

**ST. MARY PARISH WATER AND
SEWER COMMISSION NO. 3**

Centerville, Louisiana

Financial Report

Year Ended September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 3
Centerville, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of St. Mary Parish Water and Sewer Commission No. 3 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2017, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to previously do not include financial data for the Commission's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for component units to be reported with the financial data of the Commission's primary government unless the Commission also issues financial statements for the financial reporting entity that include the financial data for its component units. The Commission has not issued such reporting entity financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the aggregate discretely presented component units are not reasonably determinable.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units", the financial statements referred to previously do not present fairly the financial position of the aggregate discretely presented component units of the Commission, as of September 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

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

Emphasis of Matter

As described in Note 11 to the financial statements, the Commission is a newly created entity which consolidates the operations of Waterworks District No. 5 of the Parish of St. Mary and Sewerage Districts Nos. 5 and 8 of the Parish of St. Mary. Our opinion is not modified with respect to this matter.

Other Matters

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

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 comparative financial statements and other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary schedules on pages 30 – 32 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 that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 29, 2018

BASIC FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Statement of Net Position
September 30, 2017

ASSETS	<u>Business-type activities</u>
Current assets:	
Cash	\$ 1,429,503
Investments	2,517,200
Accounts receivable, net of allowance for doubtful accounts	206,335
Due from Waterworks District No. 5 of St. Mary Parish	124,067
Prepaid expenses	79,899
Total current assets	<u>4,357,004</u>
Restricted assets:	
Refundable deposits	210
Cash	45,392
Investments	150,499
Total restricted assets	<u>196,101</u>
Capital assets	
Land	22,155
Construction in progress	9,076
Other, net of accumulated depreciation	4,547,015
Total noncurrent assets	<u>4,578,246</u>
Total assets	<u>9,131,351</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>158,448</u>
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(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Statement of Net Position (continued)
September 30, 2017

LIABILITIES AND NET POSITION

	<u>Business-type activities</u>
Current liabilities:	
Payable from current assets	
Accounts payable	\$ 72,382
Accrued liabilities	7,483
Compensated absences payable	7,215
Due to St. Mary Parish Government	65,527
Due to Waterworks District No. 5 of St. Mary Parish	<u>11,770</u>
Total payable from current assets	164,377
 Payable from restricted assets	
Customer deposits payable	<u>195,891</u>
Total current liabilities	<u>360,268</u>
 Non-current liabilities:	
Loans and other agreements payable	65,528
Net pension liability	<u>118,153</u>
Total non-current liabilities	<u>183,681</u>
Total liabilities	<u>543,949</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>18,989</u>
 NET POSITION	
Net investment in capital assets	4,447,191
Unrestricted	<u>4,279,670</u>
Total net position	<u>\$ 8,726,861</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Statement of Activities
Year Ended September 30, 2017

	<u>Business-type activities</u>
Operating revenues:	
Water sales	\$ 798,802
Sewer sales	288,521
Garbage collection fees	8,549
Miscellaneous revenues	<u>11,531</u>
Total operating revenues	<u>1,107,403</u>
 Operating expenses	
Personnel services and related benefits	100,880
Supplies and Materials	340,759
Other services and charges	203,517
Depreciation	<u>6,650</u>
Total operating expenses	<u>651,806</u>
Operating income	455,597
 Non-operating revenues	
Interest income	<u>1,098</u>
Income before contributions and transfers	456,695
 Capital contributions	
Waterworks District No. 5 of St. Mary Parish	1,420,000
Sewerage District No. 5 of St. Mary Parish	4,715,824
Sewerage District No. 8 of St. Mary Parish	<u>2,134,342</u>
Change in net position	8,726,861
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ 8,726,861</u>

The accompanying notes are an integral part of this statement.

ST MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Statement of Cash Flows
Year Ended September 30, 2017

	<u>Business-type activities</u>
Cash flows from operating activities:	
Cash received from customers	\$ 972,892
Cash paid to suppliers and others	(394,270)
Cash paid to employees	<u>(100,880)</u>
Net cash provided by operating activities	<u>477,742</u>
 Cash flows from capital and related financing activities:	
Cash transfers from Waterworks District No. 5 of St. Mary Parish	1,420,000
Cash transfers from Sewer District No. 5 of St. Mary Parish	1,546,647
Cash transfers from Sewer District No. 8 of St. Mary Parish	952,772
Purchases of investments	(2,667,699)
Acquisition of capital assets	<u>(255,665)</u>
Net cash provided by capital and related financing activities	<u>996,055</u>
 Cash flow from investing activities:	
Interest received on investments	<u>1,098</u>
Net increase in cash and equivalents	1,474,895
 Cash and equivalents, beginning of year	<u>-</u>
 Cash and equivalents, end of year	<u>\$ 1,474,895</u>
 Classified as:	
Current assets	\$ 1,429,503
Restricted assets	<u>45,392</u>
Total	<u>\$ 1,474,895</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2017

	Business-type activities
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 455,597
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,650
Increase in accounts receivable	(206,335)
Increase in due from Waterworks District No. 5 of St. Mary Parish	(124,067)
Increase in prepaid expenses	(79,899)
Increase in accounts payable	72,382
Increase in accrued liabilities	7,483
Increase in compensated absences payable	7,215
Increase in due to Waterworks District No. 5 of St. Mary Parish	11,770
Increase in customer deposits payable	195,891
Total adjustments	22,145
Net cash used by operating activities	\$ 477,742

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

INTRODUCTION

Pursuant to Ordinance No. 2060 adopted by the St. Mary Parish Government on September 14, 2017, the St. Mary Parish Water and Sewer Commission No. 3 (“Commission”) was created on October 1, 2016 to have jurisdiction over all works and facilities for water, sewer, and sewage treatment and disposal within the boundaries of Waterworks District No. 5 of the Parish of St. Mary, Sewerage District No. 5 of the Parish of St. Mary, and Sewerage District No. 8 of the Parish of St. Mary (collectively, the “Districts”), including the waterworks facilities, sewers, and sewerage treatment and disposal facilities now owned and/or operated by the Districts or the Parish or as such works and facilities may be acquired, extended, or improved by the Districts. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

Pursuant to Ordinance No. 2112 adopted by the St. Mary Parish Government on August 23, 2017, Sewerage District No. 8 of the Parish of St. Mary and Sewerage District No. 5 of the Parish of St. Mary were abolished effective October 1, 2017. All funds and assets and all liabilities and obligations remaining with the Districts were transferred by the Districts to the Commission on September 30, 2017.

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Commission (a component unit of the St. Mary Parish Government) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for 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 (Sewerage District No. 5 of St. Mary Parish, Sewerage District No. 8 of St. Mary Parish, and Waterworks District No. 5 of St. Mary Parish (collectively, the ‘Districts’), 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 (the Districts).

Governmental Accounting Standards Board Statement 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 and the Commission 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 criteria includes:

1. Appointing a voting majority of an organization’s governing body, and (a) the ability of the Parish and Commission to impose its will on that organization, and/or (b) the

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

potential for the organization to provide specific financial benefits or impose specific financial burdens on the Parish or Commission.

2. Organizations for which the Parish or Commission does not appoint a voting majority but are fiscally dependent on the Parish Council or Commission.
3. Organizations for which the reporting entity 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 the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. Because the Commission may impose its will on the Districts and be financially burdened by the Districts, the Districts were determined to be component units of the Commission. 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 Districts, 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. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

Enterprise funds

Enterprise funds are used to account for operations (a) that are financial and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred,

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Business-type 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. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund utilizes 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 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 all 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.

Restricted assets

Funds representing customer utility deposits are shown as restricted assets in the statement of net position.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

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 \$1,000 for capitalizing assets.

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

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, which 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 asset as follows:

Water System	5 - 50 Years
Buildings & Improvements	20 - 40 Years
Furniture, Equipment, and Vehicles	5 - 10 Years

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

Capitalization of Interest

Interest costs incurred by the Commission during the construction of an asset for its own use are capitalized as part of the cost of constructing the asset. During the year ended September 30, 2017, there were no borrowings for assets under construction and no capitalized interest was recognized.

Compensated absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate.

Long-term debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists of loans payable to the St. Mary Parish Council.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Basic Financial Statements (continued)

Equity classifications

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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.

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also included all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Revenues

Fees for water and sewer services are recognized when earned. Connection and service fees are recognized when received. Interest income is recognized when earned. Substantially, all other revenues are recorded when received.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating. All expenses are recognized in the period that the liabilities are incurred.

F. Budgeting and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and accordingly, the Commission has elected to not formally adopt a budget for the year ended September 30, 2017. Accordingly, budget figures are not presented in this financial report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

G. 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 disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues 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 organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2017, the Commission had cash and interest-bearing deposits (book balances) totaling \$1,474,895 as follows:

Demand deposits:	
Unrestricted	\$1,429,503
Restricted	<u>45,392</u>
	<u>\$1,474,895</u>

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. Deposit balances (bank balances) at September 30, 2017, are as follows:

Bank balances	<u>\$ 1,484,611</u>
At September 30, 2017, the deposits are secured as follows:	
Federal deposit insurance	250,000
Pledged securities	<u>1,234,611</u>
Total insured and secured	<u>\$ 1,484,611</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Basic Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2017, deposits in the amount of \$1,234,611 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not the Commission's name.

(3) Investments

Investments held at September 30, 2017 consist of \$2,667,699 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. 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 in accordance with LSA-R.S. 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

Credit risk – LAMP is rated AAAM by Standard & Poor's.

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

Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk – 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Basic Financial Statements (continued)

Foreign currency risk – not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated in fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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

Fair Value Measurements

To the extent available, the Commission's investments are recorded at fair value as of September 30, 2017. GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Commission measures its investments using fair value guidelines established by GASB 72, which recognizes a three-tiered fair value hierarchy as follows:

- Level 1-quoted prices for identical investments in active markets
- Level 2-observable inputs other than quoted market prices
- Level 3-unobservable inputs

The Commission's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external pool is the same as the net asset value of the pool shares.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Basic Financial Statements (continued)

(4) Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance 10/01/16	Consolidation Additions	Additions	Deletions	Balance 09/30/17
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ -	\$ 22,155	\$ -	\$ -	\$ 22,155
Construction in progress	-	-	9,076	-	9,076
Total assets not being depreciated	<u>-</u>	<u>22,155</u>	<u>9,076</u>	<u>-</u>	<u>31,231</u>
Capital assets, being depreciated:					
Sewer System	-	11,861,287	-	-	11,861,287
Water System	-	-	160,410	-	160,410
Buildings & Improvements	-	138,092	-	-	138,092
Equipment	-	510,983	86,179	-	597,162
Furniture & Fixtures	-	3,993	-	-	3,993
Vehicles	-	81,986	-	-	81,986
Total assets being depreciated	<u>-</u>	<u>12,596,341</u>	<u>246,589</u>	<u>-</u>	<u>12,842,930</u>
Less: accumulated depreciation					
Sewer System	-	(7,805,992)	-	-	(7,805,992)
Water System	-	-	(1,571)	-	(1,571)
Buildings & Improvements	-	(49,922)	-	-	(49,922)
Equipment	-	(364,702)	(5,079)	-	(369,781)
Furniture & Fixtures	-	(3,920)	-	-	(3,920)
Vehicles	-	(64,729)	-	-	(64,729)
Total accumulated depreciation	<u>-</u>	<u>(8,289,265)</u>	<u>(6,650)</u>	<u>-</u>	<u>(8,295,915)</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 4,329,231</u>	<u>\$ 249,015</u>	<u>\$ -</u>	<u>\$ 4,578,246</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2017 was \$6,650.

Construction Commitments

At September 30, 2017, the Commission had an uncompleted construction contract related to the construction of a new sludge settling pond and refurbishments to the existing sludge pond. The remaining commitment on this construction contract is \$79,944.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

(5) Due to other Governments

St. Mary Parish Government Ordinance No. 1171 imposes a monthly collection service charge of \$15 per month for each residence from which solid waste is collected. The Commission bills the fees and remits each month all garbage service charges collected to the St. Mary Parish Government, less a collection fee of \$0.65 per charge, plus a 41-cent collection fee per customer who does not receive water services. At September 30, 2017, the garbage collection charges due to the St. Mary Parish Government were \$0.

Additionally, the Commission charges a monthly fee of \$2 per month for each residence with water service for mosquito abatement as imposed by the St. Mary Parish Government. The Commission remits each month all mosquito abatement fees collected to the St. Mary Parish Government. At September 30, 2017, mosquito abatement fees due to the St. Mary Parish Government were \$0.

(6) Long Term Debt

The following is a summary of changes in long term debt for the year ended September 30, 2017:

Balance 10/1/2016	Consolidation Additions	Additions	Reductions	Balance 9/30/2017	Due within one year
-	131,055	-	-	131,055	65,527
-	7,215	-	-	7,215	-
-	138,270	-	-	138,270	65,527

Obligations payable at September 30, 2017 are as follows:

On June 6, 2013, Sewerage District No. 5 executed a Cooperative Endeavor Agreement whereby the Parish will fund the cost of the Bakertown Sewer Project and the District would reimburse the Parish fifteen percent (15%) of such costs. Repayment was five (5) annual installments representing a minimum of one-fifth (1/5) of the District's representative share of the costs. The loan is noninterest bearing.

At the dissolution of Sewerage District No. 5, the remaining loan payable was transferred to the Commission. Two years remain on the loan at the time of the transfer.

	131,055
Total loans payable	\$ 131,055

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

The following is an approximation of all future debt service requirements at September 30, 2017:

<u>September 30,</u>	<u>Principal</u>
2018	65,527
2019	<u>65,528</u>
Total	<u>131,055</u>

(7) 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.

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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

Deferred Retirement Option Plan

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

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

Cost of Living Adjustments

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

Employer Contributions

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

Non-employer Contributions

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

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

At September 30, 2017, the Commission reported liabilities in its financial statements of \$118,153 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2016 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Commission's proportional share of PERS was 0.042857%, which was a decrease of 0.002029% from its proportion measured as of December 31, 2015.

At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 18,777
Changes of assumptions	26,326	-
Net difference between projected and actual earnings on pension plan investments	108,113	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(379)	212
Employer contributions subsequent to the measurement date	24,388	-
	<u>\$ 158,448</u>	<u>\$ 18,989</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

The \$28,338 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2017	30,377
2018	30,377
2019	32,066
2020	22,251
	\$ 115,071

Actuarial Assumptions

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

	Parochial Employees' Retirement System of Louisiana Plan A
Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

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

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of PERS's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

	Changes in Discount Rate		
	2016		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 296,016	\$ 118,153	\$ (32,163)

Changes in Net Pension Liability

The changes in the net pension liability for the year ended September 30, 2017 were recognized in the current reporting period as pension expense except as follows:

- a. Differences between expected and actual experience – Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred inflow of resources in the amount of \$18,777 for the year ended September 30, 2017.
- b. Differences between projected and actual investment earnings – Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$108,113 for the year ended September 30, 2017.
- c. Change in proportion – Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$167 for the year ended September 30, 2017.
- d. Changes in Assumptions – Changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$26,326 for the year ended September 30, 2017

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

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.

Deferred Outflows, Net Pension Liability, and Deferred Outflows

St. Mary Parish Water and Sewer Commission No. 3 is a newly created entity. The Commission's deferred outflows, net pension liability, and deferred inflows related to pension are a combination of the abolished Sewerage District No. 5 of the Parish of St. Mary and St. Mary Parish Sewerage District No. 8.

(8) Contingencies

The Commission operates a sewerage 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.

(9) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 34 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$300 per month.

Glenn Blood	\$ -
William Miller	2,700
Willis Dore, Jr.	2,700
Donald Hahn, Sr.	2,700
Phelo Keller	2,700
Mike Ortiz	2,600
Leonard Klutts, Jr.	2,700
	<u>\$16,100</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head of chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's chief officer. For the year ended September 30, 2017, the Commission's board president, H. Glenn Blood, received \$0 in per diem payments.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

(10) 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.

(11) District Consolidation

In September 2016, the St. Mary Parish Council adopted Ordinance No. 2060 the purpose of which was to combine the operations of Waterworks District No. 5 of St. Mary Parish, Sewerage District No. 5 of St. Mary Parish and Sewerage District No. 8 of St. Mary Parish (collectively, the "Districts"). The entities would be combined to create St. Mary Parish Water and Sewer Commission No. 3 (the "Commission") whose boundaries would comprise the entirety of the boundaries of the three consolidated districts. The Commission is governed by a separate board of commissioners appointed by the St. Mary Parish Council from the members of the three consolidated districts. During the fiscal year, the Commission assumed all operations formerly conducted by each of the individual districts other than those actions to which the Districts maintained legal obligations to bondholders and employees. Upon satisfaction of these obligations, the St. Mary Parish Council formally abolished Sewerage District No. 5 of St. Mary Parish and Sewerage District No. 8 of St. Mary Parish effective October 1, 2017. The St. Mary Parish Council will adopt an ordinance to formally abolish Waterworks No. 5 of St. Mary Parish upon satisfaction of the District's obligations.

Below is a schedule of capital contributions for the year ended September 30, 2017 related to the transfer of management of Waterworks District No. 5 to the Commission and the abolishment of St. Mary Parish Sewerage District No. 5 and St. Mary Parish Sewerage District No. 8:

Schedule of Capital Contributions

Cash and investments	4,129,544
Prepaid expenses	41,153
Customer accounts receivable	(8,913)
Refundable deposits	210
Capital assets, net	4,329,231
Deferred outflows of resources	(18,989)
Accounts payable	(34,170)
Accrued liabilities	(6,985)
Due to St. Mary Parish Government	(131,055)
Compensated absences	(7,215)
Customer deposits payable	(62,940)
Net pension liability	(118,153)
Deferred inflows of resources	<u>158,448</u>
Total capital contributions	<u>8,270,166</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Notes to Basic Financial Statements (continued)

(12) Intergovernmental / Cooperative Endeavor Agreements

St. Mary Parish Sewerage District No. 5

In January 2017, the Commission entered into cooperative endeavor agreements with St. Mary Parish Sewerage District No. 5 providing for the joint use of funds, facilities, personnel, and property.

St. Mary Parish Sewerage District No. 8

In January 2017, the Commission entered into cooperative endeavor agreements with St. Mary Parish Sewerage District No. 8 providing for the joint use of funds, facilities, personnel, and property.

St. Mary Parish Waterworks No. 5

In September 2016, the Commission entered into cooperative endeavor agreements with St. Mary Parish Waterworks No. 5 outlining the Commission's responsibilities for the operation and maintenance of the District's system and improvements to same and providing for the joint use of funds, facilities, personnel, and property.

St. Mary Parish Government

In September 2002, St. Mary Parish Waterworks No. 5 entered into a cooperative endeavor with the St. Mary Parish Government whereby the District will bill and collect mosquito abatement fees in the amount of \$2 per month per water service customer on behalf of the Parish Government and remit all sums collected to the Parish Government. At January 1, 2017, the Commission was granted jurisdiction over the District's operations, including billing and collections by the intergovernmental agreement discussed above. The Commission has remitted all collections for mosquito abatement service charges due to the Parish Government subsequent to the effective date of the agreement.

In August 2006, St. Mary Parish Waterworks No. 5 entered into an intergovernmental agreement with the St. Mary Parish Government whereby the District agreed to collect on behalf of the Parish Government a monthly service charge in the amount of \$15 from each residence within the territorial limits of the District from which solid waste is collected and remit to the Parish Government, on a monthly basis, all solid waste service charges collected, less a collection fee. At September 30, 2017, the District has remitted collections for solid waste service charges due to the Parish Government.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Schedule of Employer's Share of Net Pension Liability
Year Ended September 30, 2017

Year Ended Dec 31,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.046920%	\$ 12,828	254,804	5.03%	99.15%
2015	0.044886%	\$ 118,153	248,651	47.52%	92.23%

St. Mary Parish Water and Sewer Commission No. 3 is a newly created entity. The data included in this schedule is a combination of the abolished Sewerage Districts Nos. 5 and 8 of the Parish of St. Mary.

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Schedule of Employer Contributions
Year Ended September 30, 2017

Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 36,974	\$ 36,974	\$ -	\$ 248,651	14.87%
2016	\$ 34,542	\$ 34,542	\$ -	\$ 257,621	13.41%

St. Mary Parish Water and Sewer Commission No. 3 is a newly created entity. The data included in this schedule is a combination of the abolished Sewerage Districts Nos. 5 and 6 of the Parish of St. Mary.

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Note to Retirement System Schedules
Year Ended September 30, 2017

Parochial Employees' Retirement System

Changes of assumptions – The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan for the year ended September 30, 2017.

Change in Proportion – Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented as deferred outflows or deferred inflows for the year ended September 30, 2017.

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*

Members of the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 3
Centerville, 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 Water and Sewer Commission No. 3, (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Commission's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control that we consider to be a material weakness and which is described in the accompanying schedule of audit results and findings as item 2017-001.

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 did not disclose any 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 year 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 the responses.

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. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 29, 2018

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

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

A. Internal Control –

There are no prior year audit findings.

B. Compliance Finding-

There are no prior year audit findings

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2017

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission's business-type activities. Additionally, the opinion on the aggregate discretely presented component units was adverse because the Commission issues primary government only financial statements.

A single deficiency in internal control was disclosed by the audit of the financial statements and is considered to be a material weakness.

There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

A management letter was not issued.

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

A. Internal Control

2017-001 - 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

There were no compliance findings.

Part III. Findings and questioned costs for Federal awards reported in accordance with the Uniform Guidance:

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
Centerville, Louisiana

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

2017-001– Financial Reporting

We concur with the recommendation. The Commission has determined that it is not economically feasible to incur the costs necessary to employ personnel with the required expertise and/or experience in the preparation of financial statements and related notes in compliance with generally accepted accounting principles. Therefore, the Commission has outsourced its financial statement preparation process to its independent auditors and has appointed an individual associated with the Commission to oversee these procedures.

**ST. MARY PARISH WATER AND
SEWER COMMISSION NO. 3**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2016 through September 30, 2017

KOLDER, SLAVEN & COMPANY, LLC

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

To the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 3
Centerville, Louisiana

We have performed the procedures enumerated below, which were agreed to by St. Mary Parish Water and Sewer Commission No. 3 (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, 2016 through September 30, 2017. The Commission's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated exceptions are as follows:

Written Policies and Procedures

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

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

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

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

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

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

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

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

The Commission does not have any written policies and procedures that address receipts functions as noted above.

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

Written policies and procedures were obtained and address the functions noted above, with the exception of reviewing and approving time and attendance records.

- 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 any written policies and procedures that address contracting functions as noted above.

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

The Commission does not have any written policies and procedures that address credit card functions as noted above.

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

The Commission does not have any written policies and procedures that address travel and expense reimbursement functions as noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Commission's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Commission does not have any written policies and procedures that address ethics functions as noted above.

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

The Commission does not have any written policies and procedures that address debt service functions as noted above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Obtained and reviewed minutes of the Commission for the fiscal period noting that the board met with a quorum at least monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Commission's prior audit (GAAP-basis).

Proprietary funds are not required by the Local Government Budget Act to adopt a formal budget; therefore, monthly budget-to-actual comparisons were not prepared and presented.

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

Not applicable.

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

Minutes included references to non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

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

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

- a) Bank reconciliations have been prepared;

Obtained bank statements and/or reconciliations for all months in the fiscal period for four (4) bank accounts noting that reconciliations have been prepared for all four (4) accounts 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/or reconciliations for all months in the fiscal period for four (4) bank accounts noting evidence of management's review of reconciliations for all of the accounts.

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

Obtained bank statements and/or reconciliations for all months in the fiscal period for four (4) bank accounts noting no reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

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 the listing is complete.

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

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

One (1) location, the Administrative Office in Centerville, LA, was determined to be a cash collection location. At the collection location tested, the person responsible for collecting cash was not –

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

Individuals responsible for collecting cash are appropriately bonded.

Individuals are not required to share the same cash register or drawer with another employee.

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

The Commission has no formal reconciliation process. At the one (1) cash collection location tested, the informal process of reconciling cash collections to the general ledger is performed by an individual independent of the cash collections process.

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

- Using Commission 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.

A total of three (3) deposits were tested at the one (1) cash collection location. All three (3) deposits were made within one (1) 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 noting all collections were completely supported.

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

The Commission has no written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.

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

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

Obtained listing of disbursements from management and management's representation that the listing is complete.

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

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

Examined supporting documentation for each of the twenty-five (25) disbursements selected and found that all purchases were initiated using a purchase requisition/order system or equivalent 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 twenty-five (25) disbursements selected noting purchase orders, or equivalent, were approved by a person who did not initiate 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 twenty-five (25) disbursements selected for testing noting purchases were not processed without an approved requisition and/or purchase order, or equivalent, a receiving report showing receipt of goods purchased (if applicable), and an approved invoice.

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

Commission has no written documentation prohibiting the individual responsible for processing payments from adding vendors to the purchasing/disbursement system.

11. Using Commission 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.

Written policies and/or procedures do not prohibit individuals with signatory authority from also initiating and/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 Commission documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is stored in a locked location with access restricted to those persons not having signatory authority.

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

Signature stamp or signature machine is not used.

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

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

Obtained listing of active credit cards, bank debit cards, fuel cards and name of the individuals maintaining possession of the cards from management and management's representation that the listing is complete.

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

Randomly selected one (1) cards from the listing of three (3) cards provided by management.

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.]

Monthly statements were obtained. Monthly statements for the one (1) card selected for testing evidenced review and approval, in writing, by someone other than the authorized cardholder.

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

Finance charges and/or late fees were not observed on the statements.

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)

Each transaction appearing on the selected statements was supported by an original itemized receipt that precisely identified what was purchased.

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

All selected transactions included appropriate documentation of business/public purpose.

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

No other documentation was required by written policy.

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

Commission does not have written purchasing/disbursement policies. There were no noted credit card purchases requiring compliance with the Public Bid Law.

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

All transactions tested included appropriate documentation of business/public purpose.

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.

Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management's representation that the listing is complete.

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

Commission does not have written policies related to travel and expense reimbursements.

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

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

Commission does not have written policies related to travel and expense reimbursements. Expense reimbursements tested did not exceed 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.]

Each transaction appearing on the selected reimbursement request was supported by an original itemized receipt that precisely identified the nature of the reimbursement.

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

All selected transactions included appropriate documentation of business/public purpose.

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

Commission does not have written policies related to travel and expense reimbursements.

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

Nature of the expenses reimbursed and related supporting documentation were not obscured. All reimbursements tested appear compliant with Article 7, Section 14 of the Louisiana Constitution.

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

Reimbursement requests and related documentation do not evidence review and approval, in writing, by someone other than the individual 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.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

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:

Listing provided by the Commission included seven (7) contracts. The five (5) highest paid contracts were selected for procedures.

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

Payments to vendors were supported by a written agreement describing the services to be provided and the fees to be charged.

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

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

Not applicable.

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

The five (5) contracts selected for testing were not subject to the requirements of Public Bid Law. Documentation indicating that quotes were solicited as a best practice was provided by the Commission.

- 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.

Of the five (5) contracts selected, three (3) were amended. The scope and dollar amount of the amendments were within the terms provided in the original contract.

- 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.

Obtained supporting invoices and/or progress payment request for the largest payment of each of the five (5) contracts selected for testing and compared to the contract terms. All invoices and related payments tested appear compliant with the terms and conditions of the contract.

- 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).

All contracts selected for testing were documented in the minutes as approved by the board of commissioners.

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.

Obtained a listing of employees from management and management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

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

Compensation paid to the individual tested was made in accordance with Commission's adopted pay rates and/or contract for employment without exception.

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

No changes to hourly pay rates/salaries were identified for the one (1) employee tested.

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

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

Employee selected documented their daily attendance and leave. There are no elected officials for which daily attendance and leave records are required.

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

Daily attendance and leave records evidenced approval of supervisory personnel.

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

Leave records for Commission personnel are maintained in writing and/or electronically.

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

Obtained a listing of employees that terminated during the fiscal period from management and management's representation that the listing is complete. No individuals terminated during the fiscal period.

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

There were no exceptions regarding the deposit and/or payment of the employer and employee portions of payroll taxes or retirement contributions, nor the filing of related reporting forms, to the appropriate agencies by the required deadlines.

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 Commission maintained documentation to demonstrate that required ethics training was completed.

Requested ethics compliance documentation for one (1) randomly selected individuals. Documentation of the completion of the required ethics training was not on file for the individual tested.

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

Management asserted that there were no allegations of ethics violation reported during the fiscal period.

Debt Service (excluding nonprofits)

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

The Commission did not issue debt during the fiscal period.

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

The Commission had no outstanding debt during the fiscal period.

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

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

Other

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

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

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

Notice required by RS 24:523.1 was posted on the Commission's premises. The Commission does not have a 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 to management's representations.

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance and is solely for use by the 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