>(100,000)</u>
Long-term debt	<u>-</u>

Debt Maturity

Debt Service requirements at September 30, 2019, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$100,000</u>	<u>\$1,500</u>	<u>\$101,500</u>
Total	<u>\$100,000</u>	<u>\$1,500</u>	<u>\$101,500</u>

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

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

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

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

	Year Ended <u>9/30/19</u>	Year Ended <u>9/30/18</u>
Total assets and deferred outflows of resources	\$1,288,172	\$1,371,227
Total liabilities and deferred inflows of resources	115,530	93,138
Total net position	1,172,642	1,278,089
Total revenues	705,533	731,215
Total expenditures	810,980	793,913
Change in net position	(105,447)	(62,698)

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

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

	Year Ended 9/30/19	Year Ended 9/30/18
Gallons of water purchased	161,535,578	179,580,000
Cost of water purchases	\$284,485	\$303,224

**NOTE 9 - COMPENSATION OF BOARD MEMBERS AND
CHIEF EXECUTIVE OFFICER**

Board Members received the following per diems (Board Members, including the Chief Executive Officer, do not receive any other compensation, reimbursement of expenses, or benefits) for the years ended September 30, 2019 and 2018:

	2019	
	Meetings Attended	Amount
Herbert Adams, President & Chief Executive Officer (Beginning of year)	3	\$630
John Trevino, Sr., President & Chief Executive Officer (End of Year)	9	2,100
Tony Hensgens	10	2,520
Donald Lantz	12	2,520
Thomas Philbrook	11	2,520
Paul Tholen	6	1,470
		<u>\$11,760</u>
Berwick-Bayou Vista Joint Waterworks Commission		
Tony Hensgens, Commissioner	12	720
Donald Lantz, Commissioner	12	720
		<u>\$1,440</u>

NOTE 9 - COMPENSATION OF BOARD MEMBERS AND
CHIEF EXECUTIVE OFFICER (continued)

	<u>2018</u>	
	<u>Meetings</u>	
	<u>Attended</u>	<u>Amount</u>
Herbert Adams, President & Chief Executive Officer	8	\$2,520
Tony Hensgens, Sec/Tres	12	2,520
Donald Lantz, Commissioner	12	2,520
Thomas Philbrook, Commissioner	12	2,520
Stan Robison, Vice President	8	<u>2,520</u>
		<u>\$12,600</u>
Berwick-Bayou Vista Joint Waterworks Commission		
Tony Hensgens, Commissioner	14	840
Donald Lantz, Commissioner	14	<u>840</u>
		<u>\$1,680</u>

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - CONCENTRATIONS

The District received approximately thirty-nine and forty-five percent of its revenues from ad valorem taxes in 2019 and 2018, respectively.

OTHER SUPPLEMENTAL SCHEDULES

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

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

For the year ended September 30, 2019 and 2018

(Unaudited)

	<u>9-30-19</u>	<u>9-30-18</u>
Gallons purchased for the period	161,535,578	179,580,000
Gallons sold for the period	113,839,808	117,282,173
Number of users at year end	1,848	1,861
Gallons not sold for the period	47,695,770	62,297,827
Cost per 1000 gallons purchased	\$1.79	\$1.69
Cost of gallons not sold	\$85,375	\$105,283
Percentage of gallons not sold	30%	35%

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

Water and Sewer Rates
September 30, 2019
(Unaudited)

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

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

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

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

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

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

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

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

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

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

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

Water
First 3,000 gallons - \$4.00
Over 3,000 gallons - \$.14 per 100

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

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

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

Insurance
September 30, 2019
(Unaudited)

<u>Insurer</u>	<u>Amount of Policy</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
Louisiana Workers Compensation Corp.	\$1,000,000	Worker's Compensation	04/26/20
Glatfelter Public Practice	\$3,000,000	General Liability	04/26/20
	\$1,000,000	Auto Liability	04/26/20
	\$3,000,000	Public Officials & Management Liability	04/26/20
	\$100,000	Crime Coverage	04/26/20
	\$1,000,000	Cyber Liability & Crisis	04/26/20
	\$981,394	Property	04/26/20

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the major fund of the St. Mary Parish Water and Sewer Commission No. 2 (Commission), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify two deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

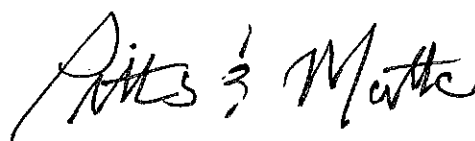
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
March 26, 2020

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

ITEM 2019-001 - SEGREGATION OF DUTIES

Auditors' Comments

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

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

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

Cause: The Commission has limited personnel.

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

ITEM 2019-002 – FAILURE TO RECONCILE BANK ACCOUNT

Auditors' Comments

Condition: While performing audit procedures in the area of cash, we discovered the commission operates with five checking accounts. We further discovered that four of the accounts were reconciled on a timely basis throughout the year. However, one account was not reconciled and adjusted until year end.

Criteria: A good internal control system in the cash area should include a monthly reconciliation between the bank statement and the general ledger, including locating and correcting or adjusting any differences.

Effect: Errors could occur and not be corrected.

Cause: Failure to follow the Commission's normal monthly procedures.

Management's Comments: We will have all the Commission's bank accounts reconciled monthly and make any corrections or adjustments to our accounting records accordingly.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2019.

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

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

Internal Control

Material Weakness

Item 2018-001 Segregation of Duties

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

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

ST MARY PARISH WATER & SEWER COMM. 2

P.O. BOX 635
PATTERSON, LA 70392-0635
P:985-395-2747
F:985-395-9530
Stmarywatersewer2@att.net

March 26, 2019

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

Dear Mr. Purpera

The St. Mary Parish Water & Sewer Commission No. 2 respectfully submits the following corrective action plan for our year ended September 30, 2019:

Person Responsible: John P. Trevino, Sr., President
St. Mary Parish Water & Sewer Commission No. 2

Time for completion: September, 2019

Item 2019 - 001 Segregation of Duties

Finding:

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

Corrective Action:

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

Item 2019-002 Failure to Reconcile Bank Account

Finding:

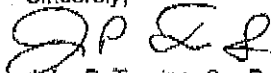
The commission operates with five checking accounts. Our auditors discovered one account was not reconciled and adjusted on a timely basis.

Corrective Action:

We will have all the Commission's bank accounts reconciled monthly and make any corrections or adjustments to our accounting records accordingly.

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

Sincerely,



John P. Trevino, Sr., President
St. Mary Parish
WATER & SEWER COMMISSION NO. 2

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

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

FOR THE YEAR ENDED
September 30, 2019
WITH
AGREED UPON PROCEDURES REPORT
BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), which were agreed to by St. Mary Parish Water and Sewer Commission No. 2 (Commission) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Commission's management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
March 24, 2020

**ST. MARY PARISH
WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA
Schedule of Procedures Performed and Associated Findings Based upon the
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2019**

Guide to Presentation Format

This report contains these items presented in this order:

Statewide Agreed-Upon Procedures (AUPS) prescribed by the Louisiana Legislative Auditor (LLA),
Procedures performed by the Independent Certified Public Accountant,
Findings based upon the procedures performed, and
Management's Comments relative to the findings, if applicable.

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

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

The Commission is not subject to all possible Louisiana Legislative Auditor - State Wide Agreed-Upon Procedures. The numbers of the procedures in this report coincide with the numbers assigned to the specified procedures on the Louisiana Legislative Auditor's website. Therefore, because of certain excluded procedures, the procedure numbers used in this report are not in consecutive order.

WRITTEN POLICIES AND PROCEDURES

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

Budgeting

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Budgeting.

Findings: Found the Commission has written policies that includes the specified functions listed above.

Purchasing

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Purchasing.

Findings: Found the Commission has written policies that includes the specified functions listed above.

Disbursements

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Disbursements.

Findings: Found the Commission has written policies that includes the specified functions listed above.

Receipts/Collections

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

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Receipts/Collections.

Findings: Found the Commission has written policies that includes the specified functions listed above.

Payroll/Personnel

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Payroll/Personnel.

Findings: Found the Commission has written policies that includes the specified functions listed above.

Contracting

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Contracting.

Findings: Found the Commission has written policies that includes the specified functions listed above.

Credit Cards

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Credit Cards.

Findings: Found the Commission has written policies that includes the specified functions listed above.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Travel and expense reimbursement

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Travel and Expense reimbursement.

Findings: Found the Commission has written policies and procedures regarding travel and expense reimbursement related to the allowable expenses, documentation requirements, and required approvers.

Found the Commission does not have written policies and procedures regarding travel and expense reimbursement related to the dollar threshold by category of expenses with the exception of meal allowances.

Ethics

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

Procedure Performed: Obtained from management and inspected the Commission's "Written Policies & Procedures" and read the written policies and procedures for Ethics.

Findings: Found the Commission has written policies and procedures regarding ethics; however, they do not include the four specified functions listed above.

Debt Service

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for Debt Service.

Findings: Found the Commission does not have written policies and procedures regarding debt service.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Disaster Recovery/Business Continuity

- k) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for Disaster Recovery and Business Continuity.

Findings: Found the Commission does not have written policies and procedures regarding disaster recovery and business continuity.

Management's response:

The Commission will develop written policies and procedures for Disaster Recovery/Business Continuity and Debt Service.

The commission will modify its purchasing policies and procedures to restrict how vendors are added to the vendor list.

The commission will modify its Payroll/Personnel policies and procedures to require Supervisory approval of attendance including leave and overtime be in writing.

BOARD OR FINANCE COMMITTEE

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

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

Procedure Performed: Obtained and read the Commission's board minutes for the fiscal period as well as Louisiana State Law as it relates to Water and Sewer Commissions and the Ordinance that created the Commission.

Findings: Found that the Commission met with quorum at all twelve of the monthly meetings.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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

Findings: Found that the minutes did not contain or reference monthly financial statements; however, the minutes did include reference to the Commission's biannual budget-to-actual comparisons.

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

Procedure Performed: Obtained and read the Commission's prior year audit report and observed the unrestricted fund balance in the general fund.

Findings: Found that general fund did not have a negative ending unrestricted fund balance in the prior year audit report.

Management's response:

We will include reference to our monthly financial statements in the minutes. We will prepare compare budgets to actual on a quarterly basis.

BANK RECONCILIATIONS

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedures Performed: Obtained the listing of bank accounts from management, and received management's written representation that the list is complete. Selected all 4 bank accounts and the Operating account out of a total of 5 accounts and requested bank reconciliations and bank statements for all 5 accounts for the one month randomly selected. Obtained and inspected bank statements and bank reconciliations prepared for the month selected for all accounts selected.

Findings:

- a) Observed there is evidence that the bank reconciliation was prepared within 2 months of the related statement closing date for 4 out of 5 bank accounts.
- b) Observed there is no written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.
- c) Observed that management has documentation reflecting that it has researched 9 out of 10 reconciling items that have been outstanding for more than 12 months from the statement closing date in 1 of the 5 bank accounts, the Meter Fund account.

Management' response:

In the future bank reconciliations will contain evidence that it was reviewed by a board member.

COLLECTIONS

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

Procedure Performed: Obtained from management a listing of deposits sites for the fiscal period where deposits for cash/ checks/ money orders are prepared and management's representation that the listing is complete.

Findings: Found the Commission has only one deposit site.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Procedure Performed: Obtained from management a listing of collection locations relating to the one deposit site and management's representation that the listing is complete. The Commission has only one collection location. For that collection location we obtained and read the "Agreed Upon Procedures & Policies" for employees about their job duties.

Findings:

Found the Commission has only one collection location.

- a) Found that, the office manager and clerk who is responsible for cash collections at the collection location do share cash drawers/ registers.
- b) Found that the office manager and clerk who are responsible for collections are also responsible for preparing and making bank deposits.

COLLECTIONS (CONTINUED)

- c) Found that the office manager and clerk are both responsible for collecting cash and are both responsible for posting collection entries to the general and subsidiary ledgers.
 - d) Found that the office manager is responsible for reconciling cash collections to the general ledger and is also responsible for collection of cash. However, the Board of Directors are responsible for verifying the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Procedure Performed: Inquire of management and obtain management's written confirmation that all employees who have access to cash has insurance policy for theft.

Findings: Found that all employees that have access to cash are covered by an insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Performed: Randomly selected two deposit dates for the Commission's five bank accounts and obtained supporting documentation (general ledger, deposit slips, payment stubs, general ledger log and bank statements) for each and performed the following procedures;

- a) Observed the Commission does have sequentially pre-numbered receipts.
- b) Traced sequentially pre-numbered receipts and other related collection documentation to deposit slips.
- c) Traced the deposit slip total to the actual deposit per the bank statement.

COLLECTIONS (CONTINUED)

- d) Observed that the deposit was made within one business day of receipt at the collection location.
- e) Traced the actual deposit per the bank statement to the general ledger

Findings: Found that the Commission's Money Market account had no deposits during the year.

- a) Found the Commission receives three types of collections:
 - (1) Deposits for utility services
 - (2) Monthly payments for utility services
 - (3) Ad valorem taxes

Sequentially pre-numbered receipts are used for utility deposits only in the meter fund. However, a pre-numbered electronic utility bill payment stub card with the customer's account number is maintained for collection of monthly utility services in the general fund. Check images and a lead sheet which contain the date of receipt are maintained for ad valorem tax collections in the sinking fund account. There are no receipts for deposits in the depreciation and contingency account because they are transfers of money from the main operating account.

- b) Collections documentation agrees to the deposit slips for water and sewer collections, meter deposits, and ad valorem taxes. However, there was no collection documentation to compare deposit slips to for the Depreciation and Contingency account, as the deposits were transfers of money from the main operating account.
- c) Deposit slip total agrees to the deposit amount on the bank statement.
- d) Found that all of the deposits were made within one business day of receipt at the collection location.
- e) The actual deposit per bank statements agrees with the collection recorded in the general ledger.

Management's response:

Due to our control system in place we do not considered it necessary to have sequentially pre numbered receipts for water and sewer collections and collections received from other governmental entities.

We will make deposit within one business day of receipt.

**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES):**

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

Procedure Performed: We obtained a listing of locations that process payments from management and management's representation that the listing is complete.

Findings: Found the Commission has one location that process payments which is their main office.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedure Performed: We obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies relating to employee job duties for employees involved in non-payroll purchasing and payment functions.

Findings:

- a) Board of Directors are involved in initiating a purchase request, approving a purchase, The Office Manager is responsible for placing an order/making purchase.
- b) At least two employees are involved in processing payments. However, the Board of Directors are responsible for approving payments to vendors.
- c) The employees involved in processing payments are not prohibited from adding or modifying vendors' files. No employee is responsible for periodically reviewing changes to vendor files.

**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED):**

- d) The official responsible for signing checks does not mail the checks. The checks are mailed by the same employees who processes payments.

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

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

Procedure Performed: We obtained the Commission's non-payroll disbursements transaction population (excluding cards and travel reimbursements) and management's representation that the population was complete. We randomly selected 5 disbursements from the listing and obtained and observed supporting documentation for each transaction.

Findings:

- a) Found that disbursements matched the related original invoice.
- b) Found that disbursement documentation included evidence that the Commission is following its policies as it relates to the segregation of duties tested under #9 a and b above. However, duties are not segregated as it relates to procedures listed under #9 c and d above.

Management's response:

The Board will approve vendor listing at the beginning of the period and update and approve as necessary.

Checks will no longer be mailed by the same employee who processes payments.

PAYROLL AND PERSONNEL

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

Procedure Performed: Obtained and read a listing of employees employed during the fiscal period and management's representation that the listing is complete. Selected all 4 employees and obtained and inspected their personnel files, and current year pay check stubs.

Findings: The listing contained 4 employees. There are no elected officials.

For the four selected employees, we found paid salaries agreed to authorized salary pay rate in personnel files.

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

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Procedure Performed: Randomly selected one pay period during the fiscal year for the 4 employees selected and obtained attendance records and leave documentation (Time Cards and PTO log) for the pay period. Performed the following procedures:

- a) Observed that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Observed that supervisors approved the attendance and leave of the selected employees.
- c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

PAYROLL AND PERSONNEL (CONTINUED)

Findings:

- a) Found that employees' daily attendance and leave is documented on their Time Cards and PTO log.
- b) Found that approval of attendance and leave is not in writing. Therefore, we were unable to determine if a supervisor approved attendance and leave.
- c) Found that all four employees had leave accrued or taken during the pay period. All leave accrued or taken is reflected in the Commission's PTO Log (Cumulative leave records).

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

Procedure Performed: Inquired of management and obtained management's representation that no termination payments were made during the fiscal period.

Findings: There was one termination during the fiscal period, but no termination payments were made.

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

Procedure Performed: Obtained management's representation that employer and employee portions of the above mentioned items have all been paid and associated forms have been filed, by required deadlines.

Findings: All payroll taxes and retirement contributions have been paid and all associated forms have been filed by required deadlines.

Management's response:

We will document approval of attendance and leave in writing.