

**WATER AND SEWER
COMMISSION NO. 1 OF THE
PARISH OF ST. MARY,
STATE OF LOUISIANA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
 Water and Sewer Commission No. 1
 of the Parish of St. Mary, State of Louisiana
 Amelia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana ("Commission"), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of number of utility customers, schedule of insurance policies in force, and schedule of compensation, benefits and other payments to the board of commissioners are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of number of utility customers and schedule of insurance policies in force have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
May 14, 2018

FINANCIAL SECTION

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
December 31, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,070,588
Investments	134,283
Receivables:	
Accounts	73,088
Ad valorem taxes	830,513
Inventories	69,516
Prepaid expenses	<u>32,971</u>
Total current assets	6,210,959
Noncurrent assets:	
Restricted assets:	
Customer deposits	81,681
Capital assets:	
Nondepreciable	222,946
Depreciable, net of accumulated depreciation	<u>4,882,069</u>
Total capital assets	<u>5,105,015</u>
Total assets	<u>\$ 11,397,655</u>

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
December 31, 2017

LIABILITIES

Current liabilities:		
Accounts payable - trade	\$	91,815
Accrued payroll and payroll taxes		93,444
Due to St. Mary Parish Council		<u>36,056</u>
Total current liabilities		221,315
Current liabilities payable from restricted assets -		
Customers' meter deposits		<u>81,681</u>
Total liabilities		302,996

NET POSITION

Net investment in capital assets	5,105,015
Restricted for maintenance	4,588,836
Unrestricted	<u>1,400,808</u>
Total net position	<u>11,094,659</u>

Total liabilities and net position	<u>\$ 11,397,655</u>
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The accompanying notes are an integral part of these financial statements.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended December 31, 2017

Operating revenues:	
Water sales	\$ 389,058
Sewer fees	287,064
Delinquent charges	12,798
Reconnect charges	2,270
Transfer fees	3,720
Garbage collection commissions	6,447
Miscellaneous	33,744
Total operating revenues	735,101
Operating expenses:	
Salaries and payroll taxes	403,105
Installation and repair of lines, hydrants, pumps and meters	82,081
Plant maintenance	85,322
Sewer maintenance	139,727
Field maintenance	16,203
Repairs and maintenance of buildings and towers	63,814
Depreciation	384,207
Commissioners' fees	3,600
Utilities	71,677
Insurance	75,855
Miscellaneous	15,495
Employee medical insurance	117,835
Postage	5,563
Professional services	10,137
Contract labor	11,259
Printing and office supplies	9,534
Telephone	11,145
Vehicle	12,184
Parish pension deduction	32,172
Pension expense	28,489
Chemicals	112,147
Plant supplies	9,163
Pond testing fees	32,294
Permit fees	3,434
Water expense	165
Total operating expenses	1,736,607
Operating loss	(1,001,506)
Nonoperating revenues:	
Ad valorem taxes	902,326
Interest	7,668
Total nonoperating revenues	909,994
Change in net position	(91,512)
Net position, beginning	11,186,171
Net position, ending	\$11,094,659

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

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 733,954
Payments to suppliers for goods and services	(1,074,919)
Payments to employees	<u>(386,312)</u>
Net cash used by operating activities	(727,277)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	<u>879,318</u>
Net cash provided by noncapital financing activities	879,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(193,070)</u>
Net cash used by capital and related financing activities	(193,070)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(1,292)
Interest received	<u>7,668</u>
Net cash provided by investing activities	<u>6,376</u>
Net decrease in cash and cash equivalents	(34,653)
Cash and cash equivalents - January 1, 2017	<u>5,186,922</u>
Cash and cash equivalents - December 31, 2017	<u>\$ 5,152,269</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(1,001,506)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	384,207
Increase in accounts receivable	(2,999)
Increase in prepaid expenses	(7,901)
Decrease in accounts payable	(117,723)
Increase in payroll related liabilities	16,793
Increase in due to other governments	22
Increase in customers' meter deposits	<u>1,830</u>
Total adjustments	<u>274,229</u>
Net cash used by operating activities	<u>\$ (727,277)</u>
Reconciliation of total cash:	
Current assets - cash	\$ 5,070,588
Restricted assets - cash	<u>81,681</u>
Total cash	<u>\$ 5,152,269</u>

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

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

INTRODUCTION

Pursuant to Ordinance No. 1281 adopted by the St. Mary Parish Council on October 27, 1995, the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission) was created on January 24, 1996 to provide water and sewerage services to the customers of the former Waterworks District No. 3 of the Parish of St. Mary, State of Louisiana, the former Sewerage District No. 4 of the Parish of St. Mary, State of Louisiana, and that area of Sewerage District No. 1 of the Parish of St. Mary, State of Louisiana, outside the corporate limits of Morgan City, Louisiana. Effective July 1, 1996, the operations of Waterworks District No. 3 and Sewerage District No. 4 were incorporated into the Commission Sewerage District No. 1 of the Parish of St. Mary merged into Commission in October 1999. The Commission is a component unit of the Parish of St. Mary. The Commission is an integral part of the Parish of St. Mary for financial reporting purposes. The more significant of the Commission's accounting policies are described below.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of certain significant policies:

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.
 - a. The ability of the reporting entity to impose its will on the organization.
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 14, the Commission is a component unit of the St. Mary Parish Council, the reporting entity (the Oversight Unit). The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the St. Mary Parish Council.

Fund Accounting

The accounts of the Commission are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The proprietary fund is accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are water and sewer user fees. The operating cost of the proprietary fund is all costs associated with the operation of the water and sewer distribution system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Resources

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

Inventories

Inventories consisting of parts and supplies are stated at specific cost.

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$2,000 or more for furniture and \$5,000 or more for equipment are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair market value as of the date received. The costs of maintenance and repairs are expensed as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 10 years
Improvements other than building	25 years

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with maturity of three months or less when purchased.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Louisiana statutes permit the Commission to invest in obligations of the U.S. Government and agencies of the U.S. Government, which are federally sponsored, and certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and the state sponsored investment pool.

Ad Valorem Tax

The Commission levies an ad valorem tax based on property values determined by the Parish Tax Assessor's Office. The levy is effective and becomes an enforceable lien on the property upon mailing of the tax bills to property owners (usually between November 1 and November 15). Tax payment is due by December 31 and becomes delinquent on January 1 as which time interest begins to accrue. The taxes are billed and collected by the St. Mary Parish Sheriff's Office. The Commission is a proprietary fund and recognizes the taxes as non-operating revenues in the year in which they are levied.

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 2017 are considered to be collectible.

Equity Classifications

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the Commission.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Vacation and Sick Leave

Vacation and sick leave are accrued as an expense of the period in which incurred. Accrued vacation pay and sick leave for the year ended December 31, 2017 was \$79,461.

Subsequent Events

The Commission has evaluated subsequent events through May 14, 2018, the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the Commission's cash and interest-bearing deposits with financial institutions at December 31, 2017 totaled \$5,152,269 and the bank balance was \$5,169,181. Federal deposit insurance covered \$251,900 of the deposits while the remaining deposits were covered by collateral held by the pledging bank's agent in the amount of \$5,710,424. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Louisiana R.S. 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.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 3 INVESTMENTS

Investments in the amount of \$134,283 at December 31, 2017 are in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments 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. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

NOTE 4 AD VALOREM TAXES

For the year ended December 31, 2017, the Commission levied taxes of 9.99 mills for maintenance and operation on property within the Commission's boundaries. The total assessed valuation on these properties was \$102,570,540 and total taxes levied were \$1,024,679. Taxes receivable at December 31, 2017 were \$830,513.

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WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Land and improvements	\$ 205,726	\$ -	\$ -	\$ 205,726
Construction in progress	<u>43,329</u>	<u>17,220</u>	<u>(43,329)</u>	<u>17,220</u>
Total capital assets not being depreciated	<u>249,055</u>	<u>17,220</u>	<u>(43,329)</u>	<u>222,946</u>
Capital assets being depreciated:				
Building and improvements	4,118,080	25,136	-	4,143,216
Equipment and furniture	508,041	80,687	-	588,728
Improvements other than buildings	<u>12,014,230</u>	<u>113,356</u>	<u>-</u>	<u>12,127,586</u>
Total capital assets being depreciated	<u>16,640,351</u>	<u>219,179</u>	<u>-</u>	<u>16,859,530</u>
Less accumulated depreciation for:				
Building and improvements	(2,537,203)	(83,413)		(2,620,616)
Equipment and furniture	(302,405)	(44,360)	-	(346,765)
Improvements other than buildings	<u>(8,753,646)</u>	<u>(256,434)</u>	<u>-</u>	<u>(9,010,080)</u>
Total accumulated depreciation	<u>(11,593,254)</u>	<u>(384,207)</u>	<u>-</u>	<u>(11,977,461)</u>
Capital assets being depreciated, net	<u>5,047,097</u>	<u>(165,028)</u>	<u>-</u>	<u>4,882,069</u>
Capital assets, net	<u>\$ 5,296,152</u>	<u>\$ (147,808)</u>	<u>\$ (43,329)</u>	<u>\$ 5,105,015</u>

Depreciation charged to expense was \$384,207 for the year ended December 31, 2017.

NOTE 6 RESTRICTED ASSETS

The Commission's restricted assets consisted of the following at December 31, 2017:

Customers' meter deposits

Cash	<u>\$ 81,681</u>
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WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 7 EMPLOYEE RETIREMENT PLAN

Federal regulations require that all state and local government employees not covered by the Federal Insurance Contributions Act be covered by some alternate retirement plan after June 30, 1991. The Commission chose to establish a simplified employee-retirement plan (SEP) whereby the Commission deposits an amount equal to 7.50% of total wages. Under a SEP, an individual retirement account (IRA) is set up for each participating employee and contributions are made directly into that IRA.

All employees 18 years of age or older are immediately covered and fully vested under the plan.

Total pension expense recorded by the Commission for contributions to the retirement plan for the years ended December 31, 2017, 2016, and 2015 was \$28,489, \$27,961, \$27,380, respectively.

NOTE 8 NET POSITION RESTRICTED FOR OPERATIONS AND MAINTENANCE

A portion of net position has been restricted for future operations and maintenance of the Commission. The restricted amount at December 31, 2017 was \$4,588,836.

NOTE 9 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions or limits during the year ended December 31, 2017. Settled claims have not exceeded the commercial coverage in any of the previous five fiscal years.

NOTE 10 CONTINGENCIES

The Commission operates a sewerage collection and transport system, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of management, all applicable regulations have received full compliance. However, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

OTHER SUPPLEMENTARY INFORMATION

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2017 and 2016

Records maintained by the Commission indicated the following number of water customers were being served during the month of December:

2017	1,127
2016	1,126

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Insurance Policies in Force
(Unaudited)
December 31, 2017

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
Property and office building	April 30, 2018	\$5,819,157
General liability coverage:		
General aggregate	April 30, 2018	3,000,000
Products aggregate	April 30, 2018	3,000,000
Personal and advertising injury	April 30, 2018	1,000,000
Each occurrence	April 30, 2018	1,000,000
Damage to rented premises	April 30, 2018	1,000,000
Medical expenses	April 30, 2018	10,000
Cyber liability and privacy crisis	April 30, 2018	1,050,000
Business auto		
Commercial auto	April 30, 2018	1,000,000
Uninsured motorists	April 30, 2018	100,000
Underinsured motorists	April 30, 2018	100,000
Crime	April 30, 2018	10,000
Umbrella		
Each occurrence	April 30, 2018	2,000,000

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Compensation, Benefits and Other Payments to the Board of Commissioners
Year Ended December 31, 2017

	Number of Meetings Attended	Total Compensation
Roland H. Verret, President	12	\$ 720
Leroy Trim, Vice President	12	720
Alvin Wilkerson, Commissioner	13	780
Donald Patureau, Commissioner	13	780
Kenneth Mire, Commissioner	10	600
		\$ 3,600

Act 706 of the 2014 Louisiana Legislative Session amended R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's president. For the year ended December 31, 2017, the Commission's president, Roland H. Verret, received \$720 in per diem payments.

**INTERNAL CONTROL
AND
COMPLIANCE**



**Darnall, Sikes
& Frederick.**

(A Corporation of Certified Public Accountants)

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

To the Board of Commissioners
 Water and Sewer Commission No. 1
 of the Parish of St. Mary, State of Louisiana
 Amelia, 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 Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana ("Commission"), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

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

The Commission's Response to Finding

The Commission's response to the finding 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Darnall, Sikes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
May 14, 2018

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

2016-001 Inadequate Segregation of Accounting Functions

Condition: Due to the small number of accounting personnel, the St. Mary Parish Water and Sewer Commission No. 1 did not have adequate segregation of functions within the accounting system.

Recommendation: Based upon the size of the operation and the cost-benefit consideration of additional personnel, it may not be feasible to achieve complete segregation of duties.

Status: This finding is unresolved. See current year finding 2017-001.

Section II Internal Control and Compliance Material to Federal Awards

At December 31, 2016, Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

Section III Management Letter

A management letter was not issued for the year ended December 31, 2016.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses
Year Ended December 31, 2017

Part 1: Summary of Auditor's Reports

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana's financial statements as of and for the year ended December 31, 2017.

Deficiencies in Internal Control – Financial Reporting

One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2017-001 in Part 2. Item 2017-001 is considered to be a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2017.

MANAGEMENT LETTER

A management letter was not issued for the year ended December 31, 2017.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2017-001 Inadequate Segregation of Accounting Functions

Criteria: Best practices for internal controls over accounting functions require that adequate segregation of accounting functions be maintained.

Condition: Due to the small number of accounting personnel, the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not have adequate segregation of functions within the accounting system.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal control led to this condition.

Effect: The likelihood that a material misstatement will not be prevented or

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses
Year Ended December 31, 2017

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*
(continued)

detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

Recommendation: An analysis of the benefits that would be obtained by adequately segregating functions within the accounting system and the costs to employ additional individuals to achieve adequate segregation should be performed.

Views of Responsible Officials and Planned Corrective Actions: This information is reported in a separate schedule titled "Management's Corrective Action Plan for Current Year Findings".

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 2017, Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore this section is not applicable.

WATER AND SEWER COMMISSION NO. 1
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 2017

Response to Finding 2017-001:

Management is aware of the condition and has determined that based upon the size of the Commission and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Name and Title of Contact Person: Roland H. Verret, President



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of St. Mary Parish Water and Sewer Commission No. 1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by St. Mary Parish Water and Sewer Commission No. 1 (Entity) 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 fiscal period January 1, 2017 through December 31, 2017. 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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

There are no written policies and procedures that address budgeting.

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.

There are no written policies and procedures that address purchasing.

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- c) **Disbursements**, including processing, reviewing, and approving
There are no written policies and procedures that address disbursements.
- d) **Receipts**, including receiving, recording, and preparing deposits
There are no written policies and procedures that address receipts.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
There are no written policies and procedures that address payroll/personnel.
- 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
There are no written policies and procedures that address contracting.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
There are no written policies and procedures that address credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
There are no written policies and procedures that address travel and expense reimbursement.
- 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. Note: Ethics requirements are not applicable to nonprofits.
There are no written policies and procedures that address ethics.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
There are no written policies and procedures that address debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes did not include monthly budget-to-actual comparisons.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No deficit spending noted for the entity.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.)

Obtained and reviewed the minutes of the managing board for the fiscal period noting that the minutes referenced or included non-budgetary financial information.

Bank Reconciliations

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

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

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

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Obtained bank statements and reconciliations for all months in the fiscal period noting no evidence of management or board member review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained bank statements and reconciliations for all months in the fiscal period noting management's documentation of research for items that have been outstanding for more than 6 months.

Collections

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

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

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

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

Written documentation was obtained and the following was noted: (1) those responsible for collecting cash are bonded, (2) the person responsible for depositing cash in the bank is also responsible for recording the deposit and reconciling the bank statement, and (3) those collecting cash share the same drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The individual responsible for cash collections is also the individual responsible for reconciling cash collections to the general ledger.

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

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Collection documentation was obtained and the deposits were made within one day of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained, but it was noted that receipts are not sequentially numbered.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The individual responsible for collections is also responsible for determining completeness of collections.

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

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

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases were initiated using a purchase order system.

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

Examined supporting documentation for each of the 25 disbursements noting there was no evidence that the person who initiated the purchase did not also approve the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements noting two disbursements required receiving reports but were not noted, and 21 invoices were not approved.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The person responsible for processing payments can also add vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The persons with signatory authority have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The unused checks are not maintained in a locked location in the office.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp is not used in any instance.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Listing of active credit cards, the name of the person who maintains possession of the cards, and management's representation that the listing is complete was obtained.

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

Listing was obtained and randomly selected one-third of the cards.

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

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

The monthly statement was reviewed and approved by the authorized card holder.

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

None noted.

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

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

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

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The entity does not have written policies and procedures.

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

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

Expenses were paid in accordance with the GSA rates.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

One instance was noted where the expense was reviewed by the person receiving the reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Not applicable.

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

The entity did not solicit quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No amendments to contracts noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Proper approval noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

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

No employment contract or pay rate structure noted in the entity's files.

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

Changes to hourly pay and salaries during the fiscal period were not approved in writing.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

Not all employees document daily attendance and compensatory time. Only vacation and sick time are documented for all employees.

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

No supervisor approval noted on documentation.

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

Vacation and sick time are documented for all employees; however, no documentation existed for compensatory time.

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

Not applicable.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

All payroll taxes and retirement contributions were submitted on time; however, first and second quarter L-1's were submitted late.

Ethics (excluding nonprofits)

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

No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

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

The Commission has no debt; therefore, this section is not applicable.

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

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

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

Management has asserted that the entity did not have any misappropriations of public funds or assets.

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

Required notices were posted on the entity's premises and website.

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

No exceptions noted.

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.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

May 14, 2018

ST. MARY PARISH WATER & SEWER COMMISSION #1

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AMELIA, LOUISIANA 70340-0309

WATER PHONE NO. 631-2907 SEWER PHONE NO. 631-0518

Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

Written Policies and Procedures

1. a) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Budgeting, including preparing, adopting, monitoring, and amending the budget will be reviewed for inclusion in the revised policies and procedures.
1. b) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. 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 will be reviewed for inclusion in the revised policies and procedures.
1. c) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Disbursements, including processing, reviewing, and approving will be reviewed for inclusion in the revised policies and procedures.
1. d) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Receipts, including receiving, recording, and preparing deposits will be reviewed for inclusion in the revised policies and procedures.
1. e) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Payroll/Personnel, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked will be reviewed for inclusion in the revised policies and procedures.
1. f) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Contracting, including (1) types of services requiring written contracts; (2) standard terms and conditions; (3) legal review; (4) approval process; and (5) monitoring process will be reviewed for inclusion in the revised policies and procedures.
1. g) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Credit cards, including (1) how cards are to be controlled; (2) allowable business uses; (3)

documentation requirements; (4) required approvers; and (5) monitoring card usage will be reviewed for inclusion in the revised policies and procedures.

1. h) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Travel and expense reimbursement, including (1) allowable expenses; (2) dollar thresholds by category of expense; (3) documentation requirements; and (4) required approvers will be reviewed for inclusion in the revised policies and procedures.
1. i) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. 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 will be reviewed for inclusion in the revised policies and procedures.
1. j) Management plans a review and update to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. Debt service, including (1) debt issuance approval; (2) EMMA reporting requirements; (3) debt reserve requirements; and (4) debt service requirements will be reviewed for inclusion in the revised policies and procedures.

Finance Committee

2. b) Management plans to document a budget to actual comparison at each monthly meeting in the 2018 fiscal year.

Bank Reconciliations

4. b) Management plans to document its review of the monthly reconciliations in the 2018 fiscal year.

Collections

6. a) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
6. b) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
6. c) Management plans to initiate the use of sequentially numbered receipts in the 2018 fiscal year.

7. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Disbursements – General

9. Management plans a review to the St. Mary Parish Water and Sewer Commission No. 1's financial policies and procedures in the 2018 fiscal year. The following disbursement policies and procedures will be reviewed and enforced for compliance:
 - b) obtaining appropriate approval of purchase orders, or an electronic equivalent, by a person who did not initiate the purchase, and
 - c) processing payments with an approved requisition and/or purchase order, or electronic equivalent, a receiving report showing receipt of goods purchased, or electronic equivalent, and an approved invoice.
10. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
12. Disbursement policies and procedures including restriction of access to the supply of unused checks to persons that do not have signatory authority will be reviewed and enforced for compliance.

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

15. a) Credit card policies and procedures including approval and review of monthly statements by someone other than the authorized card holder will be reviewed and enforced for compliance.

Travel and Expense Reimbursement

18. Travel and expense reimbursement policies will be reviewed and enforced for compliance.
19. d) Travel and expense reimbursement policies and procedures including review and approval, in writing, of reimbursements by someone other than the receiving employee will be reviewed and enforced for compliance.

Contracts

21. b) Contract policies and procedures including soliciting quotes as a best practice will be reviewed and enforced for compliance.

Payroll and Personnel

22. a) Payroll and personnel policies and procedures including adoption of a pay rate structure will be reviewed and enforced for compliance.

- 22. b) Payroll and personnel policies and procedures including written approval of pay rate changes will be reviewed and enforced for compliance.
- 23. a) Payroll and personnel policies and procedures including documentation and approval of daily attendance will be reviewed and enforced for compliance.
- 23. b) Payroll and personnel policies and procedures including written documentation that supervisor approved daily attendance and leave will be reviewed and enforced for compliance.
- 23. c) Payroll and personnel policies and procedures including maintaining written leave records will be reviewed and enforced for compliance.
- 25. Management believes this to be an unintentional error in oversight.