

**ST. MARY PARISH
COMMUNICATIONS DISTRICT**

Morgan City, Louisiana

Financial Report

Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Mary Parish Communications District
Morgan City, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Mary Parish Communications District (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the financial statements, the prior financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, schedule of employer's share of net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 30 and 31, schedule of employer's share of net pension liability on page 32, schedule of employer contributions on page 33, or note to retirement system schedules on page 34 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of insurance in force listed as "Other Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of insurance in force on page 36 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 29, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and interest-bearing deposits	\$ 868,719
Communications taxes receivable	141,495
Accrued interest receivable	840
Prepaid expenses	28,810
Capital assets, net	<u>186,781</u>
Total assets	<u>1,226,645</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net pension liability	<u>166,895</u>
LIABILITIES	
Accounts payable and accrued expenses	63,781
Noncurrent liabilities:	
Other accrued liabilities	19,478
Net pension liability	<u>121,822</u>
Total liabilities	<u>205,081</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>21,609</u>
NET POSITION	
Net investment in capital assets	186,781
Unrestricted	<u>980,069</u>
Total net position	<u>\$ 1,166,850</u>

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Statement of Activities
Year Ended December 31, 2017

	<u>Governmental Activities</u>
Expenses:	
Public safety:	
Salaries and related taxes and benefits	\$ 658,047
Telephone and equipment rental	135,176
Dues and subscriptions	2,559
Insurance	26,205
Office	2,618
Professional fees	8,720
Repairs and maintenance	35,840
Supplies	7,594
Travel and training	3,082
Utilities	7,505
Depreciation	<u>31,954</u>
Total expenses	919,300
Program revenues:	
Operating grants and contributions	<u>4,368</u>
Net program expense	<u>914,932</u>
General revenues:	
Communication taxes	979,811
Intergovernmental	28,697
Other	<u>34,612</u>
Total general revenues	<u>1,043,120</u>
Change in net position	128,188
Net position, beginning of year, as restated	<u>1,038,662</u>
Net position, end of year	<u>\$ 1,166,850</u>

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

FUND FINANCIAL STATEMENTS

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Balance Sheet
Governmental Fund
December 31, 2017

	<u>General Fund</u>
ASSETS	
Cash and interest-bearing deposits	\$ 868,719
Communications taxes receivable	141,495
Accrued interest receivable	<u>840</u>
Total assets	<u>\$1,011,054</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 63,781
Fund balance:	
Committed	34,255
Assigned	200,582
Unassigned	<u>712,436</u>
Total fund balance	<u>947,273</u>
Total liabilities and fund balance	<u>\$1,011,054</u>

(continued)

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Balance Sheet (continued)
Governmental Fund
December 31, 2017

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total fund balance for the governmental fund at December 31, 2017 \$ 947,273

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation		186,781
Prepaid items		28,810
Deferred outflows of resources related to net pension liability		166,895
Liabilities not due and payable in the current period:		
Other accrued liabilities	\$ (19,478)	
Net pension liability	<u>(121,822)</u>	(141,300)
Deferred inflows of resources related to net pension liability		<u>(21,609)</u>
Net position at December 31, 2017		<u>\$1,166,850</u>

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended December 31, 2017

	<u>General Fund</u>
Revenues:	
Landline tax	\$ 359,426
Cellular tax	484,079
Prepaid wireless tax	136,306
Intergovernmental cost share	28,697
Other revenues	34,612
Total revenues	<u>1,043,120</u>
Expenditures:	
Public safety:	
Salaries and related taxes and benefits	646,750
Telephone and equipment rental	135,176
Dues and subscriptions	2,559
Insurance	27,506
Office	2,618
Professional fees	8,720
Repairs and maintenance	35,840
Supplies	7,594
Travel and training	3,082
Utilities	7,505
Capital outlay	8,898
Total expenditures	<u>886,248</u>
Net change in fund balance	156,872
Fund balance, beginning of year, as restated	<u>790,401</u>
Fund balance, end of year	<u>\$ 947,273</u>

(continued)

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Fund
Year Ended December 31, 2017

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities

Total net change in fund balance - governmental fund	\$ 156,872
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Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlay	8,898
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Depreciation expense	(31,954)
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Changes in prepaid items	1,301
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Changes in items not requiring the use of current financial resources	1,071
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Effects of recording net pension liability and deferred inflows and
outflows of resources related to net pension liability:

Increase in pension expense	\$(12,368)
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Nonemployer pension contribution revenue	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: right; border-bottom: 1px solid black;">4,368</td> <td style="width: 50%; text-align: right; border-bottom: 1px solid black;">(8,000)</td> </tr> </table>	4,368	(8,000)
4,368	(8,000)		

Change in net position for governmental activities	<u>\$ 128,188</u>
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The accompanying notes are an integral part of the financial statements.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements

INTRODUCTION

The St. Mary Parish Communications District (hereinafter “District”) was created by Ordinance No. 1054 of the St. Mary Parish Council, on March 8, 1989, to provide emergency 911 services for all territory within the corporate limits of the Parish of St. Mary, State of Louisiana.

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

(1) Summary of Significant Accounting Policies

The more significant of the District’s accounting policies are described below.

A. Reporting Entity

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

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

- Appointing a voting majority of an organization’s governing body, and the ability of the parish council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
- Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

Because the parish council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the Parish of St. Mary, the financial reporting entity. In addition, there are no component units which combine with the District, as the primary government, to form a separate financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish of St. Mary, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for States and Local Governments*, issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The Statement of Activities presents a comparison between direct expenses and program revenues for the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The fund of the District is classified as a governmental fund. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund is considered to be a major fund of the District. The District’s general fund is described below:

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

Governmental Fund –

General Fund – This fund is the primary operating fund of the District and it accounts for the operations of the District’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

C. Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing assets.

Capital assets are recorded in the Statement of Net Position. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Equipment	5-10
Furniture & fixtures	10

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. The District uses the following practices in recording certain revenues and expenditures:

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

Revenues

The District's major revenue source is the communications district tax, which is recorded as revenue in the month collected by the various telecommunications companies.

Intergovernmental revenues are recorded when approved for payment by the payor or governing body.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is that principal and interest on long-term debt is recognized when due.

E. Cash

Cash includes amounts in demand deposits and interest-bearing time deposits.

F. Compensated Absences

Employees earn vacation and sick leave annually at varying rates depending upon length of service. These compensated absences are allowed to accumulate from period to period if not used.

Upon termination, an employee is compensated for accumulated vacation time. Employees are not compensated for sick time unless termination is due to retirement.

G. Deferred Outflows of Resources and Deferred Inflows of Resources

The District reports decreases (increases) in net position that relate to future periods as deferred outflows (inflows) of resources in separate sections of its government-wide statement of net position. The District reports deferred outflows of resources and deferred inflows of resources related to its net pension liability. These amounts are being amortized over a period of five years.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

H. Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

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

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB Statement No. 54 as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board of Commissioners is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the members of the Board of Commissioners.
- d. Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the Director may assign amounts for specific purposes.
- e. Unassigned – All other spendable amounts.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers the restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners or the Director has provided otherwise in its commitment or assignment actions.

(2) Cash

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2017, the District has cash (book balances) totaling \$868,719 as follows:

Demand deposits	\$ 812,551
Time deposits	<u>56,168</u>
Total cash and equivalents	<u>\$ 868,719</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 financial institution. 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. At December 31, 2017, deposit balances (bank balances) totaling \$824,802 were secured as follows:

Federal deposit insurance	\$ 538,806
Uninsured and collateralized with pledged securities	<u>285,996</u>
Total federal deposit insurance and pledged securities	<u>\$ 824,802</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District may not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or reduce exposure to custodial credit risk. Deposits in the amount of \$285,996 were exposed to custodial credit risk. Collateral securities are held by the bank, or by its trust department or agent, but not in the District's name. Even though the pledged securities are not held in the name of the District, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the depository financial institution has failed to pay deposited funds upon demand.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

(3) Receivables

The following is a summary of communications taxes receivable at December 31, 2017:

Amounts due from:	
Landline providers	\$ 39,439
Wireless providers	64,644
Prepaid phone providers	<u>37,412</u>
	<u>\$141,495</u>

Management is of the opinion that all receivables are collectible; therefore, no provision for uncollectible accounts receivable has been made for the year ended December 31, 2017.

(4) Capital Assets

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Assets being depreciated:				
Governmental activities:				
Furniture and equipment	\$ 524,530	\$ 8,898	\$(17,934)	\$ 515,494
Less: accumulated depreciation	<u>(314,693)</u>	<u>(31,954)</u>	<u>17,934</u>	<u>(328,713)</u>
Net capital assets	<u>\$209,837</u>	<u>\$(23,056)</u>	<u>\$ -</u>	<u>\$ 186,781</u>

Depreciation expense in the amount of \$31,954 was charged to public safety.

(5) Change in Noncurrent Liabilities

The following is a summary of noncurrent liability transactions of the District for the year ended December 31, 2017:

	1/1/2017	Additions	Payments/ Reductions	12/31/2017	Due Within One Year
Governmental Activities:					
Sick Leave	<u>\$ 20,549</u>	<u>\$ -</u>	<u>\$ (1,071)</u>	<u>\$ 19,478</u>	<u>\$ -</u>

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

(6) Compensation of Board Members

Board members for the year ended December 31, 2017 served without compensation and are as follows:

Ed Smith, Chairman
Matt Mayon, Vice Chairman
Scott Anslum
Duval Arthur
James Richard
Allen Rink
Scott Verret

(7) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds are presented as follows:

	General
Fund balances:	
Committed	
Fire service equipment maintenance	\$ 34,255
Assigned	
Capital requirements	200,582
Unassigned	712,436
Total fund balances	\$ 947,273

(8) Compensation and Other Payments to Executive Director

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Expenses paid to Charlette Angeron for the year ended December 31, 2017 are as follows:

Salary	\$ 68,307
Benefits - Insurance	29,480
Benefits - Retirement	8,538
Conference registration	327
Lodging	288
Meals	186
Total	\$ 107,127

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

(9) Pension Plan

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

Retirement Benefits

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

Disability Benefits

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

Survivor Benefits

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

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date

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

Cost of Living Adjustments

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

Employer Contributions

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

Non-employer Contributions

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

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

At December 31, 2017, the District reported liabilities in its financial statements of \$121,822 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2016 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the District's proportional share of PERS was 0.059151%, which was an increase of 0.004642% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized a net pension expense of \$68,664 in its activities.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 21,318
Changes of assumptions	23,129	-
Net difference between projected and actual earnings on pension plan investments	94,539	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(7,069)	291
Employer contributions subsequent to the measurement date	<u>56,296</u>	<u>-</u>
	<u>\$ 166,895</u>	<u>\$ 21,609</u>

The \$56,296 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

<u>Year</u>	
2017	\$ 32,110
2018	34,525
2019	24,910
2020	<u>(2,555)</u>
	<u>\$ 88,990</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

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

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

Sensitivity to Changes in Discount Rate

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

	Changes in Discount Rate		
	2016		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	<u>\$364,419</u>	<u>\$ 121,822</u>	<u>\$ (83,301)</u>

Changes in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2017 were recognized in the current reporting period as pension expense except as follows:

- a. Differences between Expected and Actual Experience – Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred inflow of resources in the amount of \$21,318 for the year ended December 31, 2017.
- b. Differences between Projected and Actual Investment Earnings – Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$94,539 for the year ended December 31, 2017.
- c. Change in Proportion – Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$(7,360) for the year ended December 31, 2017.
- d. Change in Assumptions – Changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The change in proportion resulted in a deferred outflow of \$23,129 for the year ended December 31, 2017.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

Payables to the Pension Plan

The District recorded accrued liabilities to PERS for the year ended December 31, 2017, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts payable and accrued expenses. The balance due to PERS as of December 31, 2017 is \$23,754.

Pension Plan Fiduciary Net Positions

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

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against most of these perils. There were no significant reductions in insurance coverage, retentions, or limits during the current year. Settled claims have not exceeded commercial coverages in any of the previous three fiscal years.

(11) Concentrations

Substantially all of the District's revenues are in the form of communications and cellular tax revenues. The Communications taxes collected during 2017 accounted for approximately 34% of the District's total revenues and cellular taxes collected accounted for approximately 46% of the District's total revenues.

(12) Addenda to Financial Report Required by LA R.S. 33:9101 et seq

The collection of the Wireless E911 tax is authorized by Louisiana Revised Statute 33:9109. According to the statute, the District is to collect the tax from the providers of wireless communications. The proceeds of the tax are restricted in use for payment of service suppliers' and the District's costs associated with the implementation of Phase I and Phase II enhancements required by the FCC. Once these expenditures have been made and the system implementation is complete, the proceeds become unrestricted and may be used for any lawful purpose of the District. All Phase I and Phase II system implementation requirements are complete. During the year ended December 31, 2017, the District collected wireless communication taxes totaling \$484,079.

During the year ended December 31, 2017, the District received a total of 79,495 calls. This represented a 6 percent decrease in call volume for the District over its 2016 call volume.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Financial Statements (continued)

(13) Long-Term Lease Commitments

The District entered into an operating lease commencing April 23, 2015, for a Viper telephone system by Intrado. A down payment of \$75,000 was required, and the annual lease payment is \$53,245. The lease is for a period of five years.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2017 are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2018	\$ 53,245
2019	<u>53,245</u>
	<u>\$ 106,490</u>

(14) Prior Period Adjustment

The financial statements as of and for the year ended December 31, 2017 have been restated to correct an error in the presentation of receivables in the amount of \$19,024 and an error in the presentation of prepaid expenses in the amount of \$16,338. The following adjustments are required to restate net position/fund balance in the current year:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Government-wide financial statements:			
Governmental activities	\$1,003,300	\$ 35,362	\$1,038,662
Fund financial statements:			
General fund	\$ 771,377	\$ 19,024	\$ 790,401

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2017

	Original	Amended	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Tax				
Landline tax	\$ 378,267	\$ 360,449	\$ 359,426	\$ (1,023)
Cellular tax	397,951	489,784	484,079	(5,705)
Prepaid wireless tax	97,000	117,918	136,306	18,388
Intergovernmental cost share	25,684	18,223	28,697	10,474
Other revenues	28,737	36,606	34,612	(1,994)
Total revenues	927,639	1,022,980	1,043,120	20,140
Expenditures:				
Public safety:				
Salaries and related taxes and benefits	660,303	671,766	646,750	25,016
Telephone and equipment rental	141,760	137,124	135,176	1,948
Dues and subscriptions	1,900	1,900	2,559	(659)
Insurance	27,700	28,550	27,506	1,044
Office	3,175	3,275	2,618	657
Professional fees	8,040	8,810	8,720	90
Repairs and maintenance	26,513	25,811	35,840	(10,029)
Supplies	6,700	6,700	7,594	(894)
Travel and training	6,100	5,300	3,082	2,218
Utilities	9,626	6,420	7,505	(1,085)
Capital outlay	5,500	13,100	8,898	4,202
Total expenditures	897,317	908,756	886,248	22,508
Net change in fund balance	30,322	114,224	156,872	42,648
Fund balance, beginning of year	790,401	790,401	790,401	-
Fund balance, end of year	\$ 820,723	\$ 904,625	\$ 947,273	\$ 42,648

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget for the General Fund is adopted on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

(2) Budgetary Practices

The District prepares and adopts a budget in accordance with LA R.S. 39:1301 et seq. All annual appropriations lapse at fiscal year end. Budgets are amended when deemed necessary by the board of commissioners.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are made. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Schedule of Employer's Share of Net Pension Liability
Year Ended December 31, 2017

Year Ended Dec 31	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.051340%	\$ 14,037	280,314	5.01%	99.15%
2015	0.054509%	\$ 143,483	312,503	45.91%	92.23%
2016	0.059151%	\$ 121,822	349,834	34.82%	94.15%

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Schedule of Employer Contributions
Year Ended December 31, 2017

Year Ended Dec 31	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 45,322	\$ 45,322	\$ -	\$ 312,503	14.50%
2016	\$ 45,478	\$ 45,478	\$ -	\$ 349,834	13.00%
2017	\$ 51,296	\$ 51,296	\$ -	\$ 410,368	12.50%

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Note to Retirement System Schedules
Year Ended December 31, 2017

Parochial Employees' Retirement System

Changes of assumptions – The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan for the year ended December 31, 2017.

Change in Proportion – Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented as deferred outflows or deferred inflows for the year ended December 31, 2017.

OTHER SUPPLEMENTARY INFORMATION

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Schedule of Insurance in Force
December 31, 2017

Insurer	Type of Insurance	Coverage	Exp. Date
Special Risk Ins., Inc.	Business personal property	Contents \$ 1,124,864	6/13/2018
Special Risk Ins., Inc.	Auto liability	Each accident Uninsured motorist \$ 1,000,000	6/13/2018
LWCC	Workers compensation	Each accident Policy limit \$ 1,000,000	12/31/2018
Special Risk Ins., Inc.	Management liability	Aggregate Each accident \$ 2,000,000 \$ 1,000,000	6/13/2018
Special Risk Ins., Inc.	General liability	Aggregate Each accident \$ 2,000,000 \$ 1,000,000	6/13/2018

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

Members of the Board of Commissioners
St. Mary Parish Communications District
Morgan City, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the St. Mary Parish Communications District (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 29, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying summary schedule of audit results and findings as items 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2017-003.

District's Response to Finding

The District's response to the finding identified in our audit is included in the accompanying corrective action plan for current audit findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 29, 2018

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

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

2016-001 – Inadequate Segregation of Accounting Functions

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: The District's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregations of duties would exceed its benefits. No additional response is deemed necessary.

CURRENT STATUS: This finding has not been resolved. Based on the size of the District's operations and the number of employees of the District, it may not be economically feasible for the District to attempt to obtain complete segregation of duties in its accounting system.

2016-002 – Financial Reporting

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

RECOMMENDATION: The District's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregations of duties would exceed its benefits. No additional response is deemed necessary.

CURRENT STATUS: This finding has not been resolved. Based on the size of the District's operations and the number of employees of the District, it may not be economically feasible for the District to attempt to obtain complete segregation of duties in its accounting system.

2016-003 – Local Government Budget Act

CONDITION: The District did not publish a notice of the time and date of the public hearing to be held on the proposed budget for the year ended December 31, 2016 at least ten days prior to the first public hearing. Also, the District did not certify completion of the public process by publishing a notice in the official journal.

RECOMMENDATION: We recommend the District comply with the provisions of the Local Government Budget Act by publishing a notice containing the time and date of the public hearing of the budget being considered at least ten days prior to the first public hearing and publishing a notice to certify completion of the public process.

CURRENT STATUS: This finding has been resolved.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Schedule of Audit Results and Findings
Year Ended December 31, 2017

Part I. Summary of Auditor's Results:

Unmodified opinions were issued on the financial statements of the District's governmental activities and the major fund.

Material weaknesses in internal control were disclosed by the audit of the financial statements.

An instance of noncompliance which is material to the financial statements and required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit.

A management letter was not issued.

Part II. Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2017-001 - Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

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

CAUSE: Due to limited personnel performing administrative functions, the same person or persons prepares checks, reconciles bank statements, enters information into the general ledger, prepares journal entries and posts to the general ledger, and performs other significant administrative and financial functions within the accounting system.

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

RECOMMENDATION: The District's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregations of duties would exceed its benefits. No additional response is deemed necessary.

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended December 31, 2017

2017-002 – Financial Reporting

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

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

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

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

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

2017-003 – Failure to Publish Minutes

CONDITION: The District did not publish minutes for all its public meetings within a reasonable period of time.

CRITERIA: RS 42:20 states that all public bodies shall keep written minutes of all open meetings. It further states that the minutes shall be public records and shall be available within a reasonable period of time after the meeting and published in the public body's official journal.

CAUSE: Minutes were not published in the official journal within a reasonable period of time.

EFFECT: The failure to publish minutes within a reasonable period of time after the open meeting may be violative of RS 42:20 and 43:171.

RECOMMENDATION: We recommend that the District publish minutes of its open meetings in its official journal within a reasonable period of time.

Part III. Findings and Questioned Costs Relating to Federal Programs

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
Morgan City, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended December 31, 2017

2017-001 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: The District's board is aware of the condition and has decided that the benefit of the additional controls derived by employing additional personnel in the accounting functions is outweighed by the additional personnel costs.

2017-002 – Financial Reporting

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

MANAGEMENT'S RESPONSE: The financial reporting process will continue to be outsourced to the District's external auditors' due to the increased cost necessary to correct the condition.

2017-003 – Failure to Publish Minutes

CONDITION: The District did not publish minutes for all its public meetings within a reasonable period of time.

MANAGEMENT'S RESPONSE: The District has implemented procedures to ensure that minutes are submitted to the official journal for publication after the subsequent meeting when the minutes are approved. A schedule indicating the date that minutes were submitted via email to the official journal has been developed. Additionally, a copy of the email submitting the minutes and the resulting acknowledgement of receipt by the official journal will be maintained in the minutes binder. In the event the subsequent meeting is not held due to the lack of a quorum, the minutes will be submitted to the official journal for publication even though the minutes had not yet been approved at a subsequent meeting.

ST. MARY PARISH COMMUNICATION DISTRICT

Statewide Agreed-Upon Procedures

Fiscal period January 1, 2017 through December 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
St. Mary Parish Communications District
Morgan City, Louisiana

We have performed the procedures enumerated below, which were agreed to by St. Mary Parish Communications District (hereinafter "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain the District'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 District does not have any written policies and procedures), as applicable:

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

The District does not have any written policies and procedures on budgeting functions.

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

The District does not have any written policies and procedures on purchasing functions.

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

The District does not have any written policies and procedures on disbursement functions.

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

The District does not have any written policies and procedures on receipt functions.

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

Written policies and procedures were obtained and address the functions noted above.

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

The District does not have any written policies and procedures on contracting functions.

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

The District does not have any written policies and procedures on credit card functions.

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

Obtained the District's written policies related to travel and expense reimbursements. Mileage reimbursement rate is \$0.56 per mile, which is \$0.025 cents higher than the 2017 GSA rate of \$0.535 per mile. Meals are reimbursed based on actual costs, with a maximum reimbursement of \$50 per day, which is less than the 2017 GSA rate. However, reimbursement for expenses such as lodging may exceed GSA rates as the written policy states that actual and reasonable costs for lodging will be allowed.

- 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 District's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The District does have written policies and procedures related to ethics; however, the policy does not address all the functions noted above.

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

The District does not have any outstanding debt and does not have any policies or procedures 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:

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

Obtained and reviewed minutes of the District for the fiscal period noting that the board met at least monthly.

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

Minutes included reference to monthly budget-to-actual comparisons for the General Fund.

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.

There were no indications of deficit spending.

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

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

Bank Reconciliations

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

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

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

- a) Bank reconciliations have been prepared;

Obtained bank statements and/or reconciliations for all months in the fiscal period for three (3) bank accounts noting that reconciliations have been prepared for two (2) accounts for all months. The account for which the District did not prepare a reconciliation for all months for the fiscal period had no reconciling activity during the period.

- 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

Management's review of bank reconciliations was not evidenced.

- 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.

There were no reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

Collections

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

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

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

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

One (1) location was determined to be a cash collection location. At the collection location tested, the person responsible for collecting cash was also –

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

The District has an insurance policy which covers employee theft.

The District maintains one cash drawer, which is not required to be shared.

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

The District has no formal reconciliation process. In the collection location tested, the informal process of reconciling cash collections to the general ledger is performed by the same individual having responsibility 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 District 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.

For the collection week tested, there were three deposits not made within one day of collection. The number of days after collection are as follows:

<u>Collection Location</u>	<u>Date</u>		<u>Days from</u>
	<u>Collection</u>	<u>Deposit</u>	<u>to Deposit</u>
District Building	1/24/2017	1/31/2017	7
	1/24/2017	1/31/2017	7
	1/24/2017	1/31/2017	7

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

Collection documentation was obtained and addresses the functions noted above.

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

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

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

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

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

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

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

Examined supporting documentation for each of the twenty-five (25) disbursements selected and found that all purchases were initiated without using a purchase requisition/order system.

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

Examined supporting documentation for each of the twenty-five (25) disbursements selected noting no purchase orders, or electronic equivalent, were initiated.

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

Examined supporting documentation for each of the twenty-five (25) disbursements selected for testing. District does not use a requisition and/or purchase order system, or electronic equivalent. Invoices were reviewed for each disbursement noting receipt of goods purchased, as applicable, and all invoices are approved.

10. Using District 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 District's purchasing/disbursement system.

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

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

The District has no written documentation providing that the persons with signatory authority, or who make the final authorization for disbursements, 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 District documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

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

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

Signature stamp or signature machine is not used.

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

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

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

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

Randomly selected one (1) card from the listing of two (2) cards provided by management.

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

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

Monthly statements were obtained. Monthly statement for the one (1) card selected for testing did not evidence review and approval, in writing, by someone other than the authorized cardholder.

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

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

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

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

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

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

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

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

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

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the District'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.

The District does not have any written policies and procedures on credit card functions. There were no noted credit card purchases requiring compliance with the Public Bid Law.

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

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

Travel and Expense Reimbursement

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

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

18. Obtain the District'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.

Obtained the District's written policies related to travel and expense reimbursements. Mileage reimbursement rate is \$0.56 per mile, which is \$0.025 cents higher than the 2017 GSA rate of \$0.535 per mile. Meals are reimbursed based on actual costs, with a maximum reimbursement of \$50 per day, which is less than the 2017 GSA rate. However, reimbursement for expenses such as lodging may exceed GSA rates as the written policy states that actual and reasonable costs for lodging will be allowed.

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

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

Expenses included on reimbursement reports were reimbursed in accordance with District's written policies.

- b) Report whether each expense is supported by:

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

Each expense appearing on the reimbursement report was supported by an original itemized receipt precisely identifying the purchase.

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

Each expense appearing on the reimbursement report was supported by documentation of the business/public purpose.

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

No other documentation was required by written policy.

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

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

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

Reimbursement requests and related documentation evidenced review and approval, in writing, by someone other than the individual receiving the reimbursement.

Contracts

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

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

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

The District maintained only two (2) contracts during the fiscal period.

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

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

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

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

Not applicable.

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

Supporting contract documentation provided that the District solicited quotes as best practice.

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

The contracts tested were not amended.

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

Obtained supporting invoices and/or progress payment request for the largest payment of the two (2) contracts and compared to the contract terms. Invoices and related payments appear compliant with the terms and conditions of the contracts.

- 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).

The board approved the contracts at a monthly meeting.

Payroll and Personnel

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

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

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

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

Compensation paid to the individuals tested were made in accordance with District's pay rate structure and/or contract for employment without exception.

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

Changes made to hourly pay rates/salaries during the fiscal year were approved in writing and in accordance with written policy.

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 District 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.)

Daily attendance records could not be obtained for one (1) of the seven (7) employees selected for testing.

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

Daily attendance and leave records tested evidenced approval of supervisory personnel.

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

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

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

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

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

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

Ethics (excluding nonprofits)

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

Requested ethics compliance documentation for five (5) randomly selected individuals. Documentation of the completion of the required ethics training was not provided.

27. Inquire of management whether any alleged ethics violations were reported to the District 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 District's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

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

Debt Service (excluding nonprofits)

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

The District did not issue debt during the fiscal period.

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

The District has no debt outstanding.

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

Not applicable.

Other

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

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

32. Observe and report whether the District 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.

The notice required by R.S. 24:523.1 was posted on the District's premises and website.

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

No exceptions to management's representations.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 29, 2018