

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2

Annual Component Unit Financial Statements
With Independent Auditors' Report

and

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

For the Years Ended September 30, 2024 and 2023

CONTENTS

<u>FINANCIAL INFORMATION SECTION</u>	<u>PAGE</u>
Independent Auditors' Report	1-3
Basic Financial Statements	
Comparative Statement of Net Position Business Type Activity – Water and Sewer Enterprise Fund	4-5
Comparative Statement of Revenues, Expenses and Changes in Net Position Business Type Activity – Water and Sewer Enterprise Fund	6-7
Comparative Statement of Cash Flows Business Type Activity – Water and Sewer Enterprise Fund	8-9
Notes to Financial Statements	10-22
<u>OTHER SUPPLEMENTAL SCHEDULES</u>	
Schedule of Gallons of Water Purchased and Sold and Number of Water Customers (Unaudited)	24
Water and Sewer Rates (Unaudited)	25
Insurance (Unaudited)	26
<u>INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	28-29
Schedule of Findings	30-32
Summary of Prior year Findings and Related Corrective Action Prepared by St. Mary Parish Water & Sewer Commission No. 2	33
Corrective Action Plan Prepared by Management of St. Mary Parish Water & Sewer Commission No. 2	34



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the St. Mary Parish Water and Sewer Commission No. 2 (Commission), a component unit of St. Mary Parish, as of and for the years ended September 30, 2024 and 2023, and the related notes to these financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Commission as of September 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

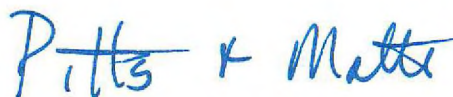
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other supplemental schedules but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Requirements by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2025 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
May 30, 2025

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Net Position
Business Type Activity - Water and Sewer Enterprise Fund
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 280,861	\$ 327,923
Investments	3,179,783	3,293,690
Accounts receivable	205,200	125,712
Inventory	96,784	182,672
Prepaid expenses	14,792	14,792
Total current assets	<u>3,777,420</u>	<u>3,944,789</u>
RESTRICTED ASSETS (cash and investments):		
Customer meter deposits cash	36,272	24,212
Customer meter deposits investments	226,777	215,029
Total restricted assets	<u>263,049</u>	<u>239,241</u>
NONCURRENT ASSETS:		
Property, plant and equipment (net of accumulated depreciation)	4,733,880	3,900,886
Investment in Berwick-Bayou Vista Joint Waterworks Commission	<u>343,986</u>	<u>379,673</u>
Total noncurrent assets	<u>5,077,866</u>	<u>4,280,559</u>
TOTAL ASSETS	<u>\$ 9,118,335</u>	<u>\$ 8,464,589</u>

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 190,312	\$ 52,364
Due to other governmental units	167,995	133,567
CURRENT LIABILITIES (payable from restricted assets):		
Customer meter deposits	<u>231,187</u>	<u>224,650</u>
Total current liabilities	<u>589,494</u>	<u>410,581</u>
NET POSITION		
Net investment in capital assets	4,733,880	3,900,886
Unrestricted	<u>3,794,961</u>	<u>4,153,122</u>
Total net position	<u>8,528,841</u>	<u>8,054,008</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,118,335</u>	<u>\$ 8,464,589</u>

The accompany notes are an integral part of these financial statements

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Revenues, Expenses and Changes in Net Position
Business Type Activity - Water and Sewer Enterprise Fund
Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Charges for water service	\$ 597,828	\$ 521,345
Charges for sewer service	590,123	508,053
Delinquent charges	24,558	22,427
Tower Rent	2,400	2,880
Meter installation, reconnects, permits, etc.	19,000	18,378
Garbage collection fees	<u>13,389</u>	<u>11,139</u>
TOTAL OPERATING REVENUES	<u>1,247,298</u>	<u>1,084,222</u>
OPERATING EXPENSES		
Direct operating costs		
Cost of water purchases	335,264	352,817
Sewerage treatment fees	349,610	310,068
Repair and maintenance – water system	242,315	101,044
Repair and maintenance – sewerage system	125,077	146,998
Personal services		
Clerical salaries	108,635	92,145
Other salaries	112,788	107,656
Board meetings	14,940	15,120
Retirement contributions	27,376	26,067
Health insurance	48,629	49,198
Worker's compensation	1,046	2,890
Operating services		
Insurance	31,775	32,237
Accounting fees	35,870	30,228
Engineering fees	3,648	2,332
Computer consulting	9,984	1,339
Utilities and telephone	34,776	29,654
Vehicle expense	10,568	11,469
Legal fees	40	45
Materials and supplies		
Office expense	6,806	4,496
Postage	9,947	9,486
Advertising	1,647	981
Miscellaneous	9,617	12,268
Depreciation		
Water System	172,563	177,453
Sewer System	<u>173,921</u>	<u>173,779</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,866,842</u>	<u>\$ 1,689,770</u>

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

	<u>2024</u>	<u>2023</u>
INCOME (LOSS) FROM OPERATIONS	\$ (619,544)	\$ (605,548)
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem taxes		
Operations and maintenance	977,970	827,354
Pension	(32,075)	-
Interest income	198,296	124,212
Loss on disposal of equipment	<u>(8,384)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUE	<u>1,135,807</u>	<u>951,566</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	516,263	346,018
Contributions, intergovernmental		
Berwick-Bayou Vista Joint Water Works	<u>(83,468)</u>	<u>(102,767)</u>
CHANGE IN NET POSITION	432,795	243,251
NET POSITION :		
NET POSITION - BEGINNING (AS PREVIOUSLY STATED)	8,054,008	7,810,757
PRIOR PERIOD ADJUSTMENT	<u>42,038</u>	<u>-</u>
NET POSITION - BEGINNING (AS RESTATED)	<u>8,096,046</u>	<u>7,810,757</u>
NET POSITION - END OF YEAR	<u>\$ 8,528,841</u>	<u>\$ 8,054,008</u>

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

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Cash Flows
Business Type Activity - Water and Sewer Enterprise Fund
Years Ended September 30, 2024 and 2023

Increase (Decrease) in Cash and Cash Equivalents

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 1,209,848	\$ 1,077,687
Paid to suppliers	(1,039,412)	(1,150,741)
Paid to employees	(221,423)	(199,801)
Net cash provided (used) by operating activities	<u>(50,987)</u>	<u>(272,855)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	945,895	827,354
Cash from (refund for) meter deposits	6,537	2,859
Advanced from (to) other government units	34,428	6,031
Payment to Berwick-Bayou Vista Joint Water Works	(83,468)	(102,767)
Net cash provided by noncapital financing activities	<u>903,392</u>	<u>733,477</u>
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,179,478)	(84,364)
Gain (Loss) on disposition of capital assets	(8,384)	-
Net cash provided (used) by capital and related activities	<u>(1,187,862)</u>	<u>(84,364)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchases) of investment securities	102,159	(1,792,297)
Interest income	198,296	124,212
Net cash provided by investing activities	<u>300,455</u>	<u>(1,668,085)</u>
Net increase (decrease) in cash and cash equivalents	(35,002)	(1,291,827)
Cash and cash equivalents at beginning of period	<u>352,135</u>	<u>1,643,962</u>
Cash and cash equivalents at end of period	<u>\$ 317,133</u>	<u>\$ 352,135</u>

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

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (619,544)	\$ (605,548)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	346,484	351,232
(Increase) decrease in accounts receivable	(37,450)	(6,535)
(Increase) decrease in inventory	85,888	(62,530)
Increase (decrease) in payable and accrued expenses	137,948	(14,152)
(Increase) decrease in prepaid expenses	-	(3,290)
Joint Waterworks	<u>35,687</u>	<u>67,968</u>
Net cash provided by (used in) operating activities	<u>\$ (50,987)</u>	<u>\$ (272,855)</u>

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

	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 280,861	\$ 327,923
Restricted Assets:		
Customer meter deposits cash	<u>36,272</u>	<u>24,212</u>
Total cash and cash equivalents	<u>\$ 317,133</u>	<u>\$ 352,135</u>

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

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

Notes to Financial Statements
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

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

These financial statements include only the operations of the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

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

Enterprise Fund

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

C. Revenues

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

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

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

Investment earnings are recorded when earned.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deferred Outflows and Inflows of Resources

In prior years, the Commission implemented the provision of various GASB statements related to deferred inflows and deferred outflows of resources. The Commission has evaluated its transactions with the requirements of these pronouncements, related to deferred items, and determined that there are no transactions that presently meet the requirements of these statements. Therefore as of September 30, 2024 and 2023, the Commission is not presenting any Deferred Outflows or Inflows in its financial statements.

E. Expenses

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

F. Budgets and Budgetary Accounting

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

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

G. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Receivables

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

I. Restricted Assets

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

J. Joint Venture

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

K. Inventory and Prepaid Items

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

L. Property, Plant, and Equipment

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The estimated useful lives are as follows:

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

M. Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expense of the period in which paid. At September 30, 2024 and 2023 unrecorded liabilities for the above are immaterial.

N. Equity Classifications

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

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

NOTE 2 – PRIOR PERIOD ADJUSTMENT

In prior years the Commission's accounts receivables were understated by \$42,038. In order to correct this error from prior periods, the following adjustments were made to the Financial Statements:

Increase Accounts Receivable	\$42,038
Increase in Net Position	\$42,038

NOTE 3 - AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT

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

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

	<u>2024</u>	<u>2023</u>
Operations and maintenance	11.00	11.00

Based upon the taxable assessed value of the property within the District each mil of assessment generated approximately \$89,000 and \$75,000 of tax revenues in 2024 and 2023 respectively.

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Cash and cash equivalents

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

At year end 2024 and 2023 the carrying amounts of the Commission's cash were \$317,133 and \$352,135, respectively and the bank balances were \$305,708 and \$349,943 respectively.

In 2024 and 2023 \$305,708 and \$349,943 respectively, were covered by FDIC.

Investments

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

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

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

	<u>2024</u>		<u>2023</u>	
	Percentage of		Percentage of	
	<u>Amount</u>	<u>Investments</u>	<u>Amount</u>	<u>Investments</u>
LAMP (rated AAAm by Standard & Poors)	\$3,406,560	100%	\$3,508,719	87%

LAMP determines its maturities using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 25 days as of September 30, 2024 and 25 days as of September 30, 2023.

NOTE 5 - DUE TO/FROM OTHER GOVERNMENTAL UNITS

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

	<u>2024</u>	<u>2023</u>
Due to other governments:		
Due to Berwick-Bayou Vista Joint Waterworks (water purchases)	\$ 32,031	\$ 31,811
Due to Joint Sewer Commission Wards 5 & 8 (Sewerage treatment fees)	32,686	31,614
Due to St. Mary Parish Council (Intergovernmental service-garbage/mosquito fees)	98,131	64,998
Due to State Department of Health and Hospitals (Water Program engineering/administration fees)	<u>5,147</u>	<u>5,147</u>
	<u>\$167,995</u>	<u>\$133,567</u>

NOTE 6 - PENSION PLAN

All employees participate in the Federal Social Security System. The Commission is required to remit an amount to the Social Security Administration equal to the employee's contribution. The Commission contributed approximately \$17,000 in 2024 and \$15,000 in 2023 and its employees contributed approximately \$17,000 in 2024 and \$15,000 in 2023. The Commission does not guarantee any of the benefits granted by the Social Security System.

In addition, the Commission contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis. The Commission's contributions to this plan were approximately \$13,000 in 2024 and \$13,000 in 2023 and its employees contributions were approximately \$13,000 in 2024 and \$13,000 in 2023.

NOTE 7 - FIXED ASSETS

CAPITAL ASSETS

Capital asset and depreciation activity for the years ended September 30, 2024 and 2023 is as follows:

	Balance 9/30/2022	Increases	Decreases	Reclassification	Balance 9/30/2023	Increases	Decreases	Reclassification	Balance 9/30/2024
Capital assets not being depreciated:									
Land, right of ways	\$ 51,709	\$ -	\$ -	\$ -	\$ 51,709	\$ 15,000	\$ -	\$ -	\$ 66,709
Construction in process	31,059	-	-	-	31,059	-	-	-	31,059
Total capital assets not being depreciated	82,768	-	-	-	82,768	15,000	-	-	97,768
Other capital assets:									
Buildings	\$ 76,133				\$ 76,133	\$ 173,993			\$ 250,126
Distribution system - sewerage	6,455,569	44,241		8,883	6,506,693				6,506,693
Distribution system - water	5,200,156	5,000		(8,883)	5,198,273	961,444	181,885		5,977,832
Water Plant	838,485				838,485				838,485
Furniture & Equipment	137,270				137,270				137,270
Vehicles	45,067	35,123	-	-	80,190	37,425	44,350	-	73,265
Total other capital assets at historical cost	12,752,680	84,364	-	-	12,837,044	1,172,862	226,235	-	13,783,671
Less accumulated depreciation for:									
Buildings	\$ 55,278	\$ 1,380			\$ 56,658	\$ 3,700			\$ 60,358
Distribution system - sewerage	4,017,603	173,738			4,191,341	173,921			4,365,262
Distribution system - water	3,603,180	166,600			3,769,780	154,799	173,501		3,751,078
Water Plant	838,485	-			838,485	-			838,485
Furniture & Equipment	109,046	5,134			114,180	5,091			119,271
Vehicles	44,102	4,380	-	-	48,482	8,973	44,350	-	13,105
Total accumulated depreciation	8,667,694	351,232	-	-	9,018,926	346,484	217,851	-	9,147,559
Other capital assets, net	4,084,986	(266,868)	-	-	3,818,118	826,378	8,384	-	4,638,112
Total capital assets, net	\$ 4,167,754	\$ (266,868)	\$ -	\$ -	\$ 3,900,886	\$ 841,378	\$ 8,384	\$ -	\$ 4,733,880

Depreciation expense for the years ended September 30, 2024 and 2023 was approximately \$346,000 and \$351,000 each.

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

All of the water sold by the Commission is obtained from Berwick-Bayou Vista Joint Waterworks Commission (Joint Waterworks Commission). The Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for the Commission and Town of Berwick (Berwick). The water treatment plant was constructed and is owned by the Commission and Berwick. The Commission and Berwick appoint the members of the board for the Joint Waterworks Commission. The Commission's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets (\$343,986 at 2024 and \$379,673 at 2023) represents the Commission's equity in the joint venture. Separate financial statements for the Joint Waterworks Commission are available from the Commission or the Joint Waterworks Commission. The following is a summary of selected financial information of the Joint Waterworks Commission:

	Year Ended <u>9/30/24</u>	Year Ended <u>9/30/23</u>
Total assets and deferred outflows of resources	\$751,733	\$900,253
Total liabilities and deferred inflows of resources	63,761	140,906
Total net position	687,972	759,347
Total revenues	809,167	777,638
Total expenditures	880,542	927,573
Total capital contributions	—	14,000
Change in net position	(71,375)	(135,935)

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

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

	Year Ended <u>9/30/24</u>	Year Ended <u>9/30/23</u>
Gallons of water purchased	160,273,505	173,995,060
Cost of water purchases	\$335,264	\$352,817

NOTE 9 - COMPENSATION OF BOARD MEMBERS AND CHIEF EXECUTIVE OFFICER

Board Members received the following per diems (Board Members, including the Chief Executive Officer, do not receive any other compensation, reimbursement of expenses, or benefits) for the years ended September 30, 2024 and 2023:

	<u>2024</u>	
	<u>Meetings Attended</u>	<u>Amount</u>
Raymond Beadle	12	\$ 2,520
Chris Cooper – President	12	2,520
Tony Hensgens	12	2,520
Thomas Philbrook	12	2,520
Paul Tholen	12	<u>2,520</u>
Total		<u>\$12,600</u>
Berwick-Bayou Vista Joint Waterworks Commission		
Tony Hensgens	12	720
Paul Tholen	12	<u>720</u>
		<u>\$1,440</u>

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

	<u>2023</u>	
	<u>Meetings</u>	
	<u>Attended</u>	<u>Amount</u>
Raymond Beadle	12	\$ 2,520
Chris Cooper – President	12	2,520
Tony Hensgens	12	2,520
Thomas Philbrook	12	2,520
Paul Tholen	12	<u>2,520</u>
Total		<u>\$12,600</u>
Berwick-Bayou Vista Joint		
Waterworks Commission		
Tony Hensgens	12	720
Paul Tholen	12	<u>720</u>
		<u>\$1,440</u>

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 – CONCENTRATIONS

The Commission received approximately forty and forty-one percent of its revenues from ad valorem taxes in both 2024 and 2023, respectively.

NOTE 12 – ON-BEHALF PAYMENTS

Property tax revenues include amounts withheld by the Sheriff to make on-behalf payments which represents the Commission's pro-rata share of retirement plan contributions for other governmental units. Because the Commission is one of multiple governmental agencies receiving proceeds from a property tax assessment, it has to bear a pro-rata share of the pension expense relating to the public employees who participate in the Assessor's Retirement Fund, Clerk of Court Retirement Fund, District Attorney's Retirement System, Municipal Employees' Retirement System, Parochial Employees' Retirement System, Registrar of Voter Employees' Retirement System, Sheriffs' Pension & Relief Fund, and Teacher's Retirement System.

The pro-rata share of the required contribution (\$32,075) that was withheld by the Sheriff from property tax collections to satisfy the Commission's obligation has been presented as "pension – ad valorem" in the non-operating expenses of the Enterprise fund in these financial statements. The Commission has also increased its property tax revenues by the same amount of the expense.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to year end, the Commission purchased equipment in the amount of approximately \$141,000.

OTHER SUPPLEMENTAL SCHEDULES

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

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

For the years ended September 30, 2024 and 2023

(Unaudited)

	<u>9-30-24</u>	<u>9-30-23</u>
Gallons purchased for the period	160,273,505	173,995,060
Gallons sold for the period	114,340,352	111,987,936
Number of users at year end	1,840	1,831
Gallons not sold for the period	45,933,153	62,007,124
Cost per 1000 gallons purchased	\$2.10	\$2.02
Cost of gallons not sold	\$96,460	\$125,254
Percentage of gallons not sold	29%	36%

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

Water and Sewer Rates
September 30, 2024
(Unaudited)

The board of commissioners approved a water and sewer rate increase on November 13, 2023 effective January 1, 2024. The new rates are as follows:

Water	Sewer
\$6.75 residential, \$7.75 commercial/out of district (flat fee)	\$6.75 residential, \$7.75 commercial/out of district (flat fee)
\$3.50 residential, \$4.70 commercial/out of district (per 1,000 gallons of water used)	\$4.50 residential, \$5.80 commercial/out of district (per 1,000 gallons of water used)

For the period July 2023 to January 1, 2024, the water and sewer rates were as follows:

Water	Sewer
\$6.50 residential, \$7.65 commercial/out of district (flat fee)	\$6.50 residential, \$7.65 commercial/out of district (flat fee)
\$3.30 residential, \$4.50 commercial/out of district (per 1,000 gallons of water used)	\$4.30 residential, \$5.50 commercial/out of district (per 1,000 gallons of water used)

For the period October 2021 to July 1, 2023, the water and sewer rates were as follows:

Water	Sewer
\$6.50 flat fee(\$7.65 out of district)	\$6.50 flat fee(\$7.50 out of district)
\$3.30 (\$4.50 out of district) per 1,000 gallons of water used	\$3.00 (\$4.20 out of district) per 1000 gallons of water used

For the period January 2015 to September 30, 2021, the water and sewer rates were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insurance
September 30, 2024
(Unaudited)

<u>Insurer</u>	<u>Amount of Policy</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
Louisiana Workers Compensation Corp.	\$1,000,000	Worker's Compensation	04/26/25
Glatfelter Public Practice	\$3,000,000	General Liability	04/26/25
	\$1,000,000	Auto Liability	04/26/25
	\$3,000,000	Public Officials & Management Liability	04/26/25
	\$100,000	Crime Coverage	04/26/25
	\$100,000	Cyber Liability & Crisis	04/26/25
	\$1,440,049	Property	04/26/25

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the major fund of the St. Mary Parish Water and Sewer Commission No. 2 (Commission), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated May 30, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings as item 2024-001, that we consider to be a material weakness.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2024-002.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying schedule of findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
May 30, 2025

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

Schedule of Findings
For the Year Ended September 30, 2024

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Mary Parish Water and Sewer Commission No. 2.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control over Financial Reporting

There was one deficiency in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance and Other Matters

There was one instance of noncompliance or other matters noted during the audit of the financial statements that are required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2024.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

Material Weaknesses

ITEM 2024-001 - LACK OF SEGREGATION OF DUTIES

Auditors' Comments

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

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

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

Cause: The Commission has limited personnel.

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

Compliance and Other Matters Instance of Noncompliance

ITEM NO. 2024-002 FAILURE TO FILE AUDIT REPORT ON TIME

Auditors' Comments

Condition: The Commission's audit was completed and furnished to the Louisiana Legislative Auditor (LLA) within the required time frame of the approved LLA extension request. However, because the extension is a nonemergency extension a late finding is required to be reported.

Criteria: Audit reports should be filed with the Office of the Legislative Auditor no later than six months after the entity's fiscal year end.

Effect: Failure to complete and furnish the audit on time violated state statutes. In addition, management should be presented with timely audited financial information so that they can better manage the Commission's operation.

Cause: Due to a delay in obtaining the necessary information for the start of the audit from the Commission's outside accountant, they were unable to furnish the information needed to submit the audit report on time. Therefore an nonemergency extension was requested and approved from the LLA.

Recommendations: The Commission should submit all requested information to their auditor to avoid the late submission of the audit report in the future.

Management's Response: We will furnish our auditor with the information needed to submit the audit report on time.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2024.

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

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

Internal Control

Material Weakness

Item 2023-001 Segregation of Duties

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

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

Compliance and Other Matters

Instance of NonCompliance

Item 2023-002 Failure to File Audit Report on Time

Condition: The Commission's audit was completed and furnished to the Louisiana Legislative Auditor (LLA) within the required time frame of the approved LLA extension request. However, because the extension is a nonemergency extension, a late finding is required to be reported.

Corrective Action: This matter has not been resolved.

ST. MARY PARISH WATER & SEWER COMM. 2

P.O. BOX 635

PATTERSON, LA. 70392-0635

P: 985-395-2747

F: 985-395-9530

wateroffice@smpws2.com

May 30, 2025

Mr. Michael J "Mike" Waguespack, CPA
Legislative Auditor, State of Louisiana
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Waguespack,

The St. Mary Parish Water & Sewer Commission No. 2 respectfully submits the following corrective action plan for our year ended September 30, 2024:

Person Responsible: Chris Cooper, President
St. Mary Parish Water & Sewer Commission No. 2

Time for completion: September, 2025

Item 2024 - 001 Segregation of Duties

Finding:

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

Corrective Action:

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

Item 2024-002 Failure to File Audit Report on Time

Finding:

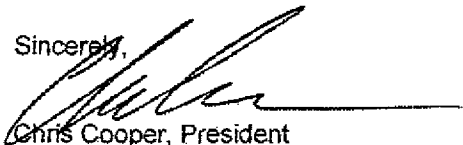
Late audit report filing

Corrective Action:

Our audit was completed and furnished to the Louisiana Legislative Auditor within the required time frame of the approved extension request. However, because the extension is a nonemergency extension, a late finding is required to be reported.

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

Sincerely,



Chris Cooper, President
St. Mary Parish
WATER & SEWER COMMISSION NO. 2

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

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

**FOR THE YEAR ENDED
September 30, 2024
WITH
AGREED UPON PROCEDURES REPORT
BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Certified Public Accountants' Report on Applying Agreed Upon Procedures	1-2
Schedule of Procedures Performed and Associated Findings Based upon the Statewide Agreed-Upon Procedures	
Guide to Presentation Format	3
Written Policies and Procedures	4-7
Board or Finance Committee	8-9
Bank Reconciliations	10
Collections (excluding electronic funds transfers)	11-13
Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)	14-16
Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)	17-18
Travel and Travel-Related Expense Reimbursement (excluding card transactions)	19
Contracts	20
Payroll and Personnel	21-22
Ethics	23
Debt Service	24
Fraud Notice	25
Information Technology Disaster Recovery/ Business Continuity	26
Prevention of Sexual Harassment	27



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

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

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor (LLA)'s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2023 through September 30, 2024. The St. Mary Parish Water and Sewer Commission No. 2 (Commission) management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule.

The Commission has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2023 through September 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are included in the attached Schedule.

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

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Pitts + Matto

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
May 30, 2025

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

**Schedule of Procedures Performed and Associated Findings Based upon the
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2024**

Guide to Presentation Format

This report contains these items presented in this order:

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

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

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

WRITTEN POLICIES AND PROCEDURES

I) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

Budgeting

- i. Budgeting, including preparing, adopting, monitoring, and amending the budget.

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

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Purchasing

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

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

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Disbursements

- iii. Disbursements, including processing, reviewing, and approving.

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

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Receipts/Collections

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

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for receipts/collections.

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

Payroll/Personnel

- v. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for payroll/personnel.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Contracting

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

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

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Travel and Expense Reimbursement

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

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for travel and expense reimbursement.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Credit Cards

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

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for credit cards.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Ethics

- ix. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

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

Findings: Found the Commission has written policies and procedures as it relates to ethics; however, the specific functions listed in procedure #1A(ix) above are not included.

Debt Service

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

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for debt service.

Findings: Found the Commission has written policies and procedures that include the specified functions above.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Information Technology Disaster Recovery/Business Continuity

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

Procedure Performed: We performed the procedures.

Findings: Discussed the findings with management.

Prevention of Sexual Harassment

- xii. Prevention of Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for prevention of sexual harassment.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Management's response:

The Commission has policies and procedures in the areas listed above, with the exception of ethics as it relates to #1A(ix) above.

We will put these policies and procedures as listed in writing.

BOARD OR FINANCE COMMITTEE

2) Board or Finance Committee

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

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

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

Findings: Found that the Board of Commissioners did not meet with a quorum one month during the year.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

This is not applicable to the Commission's operations. The Commission does not prepare a budget for its proprietary fund and is not required to adopt a formal budget under the provisions of the Local Government Budget Act, R.S. 39.1301 et seq.

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

This is not applicable to the Commission's operations. The Commission operates as an enterprise fund.

BOARD OR FINANCE COMMITTEE (CONTINUED)

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Procedure Performed: We obtained and read the Commission's meeting minutes for the fiscal period and corrective action plan for the prior audit period.

Findings: Found management's opinion regarding segregation of duties finding is that the cost of taking corrective action exceeds the benefits of correcting the finding.

Management's response:

The Board of Commissioners did not meet with a quorum for one month due to inclement weather.

BANK RECONCILIATIONS

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedures Performed: Obtained the listing of bank accounts from management and received management's written representation that the listing is complete. The listing contained 3 bank accounts, one of which is money market account that is not a part of the Commission's daily business operations. Therefore, we excluded the account for the purposes of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures. Randomly selected one month from the fiscal period for the remaining 2 bank accounts and obtained and inspected the corresponding bank statement and bank reconciliation.

Findings:

- i. Observed there is evidence that each bank reconciliation was prepared within 2 months of the related statement closing date.
- ii. Observed there is evidence that a member of management or board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared.
- iii. Observed there is documentation reflecting management has researched all reconciling items that have been outstanding for more than 12 months from the statement closing date.

Management's response:

No comment.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS)

4) Collections (excluding electronic funds transfers)

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

Procedure Performed: Obtained the listing of deposit sites where deposits for cash/checks/money orders (cash) are prepared and management's written representation that the listing is complete.

Findings: The Commission has only one deposit site.

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

Procedure Performed: Obtained the listing of cash/checks/money orders (cash) collection locations for the Commission's one deposit site and management's written representation that the listing is complete and inquired of employees about the employees' job duties.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS) (CONTINUED)

Findings: Found that the Commission has only one cash collection location.

- i. Found that the office manager and clerks do not share a locking cash drawer.
- ii. Found that the office manager and clerks who are responsible for collections are also responsible for preparing, making bank deposits, and reconciling collection documentation to the deposit.
- iii. Found that the office manager and clerks are both responsible for collecting cash and for posting collection entries to the general and subsidiary ledgers.
- iv. Found that the office manager and clerks are responsible for reconciling cash collections to the general ledger and are also responsible for collection of cash. However, the Board of Commissioners are responsible for verifying the reconciliation.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

Procedure Performed: Obtained and read a copy of the insurance policy for theft covering all employees who have access to cash and observed the insurance policy for theft was in force during the fiscal period.

Findings: Found the Commission's insurance policy for theft was in force during the fiscal period.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and

- i. Observe that receipts are sequentially pre-numbered.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS) (CONTINUED)

Procedure Performed: Randomly selected two deposit dates from the bank statements for each of the 2 bank accounts selected for procedure #3A (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for the selected deposits.

- i. Observed the Commission does have sequentially pre-numbered receipts.
- ii. Traced sequentially pre-numbered receipts and other related collection documentation to deposit slips.
- iii. Traced the deposit slips total to the actual deposit per the bank statement.
- iv. Observed that all the deposits were made within one business day of receipt at the collection location.
- v. Traced the actual deposit per the bank statement to the general ledger.

Findings:

- i. Found the Commission uses sequentially pre-numbered receipts for utility deposits and sequentially pre-numbered payment stubs for monthly service payments received from customers.
- ii. Collection documentation agrees to the deposit slips for water and sewer collections and utility deposits.
- iii. The deposit slips total agrees to the deposit amount on the bank statement.
- iv. Found that all the deposits were made within one business day of receipt at the collection location.
- v. Found that all actual deposits per the bank statements were recorded in the general ledger.

Management's response:

In the future, the employee responsible for cash collection will not:

Prepare/make bank deposits without another employee reconciling collection documentation to the deposit.

Post collection entries to the general ledger without another employee reconciling ledger postings to each other and to the deposit.

NON-PAYROLL DISBURSEMENTS – (EXCLUDING CARD PURCHASE, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES)

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

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

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

Findings: Found the Commission has one location that processes payments.

- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

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

NON-PAYROLL DISBURSEMENTS -- (EXCLUDING CARD PURCHASE, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED)

Procedure Performed: Obtained a listing of employees involved with non-payroll purchasing and payment functions. Obtained and read the written policies and procedures related to employees' job duties. Note the Commission has certain policies and procedures in the purchasing area that are not in writing. For those policies and procedures, we inquired of employees about their job duties.

Findings:

- i. The Board of Commissioners are involved in initiating a purchase request and approving a purchase. The Office Manager is responsible for placing an order/making purchase.
- ii. At least two employees are involved in processing payments. The Board of Commissioners are responsible for approving payments to vendors.
- iii. Employees responsible for processing payments are not prohibited from adding/modifying vendor files. However, adding or modifying vendor files is prohibited without the office administrator or board member's approval.
- iv. All payments are reviewed and approved by the board of Commissioners. Once the payment is unanimously approved, the checks are signed by two board members and then handed to an office clerk, who did not process the payments, for mailing.
- v. Board members, who are authorized to sign checks, approve the electronic disbursement of funds.

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

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

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

**NON-PAYROLL DISBURSEMENTS – (EXCLUDING CARD PURCHASE, TRAVEL
REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED)**

Findings:

- i. Found that all 5 selected disbursements matched the related original itemized invoice and supporting documentation indicated that deliverables included on the invoice were received by the Commission.
 - ii. Found that the documentation for all 5 disbursements included evidence that the Commission is following its policies as it relates to the segregation of duties tested under 5B(i), 5B(ii), and 5B(iv). Policies tested under 5B(iii) and 5B(v) are not applicable because the vendor files were not added or modified for the selected disbursements, and none were electronically disbursed.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Procedure Performed: Using the Commission's main operating account for the month selected in Bank Reconciliations procedure #3A, we selected the 2 non-payroll-related electronic disbursements that occurred and obtained supporting documentation for the disbursements.

Findings:

- (a) Found the electronic disbursements were approved by a person authorized to disburse funds per the Commission's policy.
- (b) Found the electronic disbursements were approved by the required number of authorized signers per the Commission's policy.

Management's response:

No comment.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/PURCHASE CARDS (CARDS)

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

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

Procedure Performed: Obtained from management a listing of all active credit cards, bank debit cards, fuel card, and purchase cards and related information for the fiscal period and management's written representation that the listing is complete.

Findings: Found the listing contained 1 fuel card and 1 credit card and related information.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

ii. Observe that finance charges and late fees were not assessed on the selected statements.

Procedure Performed: Selected the 1 fuel card and 1 credit card used during the fiscal period from the listing obtained in #6A above. Randomly selected and obtained one monthly statement and supporting documentation for the selected fuel card and credit card. Observed the statements and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder. Observed the statement to ensure finance charges and late fees were not assessed on the selected statements.

Findings:

- i. Found the selected fuel card and credit card along with the supporting documentation were reviewed and approved by a board member.
- ii. Observed that finance charges and late fees were not assessed.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/PURCHASE CARDS (CARDS)
(CONTINUED)

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Procedure Performed: Selected the one transaction from the monthly statement in #7B above, excluding fuel cards, and obtained supporting documentation for the transaction and performed the following procedures:

- (1) Observed the itemized receipt that identifies precisely what was purchased.
- (2) Observed written documentation of the business/public purpose.
- (3) Inquired of management and observed there were no meal charges.

Findings:

- (1) Found that the transaction had supporting documentation, the original itemized receipt, detailing the items purchased.
- (2) Found that the transaction had supporting written documentation stating the business/public purpose.
- (3) Found that the transaction was not a meal charge.

Management's response:

No comment.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure Performed: Obtained from management a general ledger listing of all travel and travel-related expense reimbursements during the fiscal period and management's written representation that the general ledger listing is complete. The listing contained 1 travel-related expense reimbursement. Selected the 1 reimbursement and obtained supporting documentation.

Findings: Travel and travel-related expenses included payment for meals and lodging reimbursement to the employee.

- i. Found that the reimbursement was not based on per diem rates.
- ii. Observed the reimbursement used actual costs and was supported by original itemized receipt that identified what was purchased.
- iii. Observed the reimbursement was supported by documentation of the business/public purpose per the Commissions policy.
- iv. Observed the reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management's response:

No comment.

CONTRACTS

8) Contracts

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

Procedure Performed: Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period and management's written representation that the listing is complete. The listing contained 1 contract. Selected the contract and randomly selected one payment from the fiscal period.

Findings:

- i. Found that the contract was bid in accordance with the Louisiana Public Bid Law.
- ii. Found that the contract was approved by the Commission's governing board.
- iii. Found that the contract was not amended in the fiscal period.
- iv. Found that the selected invoice agreed to the contract terms, and the invoice and related payment agreed to the terms and conditions of the contract.

Management's response:

No comment.

PAYROLL AND PERSONNEL

9) Payroll and Personnel

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

Procedure Performed: Obtained a listing of employees and officials employed during the fiscal period and management's written representation that the listing is complete. Selected 5 employees and obtained their related paid salaries and personnel files, and agreed paid salaries/pay rates to authorized salaries/pay rates.

Findings: Found that the listing contained 5 employees and no elected officials. Observed that all 5 selected employees' paid salaries/pay rates agreed to authorized salaries/pay rates.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Procedure Performed: Randomly selected one pay period during the fiscal period (Pay Period Ending 11/15/2023) and obtained attendance records and leave documentation for the selected pay period for the 5 employees selected for procedure #9A.

Findings:

- Observed that all 5 selected employees documented their daily attendance and leave.
- Observed that all attendance and leave taken during the pay period was electronically approved by a supervisor.
- Observed that any leave accrued or taken during the pay period was reflected in the Commission's cumulative leave records.
- Observed the rate paid to the employees agreed to the authorized salary found within the personnel file.

PAYROLL AND PERSONNEL (CONTINUED)

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

Procedure Performed: Obtained a listing of all employees and officials that received termination payment during the fiscal year and management's written representation that the listing is complete. Selected the 1 employee for which we obtained related documentation of the hours and pay rate used in management's termination calculations and read the Commission's policy on termination payments.

Findings: Found the hours paid agree with cumulative leave record; the pay rate used agrees with the authorized pay rate found in the personnel folder, and the termination payment agreed with Commission's policy.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Procedure Performed: Inquired of management and obtained management's written representation that employer and employee portions of third-party payroll related amounts have been paid, and all associated forms have been filed by required deadline.

Findings: Found that employer and employee portions of third-party payroll related amounts have been paid, and associated forms have been filed by required deadline.

Management's response:

No comment.

ETHICS

10) Ethics

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Procedure Performed: Obtained and observed ethics documentation from management for the 5 selected employees from Payroll and Personnel procedure #9A. Obtained management's written representation that there were no changes to the Commission's ethics policy during the fiscal period.

Findings:

- i. Observed that the documentation demonstrates each employee completed one hour of ethics training during the calendar year.
- ii. This procedure is not applicable. There were no changes to the Commission's ethics policy during the fiscal period.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for ethics as it relates to the ethics designee.

Findings: Found that the Commission has appointed an ethics designee.

Management's response:

No comment.

DEBT SERVICE

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Procedure Performed: Inquired of management and obtained management's written representation that no bonds/notes or other debt instruments were issued during the fiscal period.

Findings: Found that no bonds/notes or other debt instruments were issued during the fiscal period.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Procedure Performed: Inquired of management and obtained management's written representation that the Commission had no bonds/notes outstanding at the end of the fiscal period.

Findings: Found the Commission had no bonds/notes outstanding at the end of the fiscal period.

Management's response:

No comment.

FRAUD NOTICE

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Procedure Performed: Inquired of management and obtained management's written representation that the Commission did not have any misappropriation of public funds and assets during the fiscal period.

Findings: Found that the Commission did not have any misappropriation of public funds and assets during the fiscal period.

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

Procedure Performed: Observed the Commission posted the notice required by R.S. 24:523.1 on its premises. Inquired of management and obtained management written representation that the Commission did not post the notice required by R.S. 24:523.1 on its website.

Findings: Found the Commission posted the notice required by R.S. 24:523.1 on its premises; however, the notice was not posted on the Commission's website.

Management's response:

We will post the fraud notice required by R.S. 24:523.1 on our website.

INFORMATION TECHNOLOGY DISASTER RECOVERY/BUSINESS CONTINUITY

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

- i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.
- ii. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Procedure Performed: Performed the procedures.

Findings: Verbally discussed the results with management.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Procedure Performed: Performed the procedures.

Findings: Verbally discussed the results with management.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency’s information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 – completed the training; and
- Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

Procedure Performed: Performed the procedures.

Findings: Verbally discussed the results with management.

PREVENTION OF SEXUAL HARASSMENT

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Procedure Performed: Obtained and observed sexual harassment training documentation from management for the 5 selected employees from Payroll and Personnel procedure #9A.

Findings: Found the documentation demonstrates that 4 of the 5 employees completed at least one hour of sexual harassment training during the calendar year.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Procedure Performed: Observed the Commission posted its sexual harassment policy and complaint procedure in a conspicuous location on the premises. Inquired of management and obtained management's written representation that the Commission did not post its sexual harassment policy and complaint procedure on its website.

Findings: Found the Commission did not post its sexual harassment policy and complaint procedure on its website.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;
- ii. Number of sexual harassment complaints received by the agency;
- iii. Number of complaints which resulted in a finding that sexual harassment occurred;
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

Procedure Performed: Obtained the Commission's annual sexual harassment report for the current fiscal period.

Findings: Found the report was dated on or before February 1 and contained all the applicable information requirements of R.S. 42:344. No complaints of sexual harassment were received by the Commission.

Management's response:

In the future, we will have all employees complete sexual harassment training annually and post our sexual harassment policy and complaint procedure on our website.