

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

Financial Report

Year Ended September 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Mary Parish Wards 5 and 8 Joint Sewer Commission (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of September 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that schedules for employer's share of net pension liability/(asset) and employer pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedule of employer's share of net pension liability/(asset) on page 25, schedule of employer contributions on page 26, or note to retirement system schedules on page 27 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of insurance in force on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that schedule.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 29, 2019

BASIC FINANCIAL STATEMENTS

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

Internal Service Fund
Statement of Net Position
September 30, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 558,665
Due from other governments	131,458
Prepaid insurance	<u>22,607</u>
Total current assets	<u>712,730</u>
Noncurrent assets	
Construction in progress	169,597
Other capital assets, net of accumulated depreciation	<u>874,101</u>
Total noncurrent assets	<u>1,043,698</u>
Other assets	
Deposits	2,402
Net pension asset	<u>8,998</u>
Total other assets	<u>11,400</u>
Total assets	<u>1,767,828</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>18,613</u>
Total assets and deferred outflows of resources	<u>\$ 1,786,441</u>

(continued)

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

Internal Service Fund
Statement of Net Position (continued)
September 30, 2018

LIABILITIES

Current liabilities	
Accounts payable	\$ 146,803
Retainage payable	13,269
Accrued liabilities	<u>24,911</u>
Total current liabilities	<u>184,983</u>
Noncurrent liabilities	
Due to participants	<u>99,110</u>
Total liabilities	<u>284,093</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>26,611</u>
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NET POSITION

Net investment in capital assets	1,043,698
Unrestricted	<u>432,039</u>
Total net position	<u>1,475,737</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,786,441</u>

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

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

Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2018

Operating revenues	
Charges for services	\$ 952,117
Other	<u>901</u>
Total operating revenues	<u>953,018</u>
Operating expenses	
Alarms	8,644
Board meeting per diem	2,800
Chemicals	34,955
Contract labor	39,361
Depreciation	95,955
Engineering	3,436
Insurance	62,320
Lab fees	16,890
Legal and accounting	14,232
Miscellaneous	2,245
Repairs and maintenance	354,003
Retirement	16,560
Salaries	72,779
Taxes - payroll	1,605
Telephone	6,448
Truck and fuel	10,768
Uniforms	3,819
Utilities	<u>283,062</u>
Total operating expenses	<u>1,031,836</u>
Loss from operations	<u>(78,818)</u>
Non-operating revenues	
Miscellaneous	584
Interest income	<u>2,672</u>
Total Non-operating revenues	<u>3,256</u>
Change in net position	(75,562)
Net position, beginning of year	<u>1,551,299</u>
Net position, end of year	<u>\$ 1,475,737</u>

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

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

Internal Service Fund
Statement of Cash Flows
Year Ended September 30, 2018

Cash flows from operating activities	
Received from participants and other governments	\$ 942,087
Paid to suppliers	(710,457)
Paid to and for employees	(87,198)
Net cash provided by operating activities	144,432
Cash flows from capital and related financing activities	
Acquisition of capital assets	(215,139)
Cash flows from investing activities	
Other receipts	584
Interest received	2,672
Net cash provided by capital and related financing activities	3,256
Net decrease in cash and cash equivalents	(67,451)
Cash and cash equivalents, beginning of year	626,116
Cash and cash equivalents, end of year	\$ 558,665
Reconciliation of operating loss to net cash provided by operating activities	
Loss from operations	\$ (78,818)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	95,955
Pension expense, net of nonemployer contributions	2,845
Changes in assets and liabilities -	
Due from other governments	(10,030)
Prepaid insurance	250
Accounts payable	131,098
Accrued liabilities	3,132
Net cash provided by operating activities	\$ 144,432

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

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

During the year ended September 30, 1995, the St. Mary Parish Government entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Government's component units, St. Mary Parish Sewerage District No. 2 and St. Mary Parish Sewerage District No. 8. In October 2000, the St. Mary Parish Council combined St. Mary Parish Sewerage District No. 2 and St. Mary Parish Waterworks District No. 2 to create St. Mary Parish Water and Sewer Commission No. 2. During the year ended September 30, 2018, the St. Mary Parish Council consolidated St. Mary Parish Sewerage District No. 8 into the newly created St. Mary Parish Water and Sewer Commission No. 3 and abolished St. Mary Parish Sewerage District No. 8. The following components of the Parish of St. Mary and governmental entities are currently participants in and funding the operation of the Commission:

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

A. Reporting Entity

As the governing authority of the parish, for financial reporting purposes the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criterion includes:

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

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

Notes to Financial Statements (continued)

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

Because the Parish Council appoints a voting majority of the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an internal service fund.

Internal service funds –

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

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

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Internal service fund activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Internal service fund equity is classified as net position.

Basis of Accounting

Internal service funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the statement of cash flows, “cash and equivalents” include demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Prepaid items

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

Capital assets

Capital assets, which include property, plant and equipment, are reported in the statement of net position. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of the donation. The Commission maintains a threshold level of \$1,500 for capitalizing assets.

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

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

Notes to Financial Statements (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

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

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

Compensated absences

The Commission currently employs two full-time employees. The employees earn vacation and sick leave benefits based on length of service. Sick leave does not accumulate and is not payable upon termination. Accumulated vacation, sick leave and compensatory time are recorded as an expense of the period in which it is paid. At September 30, 2018, the unrecorded liability for earned but unpaid vacation is immaterial and therefore, not recorded.

Deferred outflows of resources and deferred inflows of resources

The Commission reports decreases (increases) in net position that relate to future periods as deferred outflows (inflows) of resources in separate sections of its statements of net position. The Commission reports deferred outflows of resources and deferred inflows of resources related to its net pension asset.

Pensions

For purposes of measuring the net pension asset, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Notes to Financial Statements (continued)

- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

E. Revenues and Expenses

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

Revenues

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

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

Expenses

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

F. Budgets

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

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks having principal offices in Louisiana. At September 30, 2018, the Commission had cash and cash equivalents (book balances) totaling \$558,665 in non-interest bearing and interest bearing demand deposits.

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2018, deposit balances (bank balances) totaling \$560,080 are secured as follows:

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

Notes to Financial Statements (continued)

Federal deposit insurance	\$	250,000
Uninsured and collateralized with securities		<u>310,080</u>
 Total		 <u>\$ 560,080</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Deposits in the amount of \$310,080 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, in the Commission's name.

(3) Due from other Governmental Units

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

At September 30, 2018, amounts due from other governmental units consisted of the following:

Sewer treatment charges:

City of Patterson	\$	75,888
St. Mary Parish Government		5,965
St. Mary Parish Water and Sewer Commission No. 2		15,253
St. Mary Parish Water and Sewer Commission No. 3		10,532
Town of Berwick		<u>23,820</u>
Total due from other governments		<u>\$ 131,458</u>

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

Notes to Financial Statements (continued)

(4) Capital Assets

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

	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of year</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 169,597	\$ -	\$ 169,597
Other capital assets				
Buildings	313,572	-	-	313,572
Equipment	700,437	10,742	8,816	702,363
Vehicles	38,657	35,019	-	73,676
Improvements	<u>1,548,910</u>	<u>13,050</u>	-	<u>1,561,960</u>
Total other capital assets, at cost	<u>2,601,576</u>	<u>58,811</u>	<u>8,816</u>	<u>2,651,571</u>
Less accumulated depreciation for				
Buildings	174,480	10,277	-	184,757
Equipment	540,052	25,859	8,816	557,095
Vehicles	38,657	5,253	-	43,910
Improvements	<u>937,142</u>	<u>54,566</u>	-	<u>991,708</u>
Total accumulated depreciation	<u>1,690,331</u>	<u>95,955</u>	<u>8,816</u>	<u>1,777,470</u>
Total capital assets, net	<u>\$ 911,245</u>	<u>\$ 132,453</u>	<u>\$ -</u>	<u>\$ 1,043,698</u>

Depreciation expense related to the utilization of fixed assets for the year ended September 30, 2018 was \$95,955.

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

Notes to Financial Statements (continued)

(5) Due to Participants

At September 30, 2018, advances received from participants are as follows:

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

(6) Pension Plan

Parochial Employees' Retirement System of Louisiana (PERS) is the administrator of a cost sharing multiple employer defined benefit pension plan. PERS was established and provided for by R.S. Title 11:1901 of the Louisiana Revised Statute (LRS). Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised PERS to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. PERS provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of PERS.

Retirement Benefits

Any member of Plan A hired prior to January 1, 2007 can retire providing he/she meets one of the following criteria: any age with thirty (30) or more years of creditable service; age 55 with twenty-five (25) years of creditable service; age 60 with a minimum of ten (10) years of creditable service; age 65 with a minimum of seven (7) years of creditable service. For employees hired after January 1, 2007, he/she must meet the following criteria to retire: age 55 with 30 years of service; age 62 with 10 years of service; age 67 with 7 years of service. Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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

Notes to Financial Statements (continued)

Survivor Benefits

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

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP will be placed in liquid asset money market investments at the discretion of the Board of Trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of DROP must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of DROP are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Cost of Living Adjustments

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2017 was 12.5% for Plan A. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

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

Notes to Financial Statements (continued)

Non-employer Contributions

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended September 30, 2018, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$901 for its participation in PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2018, the Commission reported assets in its financial statements of \$8,998 for its proportionate share of the net pension assets of PERS. The net pension assets were measured as of December 31, 2017 and the total pension asset used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension asset was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Commission's proportional share of PERS was 0.012122%, which was an increase of 0.000410% from its proportion measured as of December 31, 2016.

For the year ended September 30, 2018, the Commission recognized pension expense of \$12,188 in its activities.

At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 5,824
Changes of assumptions	11,356	-
Net difference between projected and actual earnings on pension plan investments	-	20,787
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,039	-
Employer contributions subsequent to the measurement date	<u>6,218</u>	<u>-</u>
	<u>\$ 18,613</u>	<u>\$ 26,611</u>

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

Notes to Financial Statements (continued)

The \$6,218 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2019	2,286
2020	(1,308)
2021	(6,957)
2022	(8,237)
	\$ (14,216)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2018 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan A
Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.75%, net of investment expense
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Inflation Rate	2.50%

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

Notes to Financial Statements (continued)

The discount rate used to measure the total pension asset was 6.75% for Plan A, a decrease of 0.25% from the 7.00% discount rate used in the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
Totals	100%	5.62%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.62%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of PERS's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back four years for males and three years for females was used.

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

Notes to Financial Statements (continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability/(asset) of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate.

	Changes in Discount Rate		
	2017		
	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability (Asset)	\$ 44,361	\$ (8,998)	\$ (56,510)

Changes in Net Pension Asset

The changes in the net pension asset for the year ended September 30, 2018 were recognized in the current reporting period as pension expense except as follows:

- a. Differences between expected and actual experience – Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension asset were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred inflow of resources in the amount of \$5,824 for the year ended September 30, 2018.
- b. Differences between projected and actual investment earnings – Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred inflow of resources in the amount of \$20,787 for the year ended September 30, 2018.
- c. Change in proportion – Changes in the employer's proportionate shares of the collective net pension asset and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$1,039 for the year ended September 30, 2018.
- d. Changes in Assumptions – Changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$11,356 for the year ended September 30, 2018.

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

Notes to Financial Statements (continued)

Payables to the Pension Plan

The District recorded accrued liabilities to PERS for the year ended September 30, 2018, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accrued liabilities. The balance due to PERS as of September 30, 2018 is \$2,036.

Pension Plan Fiduciary Net Positions

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at www.persla.com.

(7) Sewerage Fees

In order to defray the cost of maintaining the system, the Commission charges each participant \$1.80 per thousand gallons of water consumed by each participant's water customers. The Commission has set aside \$0.15 of each \$1.80 charged in a money market account specifically for any repairs paid by the Commission. The remaining \$1.65 is used to fund the Commission's operating expenses. At September 30, 2018, the balance in the repair and replacement money market account was \$58,511.

(8) Related Party Transactions

The Commission charges its participants, all of which are governmental entities, for sewerage service based upon usage. All of the Commission's participants are related parties. During the year ended September 30, 2018, the Commission recorded, as charges for services, the following from related parties:

City of Patterson	\$ 289,627
Town of Berwick	273,320
St. Mary Parish Water and Sewer Commission No. 2	246,612
St. Mary Parish Water and Sewer Commission No. 3	114,658
St. Mary Parish Government	<u>27,900</u>
Total related party revenue	<u>\$ 952,117</u>

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

Notes to Financial Statements (continued)

(9) Compensation and Other Payments to Board Members

Compensation and other payments to board members for the year ended September 30, 2018, are as follows:

Board members:	
Lonnie Easley	\$ 550
Michael Stewart	550
Tony Hensgens	550
Rafael Lopez	600
Gary Beadle	550
	<u>\$ 2,800</u>

Act 706 of the Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. The Commission had two chief officers during the year, Rafael Lopez for the period October 1, 2017 through November 1, 2017, and Tony Hensgens for the period November 1, 2017 through September 30, 2018. With the exception of per diem, no other payments which would require disclosure were made to the Commission's chief officers. For the year ended September 30, 2018, the Commission's chief officers, Rafael Lopez, and Tony Hensgens received \$600, and \$550 respectively in per diem payments.

(10) Contingencies

The Commission operates a sewerage treatment plant, which is regulated by the Louisiana Department of Environmental Quality (DEQ) and the US Environmental Protection Agency (EPA). In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(11) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retention, or limits during the year ended September 30, 2018. Settled claims have not exceeded the commercial coverages in any of the previous three years.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Employer's Share of Net Pension Liability/(Asset)
Year Ended September 30, 2018

Year Ended Dec 31,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2014	0.011699%	\$ 3,199	66,446	4.81%	99.15%
2015	0.009329%	\$ 24,557	71,745	34.23%	92.23%
2016	0.011712%	\$ 24,121	69,458	34.73%	94.15%
2017	0.012122%	\$ (8,998)	74,619	-12.06%	101.98%

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

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

Schedule of Employer Contributions
Year Ended September 30, 2018

Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 10,677	\$ 10,677	\$ -	\$ 71,745	14.88%
2016	\$ 9,616	\$ 9,616	\$ -	\$ 71,957	13.36%
2017	\$ 9,205	\$ 9,205	\$ -	\$ 72,990	12.61%
2018	\$ 8,442	\$ 8,442	\$ -	\$ 71,859	11.75%

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

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

Note to Retirement System Schedules
Year Ended September 30, 2018

Parochial Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended September 30, 2018.

Changes of assumptions – Changes of assumptions for the year ended September 30, 2018 were as follows for the valuation date December 31, 2017:

- a) Investment rate of return used was 6.75%, a decrease from 7.00% in 2016.

SUPPLEMENTARY INFORMATION

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

Schedule of Insurance in Force
Year Ended September 30, 2018

Insurer	Type of Coverage	Coverage		Exp Date
American Alternative Insurance Company	Public officials and management liability	Aggregate	\$ 3,000,000	7/2/2019
American Alternative Insurance Company	Cyber Liability crisis management	Aggregate	1,000,000 50,000	7/2/2019
American Alternative Insurance Company	Auto	Combined	1,000,000	7/2/2019
LWCC Insurance Company	Worker's compensation	Each accident Aggregate	1,000,000 1,000,000	7/2/2019
American Alternative Insurance Company	General liability	Aggregate Each occurrence	3,000,000 1,000,000	7/2/2019
American Alternative Insurance Company	Commercial umbrella	Aggregate Each occurrence	1,000,000 1,000,000	7/2/2019

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. Mary Parish Wards 5 and 8 Joint Sewer Commission, (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2018-001 and 2018-002.

Compliance and Other Matters

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

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are included in the accompanying corrective action plan for current audit findings. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 29, 2019

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

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2018

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

2017-001 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

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

2017-002 - Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

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

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

Schedule of Audit Results and Findings
Year Ended September 30, 2018

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission.

Two deficiencies in internal control were disclosed by the audit of the financial statements and both are considered to be material weaknesses. No significant deficiencies were reported.

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

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2018-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission’s internal control over financial reporting includes those policies and procedures that pertain to the Commission’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

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

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

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

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

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2018

2018-002 - Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The Commission's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

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

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

No compliance issues are reported.

Part III. Findings and questioned costs for federal awards

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

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

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2018

Response to Finding 2018-001:

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

Response to Finding 2018-002:

The Board of Commissioners has determined that it would be more cost effective to outsource the preparation of the Commission's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

**ST. MARY PARISH WARDS 5 AND 8
JOINT SEWER COMMISSION**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2017 through September 30, 2018

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES ON CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

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

We have performed the procedures enumerated below, which were agreed to by the St. Mary Parish Wards 5 and 8 Joint Sewer Commission (hereinafter "Commission") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 2018, as required by the *Louisiana Governmental Audit Guide*. The Commission's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the Commission'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.

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

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

The Commission does not have a written policy related to the category listed above.

Board or Finance Committee

Note: Procedures excluded from testing in the current period—Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 2: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 may exclude those categories in Year 2."

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:
- 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 documents.
 - 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.
 - 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

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

Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Selected the Commission's main operating account and the Commission's remaining accounts, for a total of three accounts subjected to testing. Randomly selected one month from the fiscal period.

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

Obtained and inspected bank reconciliations for each account selected and observed that bank reconciliations were prepared within 2 months of the statement closing date.

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

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

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

Management did not provide documentation that it has researched the reconciling items that have been outstanding for more the 12 months from the statement closing date.

Collections

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

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site, obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtained a listing of collection locations for the Commission's one deposit site and management's representation that the listing is complete. Randomly selected the Commission's only collection location.

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

No exceptions noted.

- 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. prenumbered receipts) to the deposit.

The individual responsible for collecting cash is also responsible for preparing and making bank deposits and reconciling collection documentation to the deposit.

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

The individual responsible for collecting cash is also responsible for posting collection entries to the general ledger and for reconciling general ledger postings to each other and the deposit.

- d) The employees 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.

The individual responsible for collecting cash is also responsible for reconciling cash collections to the general ledger without another employee/supervisor/board member verifying the reconciliations.

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

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 date 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.

The Commission does not use a sequentially pre-numbered receipt system.

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

Traced collection documentation to the deposit slip.

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

No exceptions noted.

- 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).

No exceptions noted.

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

No exceptions noted.

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

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

Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the Commission's only payment processing location.

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:

Obtained a listing of those individuals involved with non-payroll purchasing and payment functions. Inquired of their job duties.

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

No evidence that at least two employees were 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.

No exceptions noted.

- 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.

The individual responsible for processing payments is not prohibited from adding/modifying vendor files without another employee/board member 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.

Checks are prepared to be mailed by the individual who is responsible for processing payments.

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

Obtained the Commission's non-payroll disbursements transaction population and management's representation that the listing is complete. Randomly selected five (5) disbursements from the one (1) location.

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

No exceptions noted.

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

No exceptions noted.

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

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

Obtained management's representation that the Commission maintains a single credit card, bank card, fuel card, or P-card.

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]

No evidence provided that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and/or late fees were not assessed on the selected statements.

No finance charges and/or late fees were observed on the statement.

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).

Neither of the credit card transactions tested included documentation of public purpose.

Travel and Travel-Related Expense Reimbursement (excluding card transactions)

Note: Procedures excluded from testing in the current period—Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 2: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 may exclude those categories in Year 2."

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).
- 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.

Contracts

Note: Procedures excluded from testing in the current period—Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 2: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 may exclude those categories in Year 2.”

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

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

Obtained a listing of employees and management’s representation that the listing is complete. The Commission has no elected officials. The Commission’s two (2) employees were selected for testing. The Commission’s authorized salaries/pay rates were agreed to documentation in personnel files.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

Obtained management's representation that no employees received termination payments during the fiscal period.

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

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

Ethics

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

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

Documentation demonstrating the completion of the one hour of ethics training during the fiscal period could not be provided for four (4) of the five (5) individuals selected for testing.

- 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.

The Commission has not adopted an ethics policy.

Debt Service (excluding nonprofits)

Note: Procedures excluded from testing in the current period—Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 2: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 may exclude those categories in Year 2."

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

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

Other

Note: Procedures excluded from testing in the current period—Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 2: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 may exclude those categories in Year 2."

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management's Response

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

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information of and use by the Commission's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 29, 2019