

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

**Annual Financial Statements
And Independent Auditor's Report
Year Ended December 31, 2017 and 2016**

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO. 1

Annual Financial Report
December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying basic financial statements of the business-type activities of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified opinion on the 2017 financial statements and my qualified opinion on the 2016 financial statements.

Basis for Qualified Opinion

As explained in Note 14 to the financial statements, in years prior to 2016, supplies inventory were not recorded on the statement of net position. Therefore, information necessary for beginning supplies inventory for 2016 were not available. Supplies inventory should be recorded on the statement of net position at cost to conform with accounting principles generally accepted in the United States of America. Ending supplies inventory at December 31, 2016 (stated at \$44,972) was recorded as a prior period adjustment. Consequently, I was unable to determine what if any adjustments were necessary in the 2016 statement of revenues, expenses, and changes in net position or cash flows.

Unmodified Opinion on 2017 and Qualified Opinions on 2016 Financial Statements

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Commission as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In my opinion, except for the possible effects on the statement of revenue, expenses, and changes in net position, and cash flows of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Commission as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2018, on my consideration of Commission's internal control over financial reporting and on my tests of its compliance with

certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
June 27, 2018

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and equivalents	\$ 625,833	\$ 546,116
Investments- certificates of deposit	337,422	346,620
Accrued interest receivable	221	132
Customer receivables, net of bad debt allowance of \$4,646 and \$3,535	112,672	100,874
Accounts receivable-other	1,837	2,000
Due from other governments	-	12,000
Prepaid expenses	21,282	23,875
Inventory	30,877	44,792
Total current assets	1,130,144	1,076,409
Noncurrent assets:		
Investments- certificates of deposit	13,084	-
Restricted assets:		
Cash and equivalents	561,071	521,856
Investments- certificates of deposit	83,010	84,238
Total restricted assets	644,081	606,094
Capital assets, net of accumulated depreciation	6,292,886	6,442,681
Total noncurrent assets	6,950,051	7,048,775
TOTAL ASSETS	\$ 8,080,195	\$ 8,125,184
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 14,248	\$ 6,041
Salaries, payroll and other taxes payable	12,711	8,256
Compensated absences	3,868	4,005
Accrued interest payable	5,671	5,794
Due to other governments	500	500
Current portion of long-term liabilities	117,493	112,941
Total current liabilities	154,491	137,537
Current liabilities payable from restricted assets:		
Customer deposits	222,590	216,840
Total current liabilities payable from restricted assets	222,590	216,840
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	5,027,553	5,145,054
Total noncurrent liabilities	5,027,553	5,145,054
Total liabilities	5,404,634	5,499,431
NET POSITION		
Net investment in capital assets	1,569,331	1,573,938
Unrestricted	1,106,230	1,051,815
TOTAL NET POSITION	\$ 2,675,561	\$ 2,625,753

The accompanying notes are an intergral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES :		
Charges for sales and services	\$ 1,078,971	\$ 1,030,239
State grant-operating		
Total operating revenues	1,078,971	1,030,239
OPERATING EXPENSES :		
Salaries and related benefits	293,501	291,325
Operating services:		
Advertising	1,006	470
Copier lease	1,509	1,440
Software maintenance	6,475	6,855
Dues and subscriptions	300	400
Insurance-general	36,061	30,560
Licenses and fees	35,368	4,320
Miscellaneous expense	21,032	18,404
Professional fees	14,734	13,378
Postage	11,879	12,068
Seminars	804	648
Telephone	8,674	8,804
Travel- lodging, mileage & meals	-	102
Utilities	31,051	30,219
Materials, supplies and repairs:		
Vehicle expenses	17,854	26,152
Office expense	14,331	19,675
Repairs and maintenance	83,102	78,517
Supplies and chemicals	31,072	34,152
Depreciation expense	221,186	215,808
Total operating expenses	829,939	793,297
Operating Income (Loss)	249,032	236,942
NON-OPERATING REVENUES (EXPENSES) :		
Other non-operating revenue	850	675
Interest income	3,886	2,790
Insurance proceeds	3,342	2,121
Gain on the sale of assets	2,001	
Interest expense (net of amounts capitalized of \$0 and \$0)	(209,303)	(213,681)
Total non-operating revenues (expenses)	(199,224)	(208,095)
Income (loss) before capital contributions and special item	49,808	28,847
CAPITAL CONTRIBUTIONS:		
Jefferson Davis Parish Police Jury	-	12,000
Change in net position	49,808	40,847
TOTAL NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED	2,625,753	2,540,114
Prior period adjustment	-	44,792
TOTAL NET POSITION - BEGINNING, AS RESTATED	2,625,753	2,584,906
TOTAL NET POSITION - ENDING	\$ 2,675,561	\$ 2,625,753

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1**STATEMENTS OF CASH FLOWS**

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,072,923	\$ 1,029,622
Payments to suppliers	(290,537)	(292,394)
Payments to employees	(289,183)	(292,384)
Other operating cash payments	163	(2,000)
Net cash provided by operating activities	<u>493,366</u>	<u>442,844</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other non-operating revenue sources	4,192	2,796
Net cash provided by noncapital financing activities	<u>4,192</u>	<u>2,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	12,000	-
Purchases of capital assets	(73,260)	(38,104)
Principal paid on capital debt	(112,949)	(108,576)
Interest paid on capital debt	(209,426)	(213,798)
Proceeds from the sale of assets	3,870	-
Net cash (used) by capital and related financing activities	<u>(379,765)</u>	<u>(360,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales on investments	428,200	389,977
Purchase of investments	(430,858)	(391,848)
Interest received	3,797	2,782
Net cash provided (used) by investing activities	<u>1,139</u>	<u>911</u>
Net increase (decrease) in cash and cash equivalents	118,932	86,073
Cash and cash equivalents - beginning of the year	1,067,972	981,899
Cash and cash equivalents - end of the year	<u>\$ 1,186,904</u>	<u>\$ 1,067,972</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 249,032	\$ 236,942
Adjustments to reconcile operating income to net cash provided (used by) operating activities:		
Depreciation expense	221,186	215,808
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,635)	(9,267)
(Increase) decrease in prepaid expenses	2,593	(862)
(Increase) decrease in inventory	13,915	-
Increase (decrease) in customer deposits	5,750	6,650
Increase (decrease) in accounts payable	8,207	(5,368)
Increase (decrease) in accrued payroll expenses	4,318	(1,059)
Net cash provided by operating activities	<u>\$ 493,366</u>	<u>\$ 442,844</u>

The accompanying notes are an integral part of this statement.

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

INTRODUCTION

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with 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.

B. REPORTING

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the Commission is a component unit of Jefferson Davis Parish Police Jury. The accompanying financial statements present information only as to the transactions of the Commission and are not intended to present fairly the financial position and results of operations of the Jefferson Davis Parish Police Jury.

C. FUND ACCOUNTING

The Jefferson Davis Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The Enterprise Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

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

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the Commission's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Commission has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinion or Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and these investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

F. INVENTORIES

Inventory of materials and supplies are valued at average cost.

G. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

H. PREPAID EXPENSE

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

I. RESTRICTED ASSETS / RESOURCES

Restricted assets consist of: 1) the "Customer Deposit" account, which is used to segregate water meter deposits used to pay an outstanding water bill when customers discontinue service, 2) the "Construction Fund" account, which is used to segregate resources used for capital improvements and renovations, and 3) the "Sinking", "Debt Service Reserve", and "Contingency" accounts, which are all used to segregate resources to pay debt services. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

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

J. CAPITAL ASSETS

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

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

K. COMPENSATED ABSENCES

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

L. NET POSITION

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

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

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

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

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

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

M. USE OF ESTIMATES

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

N. CAPITALIZATION OF INTEREST

It is the policy of the Commission to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. Net interest costs capitalized totaled \$0 and \$0 during 2017 and 2016.

O. OPERATING AND NONOPERATING ITEMS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges to customers for sales and services. Operating expenses included cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. DEPOSITS AND INVESTMENTS

Deposits

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

	<u>2017</u>	<u>2016</u>
Demand deposits	\$ 1,186,904	\$ 1,067,972
Total Book Balances	<u>\$ 1,186,904</u>	<u>\$ 1,067,972</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that in the event of a bank failure deposits may not be returned to the Commission. The Commission's deposit policy for custodial credit risk requires that all uninsured deposits must be secured with acceptable collateral as defined in LRS 39:1221 valued at market. As of December 31, 2017, and 2016, the Commission had deposits (collected bank balances) totaling \$1,187,660 and \$1,082,983.

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

As of yearend all deposits were either insured by FDIC coverage or collateralized by securities held by the pledging financial institution’s agent in the name of the Commission.

Investments

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

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

<u>Investment Type</u>	<u>2017</u>		<u>2016</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 433,516	\$ 433,516	\$ 430,858	\$ 430,858
Total	<u>\$ 433,516</u>	<u>\$ 433,516</u>	<u>\$ 430,858</u>	<u>\$ 430,858</u>

All of the investments listed above have a maturity of less than one year from year end.

For an investment custodial credit risk is the risk that, in the event of a failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission’s investment policy for custodial credit risk requires that all uninsured investments must be secured with acceptable collateral as defined in LRS 39:1221 valued at market. As of December 31, 2017 and 2016, the Commission had investments totaling \$433,516 and \$430,858. As of yearend all of the Commissions deposits were either insured by FDIC coverage or collateralized by securities held by the pledging financial institution’s agent in the name of the Commission.

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

	<u>2017</u>	<u>2016</u>
Carrying amount of deposits	\$ 1,186,904	\$ 1,067,972
Carrying amount of investments	<u>433,516</u>	<u>430,858</u>
Total	<u>\$ 1,620,420</u>	<u>\$ 1,498,830</u>
Cash equivalents	\$ 625,833	\$ 546,116
Cash equivalents – Restricted	561,071	521,856
Investments	350,506	346,620
Investments – Restricted	<u>83,010</u>	<u>84,238</u>
Total	<u>\$ 1,620,420</u>	<u>\$ 1,498,830</u>

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

3. RECEIVABLES

The following is a summary of receivables at year end:

Customer receivables:		
	<u>2017</u>	<u>2016</u>
Current	\$ 62,454	\$ 56,577
Past Due	<u>12,691</u>	<u>6,486</u>
Gross customer receivables	75,145	63,063
Accrued unbilled receivables	42,173	41,346
Less: allowance for doubtful accounts	<u>(4,646)</u>	<u>(3,535)</u>
Net total receivables	<u>\$ 112,672</u>	<u>\$ 100,874</u>

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

4. RESTRICTED ASSETS

Assets were restricted for the following purposes at year end:

	<u>2017</u>	<u>2016</u>
Customer deposits	\$ 222,590	216,840
Revenue bond construction account	-	-
Revenue bond current debt service sinking fund account	-	-
Revenue bond future debt service reserve account	210,745	194,627
Revenue bond depreciation and contingency account	<u>210,746</u>	<u>194,627</u>
Total	<u>\$ 644,081</u>	<u>606,094</u>

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

5. CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2017 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 37,124	-	-	-	37,124
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	37,124	-	-	-	37,124
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,501,015	-	-	-	1,501,015
Buildings	245,840	-	-	-	245,840
Water distribution system	6,983,785	8,509	-	-	6,992,294
Office equipment	67,605	-	-	-	67,605
Equipment	123,068	-	-	(5,470)	117,598
Vehicles	73,307	64,751	-	-	138,058
Total capital assets being depreciated	9,321,057	73,260	-	(5,470)	9,388,847
Less accumulated depreciation for:					
Water well	148,177	10,881	-	-	159,058
Storage and treatment plant	702,972	50,034	-	-	753,006
Buildings	74,893	6,146	-	-	81,039
Water distribution system	1,758,756	139,858	-	-	1,898,614
Office equipment	61,094	1,817	-	-	62,911
Equipment	96,301	5,242	-	(3,601)	97,942
Vehicles	73,307	7,208	-	-	80,515
Total accumulated depreciation	2,915,500	221,186	-	(3,601)	3,133,085
Total capital assets being depreciated, net	6,405,557	(147,926)	-	(1,869)	6,255,762
Capital assets, net	\$ 6,442,681	(147,926)	-	(1,869)	6,292,886

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

A summary of capital assets for the year ended December 31, 2016 follows:

	Balance Beginning	Additions	Completed Construction in Progress	Dispositions /Reclassifica- tions	Balance Ending
Capital assets not being depreciated:					
Land	\$ 37,124	-	-	-	37,124
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	37,124	-	-	-	37,124
Capital assets being depreciated:					
Water well	326,437	-	-	-	326,437
Storage and treatment plant	1,501,015	-	-	-	1,501,015
Buildings	245,840	-	-	-	245,840
Water distribution system	6,945,681	38,104	-	-	6,983,785
Office equipment	67,605	-	-	-	67,605
Equipment	123,068	-	-	-	123,068
Vehicles	73,307	-	-	-	73,307
Total capital assets being depreciated	9,282,953	38,104	-	-	9,321,057
Less accumulated depreciation for:					
Water well	137,296	10,881	-	-	148,177
Storage and treatment plant	652,938	50,034	-	-	702,972
Buildings	68,747	6,146	-	-	74,893
Water distribution system	1,618,923	139,833	-	-	1,758,756
Office equipment	57,575	3,519	-	-	61,094
Equipment	90,906	5,395	-	-	96,301
Vehicles	73,307	-	-	-	73,307
Total accumulated depreciation	2,699,692	215,808	-	-	2,915,500
Total capital assets being depreciated, net	6,583,261	(177,704)	-	-	6,405,557
Capital assets, net	\$ 6,620,385	(177,704)	-	-	6,442,681

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

7. LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</u>
\$1,765,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$57,362.50 due August 21, 2002, thereafter payable in monthly installments of \$6,671.70, including principal and interest, to August 21, 2041, interest at 3.25%.	\$ 1,314,682	1,351,368
\$3,049,000 US Department of Agriculture revenue bond, dated July 21, 2003, one interest only payment of \$133,394 due July 21, 2005, thereafter payable in monthly installments of \$13,598.54, including principal and interest, to July 21, 2043, interest at 4.375%.	2,507,118	2,559,372
\$1,530,000 US Department of Agriculture revenue bond, dated April 17, 2007 one interest only payment of \$58,554.38 due March 21, 2008, thereafter payable in monthly installments of \$6,594.30, including principal and interest, to July 21, 2043, interest at 4.125%.	<u>1,323,246</u>	<u>1,347,255</u>
Total Long-term Debt	5,145,046	5,257,995
Less current portion	<u>(117,493)</u>	<u>(112,941)</u>
	<u>\$ 5,027,553</u>	<u>5,145,054</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 117,493	204,881	322,374
2019	122,231	200,143	322,374
2020	127,165	195,211	322,376
2021	132,299	190,076	322,375
2022	137,645	184,731	322,376
2023-2027	776,411	835,462	1,611,873
2028-2032	947,153	664,720	1,611,873
2033-2037	1,156,126	455,746	1,611,872
2038-2042	1,289,593	202,633	1,492,226
2043-2046	338,930	19,860	358,790
	<u>\$ 5,145,046</u>	<u>3,153,463</u>	<u>8,298,509</u>
Total	<u>\$ 5,145,046</u>	<u>3,153,463</u>	<u>8,298,509</u>

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

The following is a summary of long-term liability activity for the year ended December 31, 2017:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 5,257,995	-	112,949	5,145,046	117,493
Total long-term liability	<u>\$ 5,257,995</u>	<u>-</u>	<u>112,949</u>	<u>5,145,046</u>	<u>117,493</u>

The following is a summary of long-term liability activity for the year ended December 31, 2016:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 5,366,571	-	108,576	5,257,995	112,941
Total long-term liability	<u>\$ 5,366,571</u>	<u>-</u>	<u>108,576</u>	<u>5,257,995</u>	<u>112,941</u>

8. COMPENSATED ABSENCES

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

9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2017, the Commission carries commercial insurance for the aforementioned risk. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis Parish Police Jury. During the construction phase, contractor nonperformance and liability risk is protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission.

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

10. INTEREST COST

Interest costs recorded in financial statements consist of the following:

	<u>2017</u>	<u>2016</u>
Interest paid	\$ 209,426	213,798
Interest accrual change	<u>(123)</u>	<u>(117)</u>
Total interest recorded	209,303	213,681
Less amount capitalized in construction in progress		-
Amount charged to expense	<u>\$ 209,303</u>	<u>213,681</u>

11. LITIGATION AND CLAIMS

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

12. PENSION PLAN

The Commission began a Simple IRA defined contribution plan effective March 1, 2007 pursuant to Internal Revenue Code Section 408(p). Under the plan, each employee receiving at least \$2,000 in compensation, as defined in the plan, during any one prior year and who are reasonably expected to receive at least \$2,000 in compensation during the current year are eligible to participate in the plan. Under terms of the plan, participants are able to reduce their taxable compensation per federally mandated calculations for contributions made to the plan. The Commission provides a non-elective contribution of 2% of eligible compensation for all eligible employees. Benefits vest immediately upon contribution by the Commission. Pension expense for the year ending December 31, 2017 and 2016, was \$3,584 and \$2,991.

13. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through June 27, 2018 the date which the financial statements were available to be issued.

14. PRIOR PERIOD ADJUSTMENT

During 2016 it was noted that inventory of supplies were not recorded on the statement of net position in previous years. As a result, \$44,972 in ending supplies inventory as of December 31, 2016, was recorded at average cost as a prior period adjustment to beginning net position.

SUPPLEMENTARY INFORMATION SCHEDULES

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Schedule of Compensation and Other Expenses Paid to Commissioners
For the Year Ended December 31, 2017

Board Member

Gregory Bordelon	\$	1,100
Ric Berken		1,100
Don Johnson		1,100
Raymond Brown		1,100
Chad Woods		1,100
George Juneau		1,200
Bill Navarre		<u>800</u>
	\$	<u><u>7,500</u></u>

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Additional Information Required by United States Department of Agriculture
For the Year Ended December 31, 2017

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

<u>Aging Category</u>	<u>Number of Customers</u>	<u>Receivable Amount</u>
Current	3,088	\$ 62,454
0-30 Days	196	9,592
31-60 Days	22	286
Over 60 Days	40	2,813
	3,346	\$ 75,145

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

Residential	2,886
Commercial	120

3. Schedule of insurance in force was as follows:

<u>Policy No.</u>	<u>Company</u>	<u>Agent</u>	<u>Type Coverage</u>	<u>Amount Coverage</u>	<u>Effective From</u>	<u>Date To</u>
WCV0089211 01	Stonetrust Commerical Insurance Company		Workers' Compensation	\$1,000,000	1/1/17	12/31/17
GWPKG0191 702	Arch Insurance Company	Daly Williams	Buildings & contents, General Liability, Auto, Employee Bond	Building & Plant \$1,658,790 Contents & Equipment \$115,000 GL Occurrence \$1,000,000 GL aggregate \$3,000,000, Auto \$1,000,000 Employee Dishonest \$250,000	5/14/17	5/14/18

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Additional Information Required by United States Department of Agriculture
For the Year Ended December 31, 2017

4. Schedule of approved water rates were as follows:

\$14.50 minimum per month for the first 2,000 gallons.

\$3.80 per thousand or part thereof all over 2,000 gallons for Calcasieu and Cameron Parish customers

\$3.15 per thousand or part thereof all over 2,000 gallons for all other areas.

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

Effective 10/1/17

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

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

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

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

5. Disconnection policy:

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

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Additional Information Required by United States Department of Agriculture
For the Year Ended December 31, 2017

6. Board members' information:

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

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

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended December 31, 2017

Agency Head Name: David Trahan, Manager

Salary	\$	52,945
Benefits- insurance		9,037
Benefits- retirement		1,034
Benefits- Medicare & Social Security		3,954
Cell phone		687
	\$	<u><u>67,657</u></u>

OTHER REPORTS

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

For the Year Ended December 31, 2017

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2007-1: Lack of segregation of duties

Condition/ Criteria: Due to small number of employees, the Commission did not have adequate segregation of functions within the accounting system. This condition existed in previous years.

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties.

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

Item: 2016-1 Lack of controls over payment authorizations and reconciliations

Condition: During review of expenditures it was noted that an overpayment in the amount of \$81,900 was made on June 29, 2016 on one vendor invoice. Upon further examination of supporting evidence and inquiry, it was discovered that this overpayment was discovered by the vendor. The original invoice was for \$9,100 but the check was issued for \$91,000. The check cleared the bank on July 6, 2016. The vendor then issued a refund for the overpayment of \$81,900 which was redeposited into the Commission's bank account on July 12, 2016. In addition, when the deposited for repayment was recorded it was miscoded. Subsequent adjusting entries made by the bookkeeper to correct the coding of the repayment caused material errors in ending cash balances and repairs expense accounts that went undiscovered.

Recommendation: Procedures should be implemented that prevent overpayment of vendor payable invoices. Such procedures could include having the bookkeeper run an independent tape of the invoices and comparing it back to the computer check batch runs. In addition, perhaps the person signing the checks should also consider running an independent adding tape of all invoices and comparing it to the computer batch run totals. Careful review by two individuals using properly designed procedures can help prevent material overpayments from occurring in a timely manner in the future. Procedures should also be implemented to ensure that the balances in general ledger accounts are verified for accuracy after adjusting journal entries are recorded and at each month end.

Current Status/ Management Action Taken: This finding is considered resolved.

Item 2016-2 Internal control over payroll

Condition: For six employees tested, employee personnel files lacked signed documentation of authorized pay rates. In addition, three employee files lacked updated authorizations for retirement withholdings. Also, two employee files lacked signed Form I-9s "Employment Eligibility Verification".

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

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

For the Year Ended December 31, 2017

person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms.

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

Item 2016-3 Overpayment of employee retirement withholdings

Condition: During a review of payroll processing it was noted that for three of four employees participating in the defined contribution plan payments made to the employee's pension plan account for voluntary employee withholdings were in excess of amounts withheld from the employee's paychecks. One of the employees was the person in charge of preparing the paychecks.

Recommendation: Management should contact the retirement plan advisor and request immediate repayment for overpayment made in 2016 and any in 2017. In addition, management should design procedures to assist in preventing future overpayments such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis. These procedures should be documented in a manner that indicates who has performed these procedures.

Management Response: Management agrees with the finding and will take auditor's recommendation under advisement. Management is working on corrective action.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III – MANAGEMENT LETTER FINDINGS

No findings reported.

Mike B. Gillespie
Certified Public Accountant
A Professional Accounting Corporation

Mike B. Gillespie, CPA, CGMA

Jennifer L. Doucet, CPA, CGMA, MBA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Jefferson Davis Parish Water and Sewer Commission No. 1 (Commission), a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statement, which collectively comprise the Commission's basic financial statements, and have issued my report thereon dated June 27, 2018.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be a material weakness. I consider the deficiencies described in the accompanying schedule of findings and responses as item 2007-1, 2016-2, 2016-3, and 2017-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an 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 and responses as item 2017-2.

Commission's Response to Findings

The Commission's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
June 27, 2018

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

Unresolved Prior Year Findings:

Item: 2007-1 Lack of segregation of duties

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

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

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2017

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

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

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

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

Item 2016-2 Internal control over payroll

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

Condition: For thirteen separate employees I tested one paycheck each and noted the following findings:

1. All employee personnel files lacked signed documentation of authorized current pay rates for each employee.
2. One employee file lacked signed Form I-9 "Employment Eligibility Verification".
3. One employee file lacked an updated authorization for voluntary insurance withholdings.
4. One employee had two paychecks that did not have his authorized retirement amount withheld.
5. One employee file lacked an updated signed retirement withholding authorization form.
6. Nine of the thirteen employees were hourly employees. The timecards for these employees did not contain indication of signed authorization by a supervisor or authorized person not involved in preparation of payroll.

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

Effect of Condition: The lack of documentation is a deficiency in design and/or operation of controls over payroll processing that can lead to errors occurring and not being detected in a timely manner by management. The lack of properly filled-in and signed Form I-9s can lead to monetary sanctions from the U.S. Department of Justice due to noncompliance with labor rules and regulations.

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

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2017

signed, obtained and filed. The person in charge of managing personnel files should be required to sign off indicating they accomplished collecting all necessary signed forms for each employee.

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

Item 2016-3 Overpayment or Underpayment of employee retirement withholdings

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

Condition: During a review of payroll processing it was noted that for three of four employees participating in the defined contribution plan, payments made to the employee's pension plan account for voluntary employee withholdings were in excess of amounts withheld from the employee's paychecks. One of the employees was the person in charge of preparing the paychecks. For the other one of four employees, the payroll clerk did not submit one month of his retirement withholding to the pension plan.

Cause: There are no procedures in place that require validation and/or reconciliation of amounts submitted to the pension plan for employees.

Effect of Condition: This condition resulted in overpayments to the pension plan of \$700 and \$2,000 during 2017 and 2016 respectively and \$400 of underpayment to the pension plan for one employee during 2017. As of December 31, 2017, employees owe the District \$2,237 for overpayments made to the pension plan. One employee included in this group stopped working for the District during 2017 and owes \$187.09 to the District because management did not collect the overpayment in a timely manner subsequent to being notified of the finding in the prior year's audit. In addition, the District owes the pension plan \$400 for one employee. A detailed reconciliation by employee of the over and underpayments for 2016 and 2017 as of December 31, 2017 has been provided to management to assist in going forward. Management has reviewed this reconciliation and approved and taken responsibility for its accuracy. In addition, review of the subsequent payment made in January 2018 of the employer's 2% nonelective contribution for 2017 indicated that the payment was miscalculated by the payroll clerk. The employer's 2% nonelective contribution for 2017 totaling \$303.80 for three employees was not submitted to the pension plan. For the remaining employees the payroll clerk overstated the pensionable wages and overpaid the pension plan \$82.35 overall when the payment to the pension plan was made in January 2018.

Recommendation: In addition, management should design and implement procedures to assist in preventing future over and under payments. Procedures such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis could help eliminate errors in a timely manner. These procedures should be documented in a manner that indicates who has performed these procedures. I also recommend that the District have the employees acknowledge these overpayments in writing and the District should establish a plan to recoup these funds from the employees including the one employee that has been terminated. The \$400 owed to the pension plan for one employee should be submitted to the plan and documented in the payroll and pension plan files as correction of this matter.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2017

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

Current Year Findings:

2017-1 Incorrect computation of hourly employee's gross pay

Criteria/ Specific Requirement: Employment laws, including the Federal Fair Labor Standards Act (FLSA), requires that employers adhere to specific procedures when computing gross pay for covered, nonexempt employees especially when computing overtime pay. Hourly employee gross pay for a particular pay period should be based on actual hours worked during the particular pay period and the hourly rate of pay authorized. Overtime pay should be computed in compliance with FLSA.

Condition: A review of nine paychecks for nine different hourly employees indicated that gross pay was computed incorrectly for each one.

Cause: Review of detail computations by the payroll clerk indicated that gross pay was not being computed using actual hours worked times actual hourly rate. In some instances overtime gross pay was not being computed properly.

Effect of Condition: Additional extended testing of five hourly employee's entire annual gross pay totaling \$102,692.82 indicated both annual over payments of \$156.77, \$492.60, \$973.63 and under payments of \$260.10, \$1,178.62 which netted out to be an estimated \$184.28 in overpayments. These findings indicate potential noncompliance with FLSA.

Recommendation: Management should review this situation and implement changes in computation of gross pay that is in compliance with FLSA immediately. Management should also consider consulting a qualified employment attorney for advice regarding resolution of this finding.

Management Response: Management is in agreement with the finding and will work towards resolving these issues.

Item 2017-2 Mandatory ethics training noncompliance

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

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

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

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

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

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
SCHEDULE OF FINDINGS & RESPONSES
For the Year Ended December 31, 2017

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

SECTION III – FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION IV – MANAGEMENT LETTER

No current year findings reported.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2017**

SECTION I – FINANACIAL STATEMENT FINDINGS

Finding 2007-1: Lack of segregation of duties

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

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

Item 2016-2 Internal control over payroll

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

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

Item 2016-3 Overpayment or Underpayment of employee retirement withholdings

Recommendation: In addition, management should design and implement procedures to assist in preventing future over and under payments. Procedures such as requiring that reconciliations and comparison of pension reports be made to payroll reports, records, and forms on a periodic basis could help eliminate errors in a timely manner. These procedures should be documented in a manner that indicates who has performed these procedures. I also recommend that the District have the employees acknowledge these overpayments in writing and the District should establish a plan to recoup these funds from the employees including the one employee that has been terminated. The \$400 owed to the pension plan for one employee should be submitted to the plan and documented in the payroll and pension plan files as correction of this matter.

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

2017-1 Incorrect computation of hourly employee's gross pay

Recommendation: Management should review this situation and implement changes in computation of gross pay that is in compliance with FLSA immediately. Management should also consider consulting a qualified employment attorney for advice regarding resolution of this finding.

**JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO.1
MANAGEMENT’S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2017**

Management Response: Management is in agreement with the finding and will work towards resolving these issues.

Item 2017-2 Mandatory ethics training noncompliance

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

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

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No current year findings reported.

SECTION III – MANAGEMENT LETTER

No current year findings reported.

* * * * *

THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT

Mike B. Gillespie
Certified Public Accountant
A Professional Accounting Corporation

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
Finding: No written policies and procedures were obtained that address the functions noted above.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Finding: No written policies and procedures were obtained that address the functions noted above.
 - c) ***Disbursements***, including processing, reviewing, and approving
Finding: No written policies and procedures were obtained that address the functions noted above.

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

Finding: No written policies and procedures were obtained that address the functions noted above.

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

Finding: Written policies and procedures were obtained but they did not specifically address the functions noted above.

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

Finding: No written policies and procedures were obtained that address the functions noted above.

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

Finding: No written policies and procedures were obtained that address the functions noted above.

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

Finding: Written policies and procedures were obtained but did not completely address function (2) noted above.

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

Finding: Written policies and procedures were obtained but they did not completely address the functions (1), (3), or (4) noted above.

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

Finding: No written policies and procedures were obtained that address the functions noted above.

Board (or Finance Committee, if applicable)

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

Finding: Obtained and reviewed all monthly board minutes for the fiscal year.

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

Finding: The managing board met every month during the fiscal year without exception.

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

Finding: Not applicable. The entity reports as a proprietary fund, which does not require them to have or adopt a budget. They do adopt a budget but only to satisfy the USDA loan covenants that require a budget and reporting to the USDA of same.

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

Finding: Not applicable.

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

Finding: No exceptions noted.

Bank Reconciliations

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

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

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

- a) Bank reconciliations have been prepared;

Finding: Obtained bank statements and reconciliations for all months in the fiscal year noting that reconciliations have been prepared for all months without exception.

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

Finding: Exception. Obtained bank statements and reconciliations for all months in the fiscal year noting there was no evidence of management review included on any bank reconciliations.

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

Finding: Not applicable.

Collections

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

Finding: Obtained listing of all cash collection locations and management's representation that the listing is complete.

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

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

Finding: Obtained insurance policy showing that all employees responsible for collecting cash are (1) bonded. No written documentation was available for cash collection polices and procedures pertaining to functions (2) and (3) noted above.

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

Finding: Obtained system reports, deposit summaries, and copy of deposit slips. The entity does not have written documentation detailing a formal process on how to reconcile cash collections to the general ledger by revenue source by a person who is not responsible for cash collections.

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

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

Finding: Collection of documentation was obtained. With the exception of one day's cash collection totaling \$5,152.62 that was deposited two days after the date of collection, all remaining cash collections tested were deposited within one day of collection.

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

Finding: Collection of documentation was obtained. No exceptions noted as a result of applying this procedure.

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

Finding: No written documentation was obtained that address the function noted above.

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

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

Finding: Obtained a listing of disbursements and management's representation that the listing is complete.

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

Finding: The entity does not have a requisition/purchase order system that separates initiation from approval.

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Finding: No written or supporting documentation exist that report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

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

Finding: No written or supporting documentation exists that reports whether the person with signatory authority or who make the final authorization for disbursement have no responsibility for initiating or recording purchases.

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

Finding: Checks are electronically printed on blank check stock. The blank check stock is stored in a locked filing cabinet inside of the Plant Manager's office. The Plant Manager and Bookkeeper are the only two employees with access to the checks. The Plant Manager and three board members are the only people with signatory authority. Policy of the entity requires two signatures per check written. One signature must be the Plant Manager's signature and the other must be from one of the three board members that has signatory authority.

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

Finding: No signature stamp or signature machine is used.

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

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

Finding: Obtained a listing of active debit cards, charge cards, and names of people who maintain possession of cards along with management's representation that the listing is complete.

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

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

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

Finding: No evidence was found on the supporting documentation showing that it was reviewed and approved, in writing, by someone other than the authorized card holder.

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

Finding: No exceptions noted.

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

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

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

Finding: No exceptions noted.

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

Finding: There is no documentation detailing the specific business/public purpose for purchases on debit cards or charge cards.

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

Finding: No written policy exists for other documentation that may be required for debit and charge cards.

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

Finding: No exceptions noted.

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

Finding: No exceptions noted.

Travel and Expense Reimbursement

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

Finding: Obtained management's representation that there were no travel and related expense reimbursements during the fiscal period.

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

Finding: Written policy and procedures were obtained and compared to GSA rates without exception.

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

Finding: Not applicable. No travel and related expense reimbursements during fiscal period.

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

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

Finding: Obtained a listing of all contracts and management's representation that the listing is complete.

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

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

Finding: No exceptions noted.

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

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

Finding: No exceptions noted.

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

Finding: Not applicable

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

Finding: Not applicable.

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

Finding: No exceptions noted.

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

Finding: Obtained/reviewed contract documentation and board minutes for board approval without exception.

Payroll and Personnel

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

Finding: Obtained a listing of employees with their related salaries and management's representation that the listing is complete.

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

Finding: The entity does not formally maintain written documentation for a specific employee pay rate structure.

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

Finding: There was no approved written documentation for changes made to hourly pay rates/salaries during the fiscal period.

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

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

Finding: No exceptions noted.

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

Finding: There is written documentation that supervisors approved in writing for request and use of leave of the selected employees. However, there is no written documentation that supervisors approved in writing for the attendance of the selected employees.

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

Finding: No exceptions noted.

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

Finding: Obtained a listing of employees that terminated during the fiscal period and management's representation that the listing is complete. Termination payments were made in strict accordance with policy of the entity without exception.

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

Finding: No exceptions noted.

Ethics (excluding nonprofits)

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

Finding: Obtained written policy on ethics compliance from management. We were not able to obtain annual ethics training certifications for the five employees tested to show completion of required ethics training for the fiscal period.

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

Finding: No exceptions noted.

Debt Service (excluding nonprofits)

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

Finding: No debt was issued during fiscal period.

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

Finding: Obtained supporting documentation showing all schedule debt service payments were made and debt reserves were maintained as required by debt covenants during the fiscal year without exceptions.

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

Finding: Not applicable. Entity had no tax millages for debt service.

Other

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

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

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

Finding: No exceptions noted.

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

Finding: No exceptions noted.

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

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

Mike B. Gillespie, CPA, APAC

Mike B. Gillespie, CPA, APAC
Jennings, Louisiana
June 27, 2018