

**JEFFERSON DAVIS PARISH  
WATER & SEWER COMMISSION NO. 1**

**Annual Financial Statements  
And Independent Auditor's Report  
Year Ended December 31, 2019 and 2018**

**JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO. 1**

**Annual Financial Report**  
December 31, 2019 and 2018

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**INDEPENDENT AUDITOR'S REPORT**

To the Board Members of the  
Jefferson Davis Parish  
Water & Sewer Commission No. 1  
Lake Arthur, Louisiana

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the business-type activities of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

We believe 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 financial position of the Commission as of December 31, 2019 and 2018, and the changes in financial position and 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*

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States 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 the 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of 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 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 compliance.

*Mike B. Gillespie, CPA, APAC*

Jennings, Louisiana  
October 19, 2020

## **BASIC FINANCIAL STATEMENTS**

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**STATEMENTS OF NET POSITION**  
December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 267,595	\$ 701,400
Investments- certificates of deposit	-	343,297
Investments- LAMP	709,067	-
Accrued interest receivable	156	331
Customer receivables, net of bad debt allowance of \$3,463 and \$3,077	113,916	117,994
Accounts receivable-other	-	-
Prepaid expenses	16,978	16,602
Inventory	47,361	51,523
Total current assets	1,155,073	1,231,147
Noncurrent assets:		
Investments- certificates of deposit	104,753	13,256
Restricted assets:		
Cash and equivalents	765,333	604,454
Investments- certificates of deposit	-	81,740
Total restricted assets	765,333	686,194
Capital assets, net of accumulated depreciation	5,866,269	6,071,853
Total noncurrent assets	6,736,355	6,771,303
<b>TOTAL ASSETS</b>	<b>\$ 7,891,428</b>	<b>\$ 8,002,450</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 9,735	\$ 32,632
Salaries, payroll and other taxes payable	31,890	21,297
Compensated absences	4,607	4,714
Accrued interest payable	5,411	5,544
Due to other governments	500	500
Current portion of long-term liabilities	127,165	122,231
Total current liabilities	179,308	186,918
Current liabilities payable from restricted assets:		
Customer deposits	240,515	232,465
Total current liabilities payable from restricted assets	240,515	232,465
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	4,778,139	4,905,313
Total noncurrent liabilities	4,778,139	4,905,313
Total liabilities	5,197,962	5,324,696
<b>NET POSITION</b>		
Net investment in capital assets	960,965	1,044,309
Restricted for debt service	524,818	453,730
Unrestricted	1,207,683	1,179,715
<b>TOTAL NET POSITION</b>	<b>\$ 2,693,466</b>	<b>\$ 2,677,754</b>

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES :</b>		
Charges for sales and services	\$ 1,139,488	\$ 1,129,451
Total operating revenues	1,139,488	1,129,451
<b>OPERATING EXPENSES :</b>		
Salaries and related benefits	355,902	345,923
Operating services:		
Advertising	773	1,263
Copier lease	1,882	1,519
Software maintenance	6,575	7,643
Dues and subscriptions	100	300
Insurance-general	24,351	28,113
Licenses and fees	27,396	36,408
Miscellaneous expense	24,467	22,858
Professional fees	17,728	17,840
Postage	13,065	11,847
Seminars	1,119	370
Telephone	11,310	10,348
Travel- lodging, mileage & meals	39	30
Utilities	32,824	27,647
Materials, supplies and repairs:		
Vehicle expenses	21,122	18,797
Office expense	19,979	26,005
Repairs and maintenance	107,469	108,907
Supplies and chemicals	41,564	47,811
Depreciation expense	228,313	226,883
Total operating expenses	935,978	940,512
Operating Income (Loss)	203,510	188,939
<b>NON-OPERATING REVENUES (EXPENSES) :</b>		
Other non-operating revenue	650	600
Interest income	11,302	6,180
Insurance proceeds	7,487	-
Gain on the sale of assets	-	4,420
Penalties and Interest - IRS	(7,235)	
Interest expense (net of amounts capitalized of \$0 and \$0)	(200,002)	(204,746)
Total non-operating revenues (expenses)	(187,798)	(193,546)
Income (loss) before capital contributions and special item	15,712	(4,607)
<b>CAPITAL CONTRIBUTIONS:</b>		
State of Louisiana	-	6,800
Change in net position	15,712	2,193
<b>TOTAL NET POSITION - BEGINNING</b>	<u>2,677,754</u>	<u>2,675,561</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 2,693,466</u>	<u>\$ 2,677,754</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**STATEMENTS OF CASH FLOWS**  
**December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,151,616	\$ 1,134,004
Payments to suppliers	(370,874)	(365,288)
Payments to employees	(345,416)	(336,491)
Other operating cash payments	-	1,837
Net cash provided by operating activities	435,326	434,062
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other non-operating revenue sources	8,137	600
Other non-operating payemnts	(7,235)	
Net cash provided by noncapital financing activities	902	600
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	-	6,800
Purchases of capital assets	(22,728)	(5,850)
Principal paid on capital debt	(122,240)	(117,502)
Interest paid on capital debt	(200,135)	(204,873)
Proceeds from the sale of assets	-	4,419
Net cash (used) by capital and related financing activities	(345,103)	(317,006)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales on investments	438,292	433,516
Purchase of investments	(813,820)	(438,292)
Interest received	11,477	6,070
Net cash provided (used) by investing activities	(364,051)	1,294
Net increase (decrease) in cash and cash equivalents	(272,926)	118,950
Cash and cash equivalents - beginning of the year	1,305,854	1,186,904
Cash and cash equivalents - end of the year	\$ 1,032,928	\$ 1,305,854
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 203,510	\$ 188,939
Adjustments to reconcile operating income to net cash provided (used by) operating activities:		
Depreciation expense	228,313	226,883
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	4,078	(3,485)
(Increase) decrease in prepaid expenses	(376)	4,680
(Increase) decrease in inventory	4,162	(20,646)
Increase (decrease) in customer deposits	8,050	9,875
Increase (decrease) in accounts payable	(22,897)	18,384
Increase (decrease) in accrued payroll expenses	10,486	9,432
Net cash provided by operating activities	\$ 435,326	\$ 434,062

The accompanying notes are an integral part of this statement.



**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**INTRODUCTION**

The Water and Sewer Commission No. 1 of the Parish of Jefferson Davis (Commission) was created by the Jefferson Davis Parish Police Jury pursuant to LSA-RS 33:3811 in 1999. The Commission has the power and authority, within its boundaries, to establish, acquire, construct, improve, extend and maintain a waterworks system. The Commission is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 6, Section 30 of the Louisiana Constitution.

Under the provision of LSA-RS 33:8812, the Commission shall be governed and controlled by five commissioners who shall be the governing authority of the district. These commissioners must be a resident of and own at least the five hundred dollars' worth of real estate in the district, or they must be the representative of some corporation owning at least five hundred dollars in real estate in the district. These commissioners are appointed by the Jefferson Davis Police Jury. All commissioners shall serve at the pleasure of the authority which appointed them.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying basic financial statements of the District 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.

The accompanying financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, issued in June 1999.

**B. REPORTING ENTITY**

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 14, the Commission is a component unit of Jefferson Davis Parish Police Jury. This is primarily due to the fact that the Police Jury appoints the Commission's governing body. The accompanying financial statements present information only on the proprietary fund maintained by the Commission and do not present information on the Jefferson Davis Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

**C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING**

The enterprise fund statements (government-wide) were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transaction are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

requirements of GASB Statement No. 33. *Accounting and Financial Reporting for Non-Exchange Transactions*.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales, connections and reconnection fees, late charges, and other miscellaneous operating revenues. Operating expenses for enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and these investments with original maturities of 90 days or less. For purposes of the statement of cash flows, the Commission considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

**E. INVENTORIES**

Inventory of materials and supplies are valued at average cost.

**F. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Commission considers accounts receivable to be collectible when received within 60 days of being billed and/or a security deposit is available; accordingly, an allowance for doubtful accounts has been established for amounts not meeting these criteria. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the collectability of the particular receivable.

**G. PREPAID EXPENSE**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. RESTRICTED ASSETS / RESOURCES**

Restricted assets consist of: 1) the "Customer Deposit" account, which is used to segregate water meter deposits used to pay an outstanding water bill when customers discontinue service, 2) the "Construction Fund" account, which is used to segregate resources used for capital improvements and renovations, and 3) the "Sinking", "Debt Service Reserve", and "Contingency" accounts, which are all used to segregate resources to pay debt services. 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.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**I. CAPITAL ASSETS**

Capital assets of the Commission are recorded at historical cost. The Commission maintains an individual asset threshold level for capitalization of \$1,000 for movable assets. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible capital assets are charged as an expense against operations. Capital assets reported on the statement of net position are net of accumulated depreciation, exclusive of those reported under construction in progress. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water well	30-years
Storage and treatment plant	5-50 years
Water distribution system	10-50 years
Office equipment	5 years
Equipment	5-20 years
Vehicles	5 years
Improvements	15 years

**J. COMPENSATED ABSENCES**

Compensation time earned in lieu of overtime pay is accrued when incurred by the Commission.

**L. NET POSITION**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is displayed in the following three categories:

Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by the balances of deferred outflows of resources related to those assets.

Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Commission’s bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use by the Commission.

When both restricted and unrestricted net position are available for use, it is the Commission’s policy to use restricted net position first, if allowable, then unrestricted net position as they are needed.

**M. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**N. CAPITALIZATION OF INTEREST**

It is the policy of the Commission to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. Net interest costs capitalized totaled \$0 and \$0 during 2019 and 2018.

**O. OPERATING AND NONOPERATING ITEMS**

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 principal operating revenues of the Commission are charges to customers for sales and services. Operating expenses included cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**2. CASH AND CASH EQUIVALENTS**

At December 31, the Commission has cash equivalents (book balances) as follows:

	<u>2019</u>	<u>2018</u>
Demand deposits	\$ <u>1,032,928</u>	\$ <u>1,305,854</u>
Total Book Balances	\$ <u><u>1,032,298</u></u>	\$ <u><u>1,305,854</u></u>

Cash includes demand deposits and interest-bearing demand deposits. Under state laws, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any state in the union or the laws of the United States. Further, the Commission may deposit funds in time deposits or certificate of deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Also, state law requires that deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a financial institution failure, the Commission’s deposits may not be recovered. The Commission does not have a policy that addresses credit risk; however, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. The deposit balances (collected bank balances) at year-end were as follows:

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

	<u>2019</u>	<u>2018</u>
Collected bank balances	\$ <u>1,035,351</u>	<u>1,302,199</u>
Deposits were secured as follows:		
Insured deposits	253,168	253,168
Pledged securities	<u>782,183</u>	\$ <u>1,049,031</u>
Total	\$ <u>1,035,351</u>	\$ <u>1,302,199</u>

The pledged securities are held by the pledging bank’s agent in the bank’s name. Even though the pledged securities are considered uncollateralized Louisiana Revised Statute (LRS) 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

**3. INVESTMENTS**

At year end, the Commission’s investments were as follows:

Investment Type	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Certificates of Deposit	\$ 104,753	\$ 104,753	\$ 438,293	\$ 438,293
Louisiana Asset Management Pool (LAMP)	<u>709,697</u>	<u>709,067</u>	-	-
Total	<u>\$ 813,820</u>	<u>\$ 813,820</u>	<u>\$ 438,293</u>	<u>\$ 438,293</u>

The Commission invests in nonnegotiable certificates of deposits. Pursuant to GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Commission also invests in the Louisiana Asset Management Pool, Inc. (LAMP). The LAMP portfolio includes only securities and other obligations in which local government are authorized to invest in accordance with LRS 33:2955.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclose of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public fund entity investments.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAm by Standard & Poor's

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating variable rate investments. The WAM for LAMP's total investments (to reset) is 49 days and (to final) is 98 days as of September 15, 2020.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**4. RECONCILIATION OF DEPOSITS AND INVESTMENTS**

A reconciliation of deposits and investments as shown on the statement of net position are as follows:

	<u>2019</u>	<u>2018</u>
Carrying amount of deposits	\$ 1,032,928	\$ 1,305,854
Carrying amount of investments	<u>813,820</u>	<u>438,293</u>
Total	<u>\$ 1,846,748</u>	<u>\$ 1,744,147</u>
Cash equivalents	\$ 267,595	\$ 701,400
Cash equivalents – Restricted	765,333	604,454
Investments	813,820	356,553
Investments – Restricted	<u>-</u>	<u>81,740</u>
Total	<u>\$ 1,846,748</u>	<u>\$ 1,744,147</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**5. RECEIVABLES**

The following is a summary of receivables at year end:

Customer receivables:	<u>2019</u>	<u>2018</u>
Current	\$ 52,894	\$ 61,599
Past Due	<u>15,665</u>	<u>10,141</u>
Gross customer receivables	68,560	71,740
Accrued unbilled receivables	48,820	49,331
 Less: allowance for doubtful accounts	 <u>(3,463)</u>	 <u>(3,077)</u>
Net total receivables	<u>\$ 113,916</u>	<u>\$ 117,994</u>

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on an assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

**6. RESTRICTED ASSETS**

Assets were restricted for the following purposes at year end:

	<u>2019</u>	<u>2018</u>
Customer deposits	\$ 240,515	232,465
Revenue bond construction account	-	
Revenue bond current debt service sinking fund account		-
Revenue bond future debt service reserve account	262,409	226,864
Revenue bond depreciation and contingency account	<u>262,409</u>	<u>226,865</u>
 Total	 <u>\$ 765,333</u>	 <u>686,194</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**NOTES TO FINANCIAL STATEMENTS**

**7. CAPITAL ASSETS**

A summary of capital assets for the year ended December 31, 2019 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 37,124	-	-	-	37,124
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	37,124	-	-	-	37,124
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,501,015	-	-	-	1,501,015
Buildings	245,840	-	-	-	245,840
Improvements	5,850	-	-	-	5,850
Water distribution system	6,992,294	15,800	-	-	7,008,093
Office equipment	63,278	-	-	-	63,278
Equipment	114,848	6,929	-	-	121,777
Vehicles	91,950	-	-	-	91,950
Total capital assets being depreciated	9,341,512	22,729	-	-	9,401,365
Less accumulated depreciation for:					
Water well	169,939	10,881	-	-	180,820
Storage and treatment plant	803,040	50,034	-	-	853,074
Buildings	87,185	6,146	-	-	93,331
Improvements	15	390	-	-	405
Water distribution system	2,039,043	141,183	-	-	2,180,226
Office equipment	60,401	1,817	-	-	62,218
Equipment	99,802	4,912	-	-	104,714
Vehicles	47,357	12,950	-	-	60,307
Total accumulated depreciation	3,306,782	228,313	-	-	3,535,095
Total capital assets being depreciated, net	6,034,730	(205,584)	-	-	5,829,146
Capital assets, net	\$ 6,071,854	(205,584)	-	-	5,866,270



**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**NOTES TO FINANCIAL STATEMENTS**

A summary of capital assets for the year ended December 31, 2018 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 37,124	-	-	-	37,124
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	37,124	-	-	-	37,124
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,501,015	-	-	-	1,501,015
Buildings	245,840	-	-	-	245,840
Improvements	-	5,850	-	-	5,850
Water distribution system	6,992,294	-	-	-	6,992,294
Office equipment	67,605	-	-	(4,327)	63,278
Equipment	117,598	-	-	(2,750)	114,848
Vehicles	138,058	-	-	(46,108)	91,950
Total capital assets being depreciated	9,388,847	5,850	-	(53,185)	9,341,512
Less accumulated depreciation for:					
Water well	159,058	10,881	-	-	169,939
Storage and treatment plant	753,006	50,034	-	-	803,040
Buildings	81,039	6,146	-	-	87,185
Improvements	-	15	-	-	15
Water distribution system	1,898,614	140,429	-	-	2,039,043
Office equipment	62,911	1,817	-	(4,327)	60,401
Equipment	97,942	4,610	-	(2,750)	99,802
Vehicles	80,515	12,950	-	(46,108)	47,357
Total accumulated depreciation	3,133,085	226,882	-	(53,185)	3,306,782
Total capital assets being depreciated, net	6,255,762	(221,302)	-	-	6,034,730
Capital assets, net	\$ 6,292,886	(221,302)	-	-	6,071,854

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
 NOTES TO FINANCIAL STATEMENTS

**8. LONG-TERM DEBT**

The long-term debt of the Commission consists of various direct borrowings via water revenue bonds payable to the United States Department of Agriculture as follows:

	<u>2019</u>	<u>2018</u>
\$1,765,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$57,362.50 due August 21, 2002, thereafter payable in monthly installments of \$6,671.70, including principal and interest, to August 21, 2041, interest at 3.25%.	\$ 1,237,640	1,276,786
\$3,049,000 US Department of Agriculture revenue bond, dated July 21, 2003, one interest only payment of \$133,394 due July 21, 2005, thereafter payable in monthly installments of \$13,598.54, including principal and interest, to July 21, 2043, interest at 4.375%.	2,395,509	2,452,532
\$1,530,000 US Department of Agriculture revenue bond, dated April 17, 2007 one interest only payment of \$58,554.38 due March 21, 2008, thereafter payable in monthly installments of \$6,594.30, including principal and interest, to July 21, 2043, interest at 4.125%.	<u>1,272,155</u>	<u>1,298,226</u>
Total Long-term Debt	4,905,304	5,027,544
Less current portion	<u>(127,165)</u>	<u>(122,231)</u>
	<u>\$ 4,778,139</u>	<u>4,905,513</u>

The direct borrowings of water revenue bonds payable to USDA contain a requirement that the governing authority will continue to fix, establish and maintain rates and fees for services such that provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the water system in such year, at least equal to 110% of the largest amount of principal and interest maturing on the outstanding revenue bonds. In the event of default, the owner of the revenue bonds may appoint a receiver to take possession of the water system to hold, operate and maintain, manage and control the water system, and in the name of the issuer shall exercise all rights and powers of the issuer with respect to the water system.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
 NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debts outstanding including interest are as follows:

Year Ending December 31	Direct Borrowings		
	Principal	Interest	Total
2020	\$ 127,165	195,211	322,376
2021	132,300	190,076	322,376
2022	137,645	184,730	322,375
2023	143,210	179,165	322,375
2024	149,003	173,371	322,374
2025-2029	840,609	771,264	1,611,873
2030-2034	1,025,712	586,161	1,611,873
2035-2039	1,252,311	359,562	1,611,873
2040-2044	988,084	105,447	1,093,531
2045-2049	109,268	3,430	112,698
Total	\$ <u>4,905,307</u>	<u>2,748,417</u>	<u>7,653,724</u>

The following is a summary of long-term liability activity for the year ended December 31, 2019:

	Balance Beginning	Additions	Reductions	Balance Ending	Due Within One Year
Direct borrowings:					
Revenue bonds	\$ <u>5,027,544</u>	<u>-</u>	<u>122,240</u>	<u>4,905,304</u>	<u>127,165</u>
Total long-term liability	\$ <u>5,027,544</u>	<u>-</u>	<u>122,240</u>	<u>4,905,304</u>	<u>127,165</u>

The following is a summary of long-term liability activity for the year ended December 31, 2018:

	Balance Beginning	Additions	Reductions	Balance Ending	Due Within One Year
Direct borrowings:					
Revenue bonds	\$ <u>5,145,046</u>	<u>-</u>	<u>117,501</u>	<u>5,027,544</u>	<u>122,233</u>
Total long-term liability	\$ <u>5,145,046</u>	<u>-</u>	<u>117,501</u>	<u>5,027,544</u>	<u>122,233</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

**9. COMPENSATED ABSENCES**

All regular full-time employees who work overtime in their daily operations are compensated with time and a half of their regular salary. Employees can accumulate compensatory time in lieu of payment for overtime. The Commission's standard policy for sick and vacation leave is that it does not accumulate or vest past year end. As a result no liability is reported for unpaid accumulated sick or vacation leave at year end.

**10. RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2019, the Commission carries commercial insurance for the aforementioned risk. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis Parish Police Jury. During the construction phase, contractor nonperformance and liability risk is protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission.

**11. INEREST COST**

Interest costs recorded in financial statements consist of the following:

	<u>2019</u>	<u>2018</u>
Interest paid	\$ 200,135	204,873
Interest accrual change	<u>(133)</u>	<u>(127)</u>
Total interest recorded	200,002	204,746
Less amount capitalized in construction in progress		
Amount charged to expense	<u>\$ 200,002</u>	<u>204,746</u>

**12. LITIGATION ANS CLAIMS**

As of yearend there were no know matters of litigation involving the Commission which would materially affect the Commission's financial position.

**13. PENSION PLAN**

The Commission began a Simple IRA defined contribution plan effective March 1, 2007 pursuant to Internal Revenue Code Section 408(p). Under the plan, each employee receiving at least \$2,000 in compensation, as defined in the plan, during any one prior year and who are reasonably expected to receive at least \$2,000 in compensation during the current year are eligible to participate in the plan. Under terms of the plan, participants are able to reduce their taxable compensation per federally mandated calculations for contributions made to the plan. The Commission provides a non-elective contribution of 2% of eligible compensation for all eligible

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
NOTES TO FINANCIAL STATEMENTS**

employees. Benefits vest immediately upon contribution by the Commission. Pension expense for the year ending December 31, 2019 and 2018, was \$4,822 and \$7,194.

**14. SUBSEQUENT EVENTS**

On July 15, 2020, the board signed and adopted a resolution authorizing the Commission to proceed with refunding certain of its outstanding United States Department of Agriculture Water Revenue Bonds, involving issuance of not to exceed \$5,200,000 of water revenue refunding bonds; Making application to the State Bond Commission, and providing for other matter in connection therewith.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Commission's ongoing operations; however, the extent and severity of the potential impact is unknown at this time.

**15. LEASES**

The Commission leases a copier machine under a 5-year noncancelable operating lease requiring minimum annual rentals of \$1,392 beginning March 23, 2017 and ending March 23, 2022. Future minimum rental payments due under this lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	1,392
2021	1,392
2022	348
	<u>\$ 3,132</u>

**SUPPLEMENTARY INFORMATION SCHEDULES**

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**Schedule of Compensation and Other Expenses Paid to Commissioners**  
**For the Year Ended December 31, 2019**

Board Member

Gregory Bordelon	\$	1,800
Ric Berken		1,800
Don Johnson		1,650
Raymond Brown		1,200
Chad Woods		1,800
George Juneau		1,500
Bill Navarre		<u>1,800</u>
	\$	<u>11,550</u>

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**Additional Information Required by United States Department of Agriculture**  
For the Year Ended December 31, 2019

1. Accounts receivable for sales of water were aged as follows:

<u>Aging Category</u>	<u>Number of Customers</u>	<u>Receivable Amount</u>
Current	3,154	\$ 52,894
0-30 Days	187	7,230
31-60 Days	20	517
Over 60 Days	69	7,919
	3,430	\$ 68,560

2. Estimated number of active customers as of year-end:

Residential	2,964
Commercial	142

3. Schedule of insurance in force was as follows:

<u>Policy No.</u>	<u>Company</u>	<u>Type Coverage</u>	<u>Amount Coverage</u>	<u>Effective From</u>	<u>Date To</u>
WCV00892 11 03	Stonetrust Commercial Insurance Company	Workers' Compensation	\$1,000,00 0	1/1/19	1/1/20
WCV00892 11 04	Stonetrust Commercial Insurance Company	Workers' Compensation	1,000,000	1/1/20	1/1/21
GPPAPF60 5687300	American Alternative Ins. Co.	See detail below		5/14/19	5/14/20
		Building	133,120		
		Contents	30,000		
		Water tower	1,366,670		
		Maintenance equipment	85,000		
		Pump station	40,000		
		Booster station	56,000		
		Pressure control vaults	38,000		
		Hydrants	25,000		
		Aggregate	1,000,000		
		Auto	1,000,000		
		Employee dishonesty	250,000		
		Forgery	100,000		
		Theft	25,000		
		Computer fraud	50,000		



**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**Additional Information Required by United States Department of Agriculture**  
For the Year Ended December 31, 2019

4. Schedule of approved water rates were as follows:

\$15.00 minimum per month for the first 2,000 gallons.

4.00 per thousand or part thereof all over 2,000 gallons for Calcasieu and Cameron Parish customers

\$3.35 per thousand or part thereof all over 2,000 gallons for all other areas.

\$10.00 late fee is assessed on past due residential and commercial accounts, 10% late fee on industrial accounts effective March 2008

5. Disconnection policy:

Bills are sent on the 1<sup>st</sup> of each month, and customers have until the 15<sup>th</sup> of the month to pay the bill. On the 15<sup>th</sup> of the month the late fee is added to the bill of customers who have not paid and a disconnection notice is sent to the customer. On the last work day of the month, the delinquent customer is charged a \$40 delinquency fee and the meter is subject to being locked. The following week, the meters of delinquent customers are locked.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**Additional Information Required by United States Department of Agriculture**

For the Year Ended December 31, 2019

6. Board members' information:

Board Member	Address	Phone Number
Gregory Bordelon	6173 Morgan Shores, Lake Arthur, LA 70549	337-774-2171
Ric Berken	6034 Hwy. 382 Lake Arthur, LA 70549	337-587-2485
Don Johnson	P.O. Box 178 Roanoke, LA 70591	337-515-8280
Raymond Brown	P.O. Box 5 Roanoke, LA 70581	337-753-2509
Chad Woods	4515 Guidry Rd. Jennings, LA 70546	337-824-9353
George Juneau	P.O. Box 112 Lacassine, LA 70650	337-588-4466
Bill Navarre	12486 Bellard Rd. Welsh, LA 70591	337-302-7720

Term limits are at the discretion of Jeff Davis Parish Police Jury.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**  
**Schedule of Compensation, Benefits and Other Payments to Agency Head**  
**or Chief Executive Officer**  
**For the Year Ended December 31, 2019**

Agency Head Name: David Trahan, Manager

Salary	\$	52,285
Benefits- insurance		11,979
Benefits- retirement		1,167
Benefits- Medicare & Social Security		2,184
Cell phone		786
	\$	<u>68,401</u>

## **OTHER REPORTS**

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS**

For the Year Ended December 31, 2019

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**Finding 2007-1: Lack of segregation of duties**

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. This condition existed in previous years.

Management Response: This condition still exists. Due to small size of our office staff we are limited in our ability to adequately segregate accounting functions. The board does review accounts payable invoices and the financials at each board meeting.

**Item 2016-2 Internal control over payroll**

Recommendation: Management should have separate pay authorization sheets in each employee file that are signed and dated by an authorized person in upper management and/or from the board. This document should also note the effective date of the change in pay. The Board may also want to consider oversight review and authorization of all changes in employee pay. One copy of this pay authorization should be maintained independently in a secure location by the authorizing person and one copy should be maintained by the payroll clerk. Management should consider establishing a checklist summary sheet listing all required documents that should be maintained in each employee's individual personnel file. Each item on this listing could have a checkoff box or line that provides for indication that each item has been properly completed, signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

Management Response: Management agrees with the finding and will take auditor's recommendation under advisement.

**Item 2016-3 Overpayment or Underpayment of employee retirement withholdings**

Recommendation: Although some progress was made in this area the finding is not considered resolved. Management should design and implement procedures to assist in preventing future over and under payments. Procedures such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis could help eliminate errors in a timely manner. In addition, management should consider either preparing a manual entry at year end to accrue unpaid employer pension match or consider integrating employer match within the computer payroll system. Either way monthly reconciliation of amounts should be implemented.

Management Response: Management agrees with the finding and will take auditor's recommendation under advisement.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS**

For the Year Ended December 31, 2019

**Item 2017-2 Mandatory ethics training noncompliance**

Recommendation: Management should implement an annual review of all employees to determine if mandatory required ethics education and training has taken place pursuant to L.R.S. 42:1170.

Management Response: Management is in agreement with the finding and will work on corrective measures to comply with L.R.S. 42:1170.

**SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings reported.

**SECTION III – MANAGEMENT LETTER FINDINGS**

No findings reported.

**Mike B. Gillespie**  
**Certified Public Accountant**  
A Professional Accounting Corporation

Mike B. Gillespie, CPA, CGMA

Eric C. Gillespie, CPA

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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 *GOVERNMENTAL AUDITING STANDARDS***

To the Board Members of the  
Jefferson Davis Parish Water & Sewer Commission No. 1  
Lake Arthur, 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 the Jefferson Davis Parish Water and Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 19, 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2007-1, 2016-2, 2016-3, 2019-1 and 2019-2 that we consider to be a material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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 an instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-2 and 2019-1.

## Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 distributed by the Louisiana Legislative Auditor as a public document.

*Mike B. Gillespie, CPA, APAC*

Jennings, Louisiana  
October 19, 2020



**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**SCHEDULE OF FINDINGS & RESPONSES**  
**For the Year Ended December 31, 2019**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

1. Type of report issued: unmodified opinion on the basic financial statements
2. Internal control over financial reporting:
  - Material weakness(es) identified? – Yes
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? - No
3. Noncompliance material to the financial statements noted? – Yes
4. Was a management letter issued? – No

***Federal Awards***

5. Internal control over major programs:
  - Material weakness(es) identified? – N/A
  - Significant deficiency(ies) identified that that are not considered to be material weakness(es)? – N/A
6. Type of auditor's report issued on compliance for major programs: Not applicable
7. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? N/A
8. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Program Name</u>
Not applicable	Not applicable

9. The threshold used for distinguishing between Type A and B programs was: Not applicable
10. Did the auditee qualify as a low risk auditee? – N/A

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Initial Current Year Findings:**

**Item: 2019-1 Failure to Comply with Payroll Tax Laws and Failure to Reconcile Ending Payroll Tax Liabilities**

Criteria/ Specific Requirement: Procedures should be put into place that provide reasonable assurance that payroll withholdings and associated employer match amounts are paid timely in accordance with Federal payroll tax laws and regulations. Procedures should also ensure that ending payroll tax liabilities are properly reconciled each pay period or on at least a monthly basis.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**SCHEDULE OF FINDINGS & RESPONSES**  
**For the Year Ended December 31, 2019**

Condition: During examination of payroll tax liabilities it was noted that the Federal payroll tax deposits for August of 2019 were not made by the payroll clerk. More concerning is the fact that this error was not discovered by the payroll clerk until the auditors brought it to her attention. Additional audit procedures regarding this matter lead to the discover of eight notice from the Internal Revenue Service in client files concerning unpaid payroll taxes, penalties, and interest dating back to March 2018. One of these notices (an IRS LT11), dated December 16, 2019, was actually an IRS Intent to Seize Property of the Commission. Based in inquiry with payroll clerk she did not attempt to resolve the matters describe in the notices, did not seek professional assistance, nor did she bring them to the attention of the Commission manager. She simply filed the notice away. This has also resulted in penalties and interest to be assessed by the IRS against the Commission.

Cause: Based on inquiries with payroll clerk and a comparison of payroll records and bank statement records she apparently failed to properly confirm the electronic transmission of the August 2019 payroll tax deposit in the amount of \$4,72.15. Expanded audit procedures in this area uncovered additional unpaid payroll taxes dating back to 2018 totaling \$3,135.86. In addition, because of the lack of proper payroll tax reconciliation internal controls were not in place coupled with the lack of management oversight these errors went undetected by management. Additional audit procedures in this area indicated that the Commission's annual Federal payroll tax amounts have started exceeding \$50,000 sometimes during the past two years. This event, as described in instructions to Federal payroll tax reports, results in a mandatory acceleration of payroll tax deposits. The payroll clerk apparently failed to read the payroll form instructions and as a result was unaware of the need to perform what is referred to as a Payroll Tax Lookback Computation. Instead of making more frequent payroll tax deposits as required under law she continued to make monthly payroll tax deposits.

Effect of Condition: Failure properly confirm the payroll tax deposits, perform proper periodic reconciliations, and failure to recognize the mandatory change in accelerated payroll tax deposit requirements resulted in the assessment of \$5,910.57 of penalties and interest by the IRS against the Commission. Due to the lack of adequate payroll tax liabilities internal controls ending payroll tax liabilities as of December 31, 2019 were understated by approximately \$9,046.43 (this includes unpaid taxes, penalties, and interest).

Recommendation: The ending payroll tax liability should be adjusted at year-end to the estimated balance known to be due (management agreed and this adjustment was made). Management should review and assessed IRS notices and take steps to properly resolve outstanding issues including if necessary, to make payments for any unpaid taxes, interest, and penalties that may be currently due. Given the overall existing issues with payroll faced by the Commission management may want to consider perhaps obtaining professional technical assistance with payroll tax compliance going forward.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement. Management has submitted payments to IRS for unpaid payroll taxes, penalties, and interest.

**Item: 2019-2 Lack of Bank Reconciliation Controls and Procedures**

Criteria/ Specific Requirement: Procedures should be in place that provide reasonable assurance that cash in bank amounts reported in the financial statements are properly stated.

Condition: During a review of bank account reconciliations for the Operating account it was noted that forty-six items totaling \$5,346.67 listed as deposits in transit were in fact not valid outstanding items.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**SCHEDULE OF FINDINGS & RESPONSES**  
**For the Year Ended December 31, 2019**

Cause: Bookkeeper apparently does not understand how to properly use the bank reconciliation module contained in the accounting system. Based in inquiry she has reached out to the software company for assistance but still was unable to properly implement correction of the issue.

Effect of Condition: Cash in bank and revenues were overstated by approximately \$5,346.67.

Recommendation: The ending bank balance and total revenues should be adjusted at year-end (management agreed and this adjustment was made). Management should obtain outside technical assistance and have these invalid outstanding items corrected on the bank reconciliation module.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement.

**Unresolved Prior Year Findings:**

**Item: 2007-1 Lack of segregation of duties**

Criteria/ Specific Requirement: A good system of internal control provides for a proper segregation of the accounting functions.

Condition: The Commission does not have the proper segregation of duties cash receipts and disbursements, accounts receivable, and accounts payable. This condition existed in previous years.

Cause: Due to the small number of employees involved in the accounting functions, it appears the Commission did not have adequate segregation of duties within the accounting system.

Effect of Condition: The lack of proper segregation of duties increases the risk that errors or fraud could occur and not be discovered in a timely manner.

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement.

**Item 2016-2 Internal control over payroll**

Criteria/ Specific Requirement: Internal controls should be in place that provide reasonable assurance that wages paid are properly authorized and that employee files contain all required documentation. This condition also existed in the prior year and is being updated for current year findings but is essentially a repeated prior year finding.

Condition: For ten separate employee checks tested noted the following findings:

1. Three employee personnel files lacked signed documentation of authorized current pay rates.
2. Two employee files lacked an updated signed retirement withholding authorization form for amounts withheld from payroll check.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**SCHEDULE OF FINDINGS & RESPONSES**  
**For the Year Ended December 31, 2019**

Cause: There are no procedures either in place or in operation that provide for validation that all necessary documents reside in individual employee files.

Effect of Condition: The lack of documentation is a deficiency in design and/or operation of controls over payroll processing that can lead to errors occurring and not being detected in a timely manner by management.

Recommendation: Management should have separate pay authorization sheets in each employee file that are signed and dated by an authorized person in upper management and/or from the board. This document should also note the effective date of the change in pay. The Board may also want to consider oversight review and authorization of all changes in employee pay. One copy of this pay authorization should be maintained independently in a secure location by the authorizing person and one copy should be maintained by the payroll clerk. Management should consider establishing a checklist summary sheet listing all required documents that should be maintained in each employee's individual personnel file. Each item on this listing could have a checkoff box or line that provides for indication that each item has been properly completed, signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement.

**Item 2016-3 Overpayment or Underpayment of employee retirement withholdings**

Criteria/ Specific Requirement: Internal controls should be in place that provide reasonable assurance that only amounts withheld from employee's paychecks are submitted to the employee's retirement account. In addition, controls should be in place that insure that the 2% employer nonelective contribution match is properly computed and submitted to the pension plan at least annually. This condition also existed in the prior year and is being updated for current year findings but is essentially a repeated prior year finding.

Condition: During a review of payroll processing it was noted that ending pension payable had not been properly balance by the bookkeeper.

Cause: There are no procedures in place that require validation and/or reconciliation of amounts submitted to the pension plan for employees to the general ledger. In addition, the employer matching contribution is not being properly computed. This resulted in incorrect payable amounts at year-end.

Effect of Condition: This condition caused overall ending pension payable to be understated \$63.79 (due to overpayments of \$312.49 less underpayments of \$376.28). There were overpayments for five employees made during 2019 which totaled \$312.49 and an underpayment for one employee which totaled 376.28.

Recommendation: Although some progress was made in this area the finding is not considered resolved. Management should design and implement procedures to assist in preventing future over and under payments. Procedures such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis could help eliminate errors in a timely manner. Also, management should consider a second person review of month end reconciliations and this second person review should include documentation by dating and initialing performance. In addition, management should consider either preparing a manual entry at year end to accrue unpaid employer pension match or consider integrating employer match within the computer payroll system. Either way monthly reconciliation of

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1**  
**SCHEDULE OF FINDINGS & RESPONSES**  
**For the Year Ended December 31, 2019**

amounts should be implemented. Because this finding has persisted since 2016 it may be advisable for the Commission to consider obtaining either in-house or outside technical assistance.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement.

**Item 2017-2 Mandatory ethics training noncompliance**

Criteria/ Specific Requirement: Louisiana Revised Statute 42:1170 requires that each public servant receive one hour of ethics education and training each year on the Louisiana Code of Government Ethics. This finding is essentially a repeat finding.

Condition: Failure to maintain documentation of compliance with Louisiana Revised Statute 42:1170.

Cause: For five employees selected for testing in 2019, management was unable to provide documentation of annual ethics training certifications for one employee.

Effect of Condition: Noncompliance with Louisiana Revised Statute 42:1170.

Recommendation: Management should implement an annual review of all employees to determine if mandatory required ethics education and training has taken place pursuant to L.R.S 42:1170.

Management Response: Management is in agreement with finding and has taken corrective action. The one employee identified by the finding successfully completed the one hour of ethics training on September 30, 2020. A copy of the certificate of completion was provided to the auditors.

**SECTION III –FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings reported.

**SECTION IV – MANAGEMENT LETTER**

No current year findings reported.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2019**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**Item: 2019-1 Failure to Comply with Payroll Tax Laws and Failure to Reconcile Ending Payroll Tax Liabilities**

Recommendation: The ending payroll tax liability should be adjusted at year-end to the estimated balance known to be due (management agreed and this adjustment was made). Management should review and assessed IRS notices and take steps to properly resolve outstanding issues including if necessary, to make payments for any unpaid taxes, interest, and penalties that may be currently due. Given the overall existing issues with payroll faced by the Commission management may want to consider perhaps obtaining professional technical assistance with payroll tax compliance going forward.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement. Management has submitted payments to IRS for unpaid payroll taxes, penalties, and interest.

**Item: 2019-2 Lack of Bank Reconciliation Controls and Procedures**

Recommendation: The ending bank balance and total revenues should be adjusted at year-end (management agreed and this adjustment was made). Management should obtain outside technical assistance and have these invalid outstanding items corrected on the bank reconciliation module.

Management Response: Management agrees with the findings and will take auditor's recommendation under advisement.

**Finding 2007-1: Lack of segregation of duties**

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. This condition existed in previous years.

Management Response: This condition still exists. Due to small size of our office staff we are limited in our ability to adequately segregate accounting functions. The board does review accounts payable invoices and the financials at each board meeting.

**Item 2016-2 Internal control over payroll**

Recommendation: Management should have separate pay authorization sheets in each employee file that are signed and dated by an authorized person in upper management and/or from the board. This document should also note the effective date of the change in pay. The Board may also want to consider oversight review and authorization of all changes in employee pay. One copy of this pay authorization should be maintained independently in a secure location by the authorizing person and one copy should be maintained by the payroll clerk. Management should consider establishing a checklist summary sheet listing all required documents that should be maintained in each employee's individual personnel file. Each item on this listing could have a checkoff box or line that provides for indication that each item has been properly completed, signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1  
MANAGEMENT’S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2019**

Management Response: Management agrees with the finding and will take auditor’s recommendation under advisement.

**Item 2016-3 Overpayment or Underpayment of employee retirement withholdings**

Recommendation: Although some progress was made in this area the finding is not considered resolved. Management should design and implement procedures to assist in preventing future over and under payments. Procedures such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis could help eliminate errors in a timely manner. In addition, management should consider either preparing a manual entry at year end to accrue unpaid employer pension match or consider integrating employer match within the computer payroll system. Either way monthly reconciliation of amounts should be implemented.

Management Response: Management agrees with the finding and will take auditor’s recommendation under advisement.

**Item 2017-2 Mandatory ethics training noncompliance**

Recommendation: Management should implement an annual review of all employees to determine if mandatory required ethics education and training has taken place pursuant to L.R.S. 42:1170.

Management Response: Management is in agreement with finding and has taken corrective action. The one employee identified by the finding successfully completed the one hour of ethics training on September 30, 2020. A copy of the certificate of completion was provided to the auditors.

**SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No current year findings reported.

**SECTION III – MANAGEMENT LETTER**

No current year findings reported.

\* \* \* \* \*

THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT

**Mike B. Gillespie**  
**Certified Public Accountant**  
A Professional Accounting Corporation

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board Members of the  
Jefferson Davis Parish  
Water & Sewer Commission No.1  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Jefferson Davis Parish Water & Sewer Commission No.1 (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 year ended December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - 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.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - 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).



- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- 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)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.

***Board or Finance Committee:***

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

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

***Bank Reconciliations***

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- 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.

### ***Collections***

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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).
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.
6. Inquire of management that all employees who have access to cash are covered by a bond or 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.

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

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- 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).
- 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]
- 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.

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

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- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

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15. 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.
16. 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.
17. 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' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
18. 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.

### ***Ethics***

19. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

### ***Other***

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

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

### ***Exceptions Noted***

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No exceptions were noted as a result of applying the procedures listed above except:

### ***Written Policies and Procedures***

1. Regarding procedure 1 the District has no written policies and procedures for the following categories and the associated subcategories noted in the aforementioned procedures as followings:
  - a. Budgeting
  - b. Purchasing

- c. Disbursements
- d. Receipts/ Collections
- e. Payroll/Personnel (although they do have an employee policy handbook)
- f. Contracting
- g. Credit Cards (and debit cards, fuel cards, p-cards)
- h. Debt Service
- i. Disaster Recovery/ Business Continuity

***Management's response:*** Management agrees with the finding.

2. Regarding procedure 1 (h) The District has a written policy for travel and expense reimbursement however it does not address dollar thresholds by category of expense.

***Management's response:*** Management agrees with the finding.

3. Regarding procedure 1 (i) the District has a written policy for ethics however it does not address the following items:
  - a. The prohibitions as defined by Louisiana Revised Statutes 42:1111 – 1121.
  - b. System to monitor possible ethics violations.
  - c. Requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's policy.

***Management's response:*** Management agrees with the finding.

### ***Bank Reconciliations***

4. Regarding procedure 3 (b) all five bank reconciliations selected and inspected did not display any evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

***Management's response:*** Management agrees with the finding.

5. Regarding procedure 3 (c) one of the five bank reconciliations selected and inspected had outstanding items for more than twelve months from the statement closing date. Management does not have any documentation reflecting that it has researched reconciling these outstanding items.

***Management's response:*** Management agrees with the finding.

### ***Collections***

6. Regarding procedure 5 (b) the Assistant Bookkeeper is the only employee in the office responsible for collections by front desk and mail. She is also the only employee responsible for preparing/making bank deposits and reconciling collection documentation to the deposit.

***Management's response:*** Management agrees with the finding.

7. Regarding procedure 7 (a) the entity does not use sequentially pre-numbered receipts.

***Management's response:*** Management agrees with the finding.

Regarding procedure 7 (d) and whether 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) it was observed that three of the seven deposits selected from the bank accounts were not made within one business day of receipt at the collection location.

Deposit #1 totaling \$158 was not deposited within one business day of receipt at the collection location.

Deposit #2 totaling \$200 was comprised of two (\$100) daily collection receipts. One of the two collections was not deposited within one business day of receipt at the collection location.

Deposit #3 totaling \$500 was comprised of five (\$100) daily collection receipts. Four of the five collections were not deposited within one business day of receipt at the collection location.

*Management's response:* Management agrees with the finding.

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

8. Regarding procedure 9 (a) the entity does not have a requisition/purchasing system implemented with job duties properly segregated that involve at least two employees initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*Management's response:* Management agrees with the finding.

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

9. Regarding procedure 12 (a) the Plant Manager is the only employee of the entity that reviews and approves in writing all original receipts/invoices for credit/debit card purchases. He is the cardholder of one of the debit cards. All the original receipts/invoices for purchases made on his debit card are reviewed and approved by him.

*Management's response:* Management agrees with the finding.

10. Regarding procedure 13, the following findings were noted:
  - a. Debit card #1: Three out of the five transactions selected were not supported by (1) an original itemized receipt that identifies precisely what was purchased. All five transactions selected were not supported by (2) written documentation of the business/public purpose.
  - b. Debit card #2: Two of the five transactions selected were not supported by (2) written documentation of the business/public purpose.
  - c. Charge card: The lone transaction we were able to select for \$14.99 was not supported by (2) written documentation of the business/public purpose.

*Management's response:* Management agrees with the finding.

***Payroll and Personnel***

11. Regarding procedure 15, written authorized pay rates documentation could not be located in personnel files for two of the employees selected.

*Management's response:* Management agrees with the finding.

12. Regarding procedure 18, management indicated that the deposit for August 20019 payroll taxes was inadvertently not made.

*Management's response:* Management agrees with the finding.

***Ethics***

13. Regarding procedure 19 (a) management was not able to provide documentation that one out of five randomly selected had completed one hour of ethics training during the fiscal period.

***Management's response:*** management agrees with the finding. However, we provided documentation dated as of September 30, 2020, that demonstrated that this one employee completed their 2019 ethics training.

14. Regarding procedure 19 (b) management could not provide documentation that demonstrated that each employee/ official attested through signature verification that he or she has read the entity's policy during the fiscal period.

***Management's response:*** Management agrees with the finding.

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

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

***Mike B. Gillespie, CPA, APAC***

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana

October 19, 2020