

**WATER AND SEWER  
COMMISSION NO. 1 OF THE  
PARISH OF ST. MARY,  
STATE OF LOUISIANA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Water and Sewer Commission No. 1  
of the Parish of St. Mary, State of Louisiana  
Amelia, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana ("Commission"), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Management has omitted the 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of compensation, benefits and other payments to the board of commissioners is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to the board of commissioners is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

## ***Darnall, Sikes & Frederick***

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
June 25, 2024

## **BASIC FINANCIAL STATEMENTS**

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position  
December 31, 2023

ASSETS

Current assets.	
Cash and cash equivalents	\$ 1,476,390
Investments	150,735
Receivables:	
Accounts	107,063
Ad valorem taxes	571,200
Due from St. Mary Parish Council	27,507
Inventories	152,417
Prepaid expenses	<u>34,646</u>
Total current assets	2,519,958
Nonecurrent assets:	
Restricted assets:	
Customer deposits	91,701
Capital assets:	
Nondepreciable	2,146,893
Depreciable, net of accumulated depreciation	<u>4,360,897</u>
Total capital assets	<u>6,507,790</u>
Total assets	<u>\$ 9,119,449</u>

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

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position  
December 31, 2023

LIABILITIES

Current liabilities:

Accounts payable - trade	\$ 313,529
Accrued payroll and payroll taxes	146,330
Retainage payable	82,021
Due to St. Mary Parish Council	<u>47,589</u>
Total current liabilities	589,469
Current liabilities payable from restricted assets -	
Customers' meter deposits	<u>91,701</u>
Total liabilities	681,170

NET POSITION

Net investment in capital assets	6,507,790
Restricted for maintenance	1,000,000
Unrestricted	<u>930,489</u>
Total net position	<u>8,438,279</u>

Total liabilities and net position \$ 9,119,449

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



WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended December 31, 2023

Operating revenues:	
Water sales	\$ 581,951
Sewer fees	388,021
Delinquent charges	13,848
Reconnect charges	6,931
Transfer fees	2,260
Garbage collection commissions	14,151
Miscellaneous	<u>14,337</u>
Total operating revenues	1,021,499
Operating expenses:	
Salaries and payroll taxes	525,082
Installation and repair of lines, hydrants, pumps and meters	144,292
Plant maintenance	288,745
Sewer maintenance	71,905
Field maintenance	26,798
Repairs and maintenance of buildings and towers	1,243
Depreciation	381,092
Commissioners' fees	4,080
Utilities	75,963
Insurance	92,602
Miscellaneous	15,216
Employee medical insurance	171,514
Postage	5,964
Professional services	49,648
Contract labor	3,718
Printing and office supplies	13,176
Telephone	14,120
Vehicle	27,298
Parish pension deduction	20,554
Pension expense	38,914
Chemicals	44,060
Plant supplies	1,698
Pond testing fees	104,590
Permit fees	2,659
Uniforms	10,519
Water purchase	<u>378,531</u>
Total operating expenses	<u>2,513,981</u>
Operating loss	(1,492,482)
Nonoperating revenues:	
Ad valorem taxes	626,165
Interest	<u>10,857</u>
Total nonoperating revenues	<u>637,022</u>
Change in net position	(855,460)
Net position, beginning	<u>9,293,739</u>
Net position, ending	<u>\$ 8,438,279</u>

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

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows  
For the Year Ended December 31, 2023

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,034,040
Payments to suppliers for goods and services	(1,373,523)
Payments to employees	<u>(526,677)</u>
Net cash used by operating activities	(866,160)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Ad valorem taxes	<u>552,084</u>
Net cash provided by noncapital financing activities	552,084

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	<u>(1,082,084)</u>
Net cash used by capital and related financing activities	(1,082,084)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned on investments	<u>3,452</u>
Net cash provided by investing activities	<u>3,452</u>
Net decrease in cash and cash equivalents	(1,392,708)
Cash and cash equivalents - January 1, 2023	<u>2,960,799</u>
Cash and cash equivalents - December 31, 2023	<u><u>\$ 1,568,091</u></u>

**Reconciliation of operating loss to net cash used by operating activities:**

Operating loss	\$(1,492,482)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	381,092
Increase in accounts receivable	(14,480)
Decrease in inventories	42,086
Increase in prepaid expenses	(3,710)
Increase in accounts payable	159,623
Decrease in payroll related liabilities	(1,595)
Increase in retainage payable	36,285
Increase in due to other governments	25,861
Increase in customers' meter deposits	<u>1,160</u>
Total adjustments	<u>626,322</u>
Net cash used by operating activities	<u><u>\$ (866,160)</u></u>

**Reconciliation of total cash:**

Current assets - cash	\$ 1,476,390
Restricted assets - cash	<u>91,701</u>
Total cash	<u><u>\$ 1,568,091</u></u>

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

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

INTRODUCTION

Pursuant to Ordinance No. 1281 adopted by the St. Mary Parish Council on October 27, 1995, the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission) was created on January 24, 1996 to provide water and sewerage services to the customers of the former Waterworks District No. 3 of the Parish of St. Mary, State of Louisiana, the former Sewerage District No. 4 of the Parish of St. Mary, State of Louisiana, and that area of Sewerage District No. 1 of the Parish of St. Mary, State of Louisiana, outside the corporate limits of Morgan City, Louisiana. Effective July 1, 1996, the operations of Waterworks District No. 3 and Sewerage District No. 4 were incorporated into the Commission Sewerage District No. 1 of the Parish of St. Mary merged into Commission in October 1999. The Commission is a component unit of the Parish of St. Mary. The Commission is an integral part of the Parish of St. Mary for financial reporting purposes. The more significant of the Commission's accounting policies are described below.

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24.513 and the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of certain significant policies:

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. The criteria include.

1. Appointment of a voting majority of the governing board
  - a. The ability of the reporting entity to impose its will on the organization.
  - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 14, the Commission is a component unit of the St. Mary Parish Council, the reporting entity (the Oversight Unit). The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the St. Mary Parish Council.

Fund Accounting

The accounts of the Commission are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The proprietary fund is accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are water and sewer user fees. The operating cost of the proprietary fund is all costs associated with the operation of the water and sewer distribution system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Resources

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

Inventories

Proprietary fund inventories consist of chemicals and parts. Inventory is valued at lower of cost or market using the first-in, first-out method (FIFO).

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$2,000 or more for furniture and \$5,500 or more for equipment are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair market value as of the date received. The costs of maintenance and repairs are expensed as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 10 years
Improvements other than building	25 years

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with maturity of three months or less when purchased.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Under state law, the Commission may deposit funds within a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in the United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. All of the Commission's investments are in LAMP, which are stated at fair value.

Ad Valorem Tax

The Commission levies an ad valorem tax based on property values determined by the Parish Tax Assessor's Office. The levy is effective and becomes an enforceable lien on the property upon mailing of the tax bills to property owners (usually between November 1 and November 15). Tax payment is due by December 31 and becomes delinquent on January 1 at which time interest begins to accrue. The taxes are billed and collected by the St. Mary Parish Sheriff's Office. The Commission is a proprietary fund and recognizes the taxes as non-operating revenues in the year in which they are levied.

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 2023 are considered to be collectible.

Equity Classifications

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position items 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 provisions or enabling legislation.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the Commission.

Use of Estimates

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

Vacation and Sick Leave

Vacation and sick leave are accrued as an expense of the period in which incurred. Accrued vacation pay and sick leave for the year ended December 31, 2023 was \$133,280.

Leases

The Commission applies the provisions of GASB Statement No. 87, *Leases*. This pronouncement enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. There was no asset or liability to recognize in the year ended December 31, 2023.

Subsequent Events

The Commission has evaluated subsequent events through June 25, 2024, the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the Commission's cash and interest-bearing deposits with financial institutions at December 31, 2023 totaled \$1,568,091 and the bank balance was \$1,591,476.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Federal deposit insurance covered \$250,121 of the deposits while the remaining deposits were covered by collateral held by the pledging bank's agent in the amount of \$1,898,396. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Louisiana R.S. 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 Commission that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 INVESTMENTS

Investments held at December 31, 2023 consist of \$150,735 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955.

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

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

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

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

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

Interest rate risk – LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to



WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 3 INVESTMENTS (CONTINUED)

not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating variable rate investments. The WAM for LAMP's total investments is 70 days as of December 31, 2023.

Foreign currency risk – Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

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

NOTE 4 AD VALOREM TAXES

For the year ended December 31, 2023, the Commission levied taxes of 9.99 mills for maintenance and operation on property within the Commission's boundaries. The total assessed valuation on these properties was \$66,138,162 and total taxes levied were \$659,160. Taxes receivable at December 31, 2023 were \$571,200.

NOTE 5 DUE FROM ST. MARY PARISH COUNCIL

The amount due from St. Mary Parish Council at December 31, 2023, consisted of unpaid reimbursements of \$27,507 for expenses incurred by the Commission relating to the St. Mary Drainage Project.

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WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance <u>12/31/2022</u>	Additions	Deletions	Balance <u>12/31/2023</u>
Capital assets not being depreciated:				
Land and improvements	\$ 205,726	\$ -	\$ -	\$ 205,726
Construction in progress	<u>881,337</u>	<u>1,094,586</u>	<u>(34,756)</u>	<u>1,941,167</u>
Total capital assets not being depreciated	1,087,063	1,094,586	(34,756)	2,146,893
Capital assets being depreciated:				
Building and improvements	4,474,713	-	-	4,474,713
Equipment and furniture	942,348	-	-	942,348
Improvements other than buildings	<u>13,061,891</u>	<u>22,254</u>	<u>-</u>	<u>13,084,145</u>
Total capital assets being depreciated	18,478,952	22,254	-	18,501,206
Less accumulated depreciation for:				
Building and improvements	(3,071,686)	(100,673)	-	(3,172,359)
Equipment and furniture	(633,914)	(60,531)	-	(694,445)
Improvements other than buildings	<u>(10,053,617)</u>	<u>(219,888)</u>	<u>-</u>	<u>(10,273,505)</u>
Total accumulated depreciation	<u>(13,759,217)</u>	<u>(381,092)</u>	<u>-</u>	<u>(14,140,309)</u>
Capital assets being depreciated, net	<u>4,719,735</u>	<u>(358,838)</u>	<u>-</u>	<u>4,360,897</u>
Capital assets, net	<u>\$ 5,806,798</u>	<u>\$ 735,748</u>	<u>\$ (34,756)</u>	<u>\$ 6,507,790</u>

Depreciation charged to expense was \$381,092 for the year ended December 31, 2023.

NOTE 7 RESTRICTED ASSETS

The Commission's restricted assets consisted of the following at December 31, 2023:

Customers' meter deposits

Cash	<u>\$ 91,701</u>
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WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to Financial Statements

NOTE 8 EMPLOYEE RETIREMENT PLAN

Federal regulations require that all state and local government employees not covered by the Federal Insurance Contributions Act be covered by some alternate retirement plan after June 30, 1991. The Commission chose to establish a simplified employee-retirement plan (SEP) whereby the Commission deposits an amount equal to 7.50% of total wages. Under a SEP, an individual retirement account (IRA) is set up for each participating employee and contributions are made directly into that IRA.

All employees 18 years of age or older are immediately covered and fully vested under the plan.

Total pension expense recorded by the Commission for contributions to the retirement plan for the years ended December 31, 2023, 2022, and 2021 was \$38,914, \$38,935, and \$35,405, respectively.

NOTE 9 NET POSITION RESTRICTED FOR OPERATIONS AND MAINTENANCE

A portion of net position has been restricted for future operations and maintenance of the Commission. The restricted amount at December 31, 2023 was \$1,000,000.

NOTE 10 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions or limits during the year ended December 31, 2023. Settled claims have not exceeded the commercial coverage in any of the previous five fiscal years.

NOTE 11 CONTINGENCIES

The Commission operates a sewerage collection and transport system, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of management, all applicable regulations have received full compliance. However, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

NOTE 12 LITIGATION

On December 23, 2021, property falling into the jurisdiction of the Commission was damaged by a marine vessel. The Commission is seeking recovery of the cost of repairs. As of June 25, 2024, the Commission has only incurred legal fees associated with recovering those costs. At this point, an estimate of the total cost to repair is not available.

**OTHER SUPPLEMENTARY INFORMATION**

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 2023 and 2022

Records maintained by the Commission indicated the following number of water customers were being served during the month of December:

2023	1,157
2022	1,158

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Insurance Policies in Force  
(Unaudited)  
December 31, 2023

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
Property and office building	April 30, 2024	\$6,807,590
General liability coverage:		
General aggregate	April 30, 2024	3,000,000
Products aggregate	April 30, 2024	3,000,000
Personal and advertising injury	April 30, 2024	1,000,000
Each occurrence	April 30, 2024	1,000,000
Damage to rented premises	April 30, 2024	1,000,000
Medical expenses	April 30, 2024	10,000
Business auto		
Commercial auto	April 30, 2024	1,000,000
Uninsured motorists	April 30, 2024	100,000
Underinsured motorists	April 30, 2024	100,000
Crime	April 30, 2024	10,000
Umbrella		
Each occurrence	April 30, 2024	2,000,000

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Compensation, Benefits and Other Payments to the Board of Commissioners  
Year Ended December 31, 2023

	Number of Meetings Attended	Total Compensation
Carlo Gagliano, Jr., President	13	\$ 780
Leroy Trim, Vice President	14	840
Kenneth Mire, Commissioner	14	840
Oscar Toups, Commissioner	13	780
Carla Gagliano, Commissioner	14	840
		\$ 4,080

Act 706 of the 2014 Louisiana Legislative Session amended R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's president. For the year ended December 31, 2023, the Commission's president, Carlo Gagliano, Jr., received \$780 in per diem payments.

**INTERNAL CONTROL  
AND  
COMPLIANCE**





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*

To the Board of Commissioners  
Water and Sewer Commission No. 1  
of the Parish of St. Mary, State of Louisiana  
Amelia, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana ("Commission"), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 25, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

## **The Commission's Response to Finding**

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

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

*Darnall, Sikes & Frederick*

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 25, 2024

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings  
Year Ended December 31, 2023

Section I Internal Control and Compliance Material to the Financial Statements

2022-001 Inadequate Segregation of Accounting Functions

Condition: Due to the small number of accounting personnel, the St. Mary Parish Water and Sewer Commission No 1 did not have adequate segregation of functions within the accounting system.

Recommendation: Based upon the size of the operation and the cost-benefit consideration of additional personnel, it may not be feasible to achieve complete segregation of duties.

Status: This finding is unresolved. See current year finding 2023-001.

2022-002 Noncompliance with Louisiana R.S. 49:125

Condition. Minimum bids were not set for assets advertised for surplus sale.

Recommendation: We recommend that a value of the property intended to surplus be established as a minimum bid and documented prior to advertising the sale.

Status: This finding was resolved in current year.

Section II Internal Control and Compliance Material to Federal Awards

At December 31, 2022, Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable

Section III Management Letter

A management letter was not issued for the year ended December 31, 2022.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses  
Year Ended December 31, 2023

Part 1: Summary of Auditor's Reports

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana's financial statements as of and for the year ended December 31, 2023.

Deficiencies in Internal Control – Financial Reporting

One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2023-001 in Part 2. Item 2023-001 is considered to be a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2023.

MANAGEMENT LETTER

A management letter was not issued for the year ended December 31, 2023.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2023-001 Inadequate Segregation of Accounting Functions

Criteria: Best practices for internal controls over accounting functions require that adequate segregation of accounting functions be maintained.

Condition: Due to the small number of accounting personnel, the Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not have adequate segregation of functions within the accounting system.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal control led to this condition.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses  
Year Ended December 31, 2023

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*  
(continued)

Effect: The likelihood that a material misstatement will not be prevented or detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

Recommendation: An analysis of the benefits that would be obtained by adequately segregating functions within the accounting system and the costs to employ additional individuals to achieve adequate segregation should be performed.

Views of Responsible Officials and Planned Corrective Actions: This information is reported in a separate schedule titled "Management's Corrective Action Plan for Current Year Findings".

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 2023, Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore this section is not applicable.

WATER AND SEWER COMMISSION NO. 1  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings  
Year Ended December 31, 2023

Response to Finding 2023-001:

Management is aware of the condition and has determined that based upon the size of the Commission and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Name and Title of Contact Person: Carlo Gaghano, Jr., President



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the St. Mary Parish Water and Sewer Commission No. 1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. The St. Mary Parish Water and Sewer Commission No. 1's (Entity's) management is responsible for those C/C areas identified in the SAUPs.

The Entity has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 to December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### 1) *Written Policies and Procedures*

---

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations.
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.  
*Written policies and procedures were obtained and address all functions noted above.*
  - ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.  
*Written policies and procedures were obtained and address all functions noted above.*
  - iii. **Disbursements**, including processing, reviewing, and approving.  
*Written policies and procedures were obtained and address all functions noted above.*
  - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections

for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Written policies and procedures were obtained and address all functions noted above.*

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.  
*Written policies and procedures were obtained and address all functions noted above.*
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.  
*Written policies and procedures were obtained and address all functions noted above.*
- vii. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.  
*Written policies and procedures were obtained and address all functions noted above.*
- viii. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)  
*Written policies and procedures were obtained and address all functions noted above*
- ix. **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 documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.  
*Written policies and procedures were obtained and address all functions noted above*
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.  
*Not applicable, the entity has no outstanding debt.*
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.  
*Written policies and procedures were obtained and address all functions noted above.*
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.  
*Written policies and procedures were obtained and address all functions noted above.*

## **2) Board or Finance Committee**

---

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



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

*No exceptions noted.*

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarter budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

*The minutes for the entity did not contain quarterly budget-to-actual comparisons on the proprietary fund*

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

*Not applicable*

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

*No exceptions noted.*

### **3) Bank Reconciliations**

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

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

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

*No exceptions noted.*

- ii. Bank reconciliations include written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

*No exceptions noted.*

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

*No exceptions noted.*

#### 4) Collections (excluding electronic fund transfers)

---

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

*Obtained listing of deposit sites and management's representation that the listing is complete.*

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

- i. Employees that are responsible for cash collections do not share cash drawers registers.

*Employees responsible for cash collections share the same drawer.*

- ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*Employees responsible for collecting cash are also responsible for preparing/making bank deposits.*

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

*Employees responsible for collecting cash are also responsible for posting collection entries to the general ledger.*

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation

*Employees responsible for reconciling cash collections to the general ledger are also responsible for collecting cash.*

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

*No exceptions noted.*

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.

*No exceptions noted.*

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

*No exceptions noted.*

- iii. Trace the deposit slip total to the actual deposit per the bank statement.  
*No exceptions noted.*
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).  
*No exceptions noted.*
- v. Trace the actual deposit per the bank statement to the general ledger.  
*No exceptions noted.*

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

---

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).  
*Listing of locations that process payments and management's representation that the listing is complete was obtained.*
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.  
*No exceptions noted.*
  - ii. At least two employees are involved in processing and approving payments to vendors.  
*No exceptions noted.*
  - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.  
*No exceptions noted.*
  - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.  
*Employee who mails payments is also responsible for processing payments.*
  - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic transfer (EFT), wire transfer, or some other electronic means.  
*No exceptions noted.*
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

*No exceptions noted.*

- ii. Observe whether the disbursement documentation included evidence (e.g., initial date, electronic logging) of segregation of duties tested under #5B above, as applicable.

*See exception #5B(iv) above. No other exceptions noted.*

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

*No exceptions noted.*

#### **6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (cards)**

---

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

*Listing of active credit cards, bank debit cards, fuel cards, and purchase cards, including the card numbers and the names of the persons who maintained possession of the cards, and management's representation that the listing is complete was obtained.*

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

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

*No exceptions noted.*

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

*No exceptions noted.*

- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*No exceptions noted.*

## **7) Travel and Travel-Related Expense Reimbursement**

---

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).  
*Not applicable.*
  - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.  
*No exceptions noted.*
  - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii).  
*No exceptions noted.*
  - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.  
*No exceptions noted.*

## **8) Contracts**

---

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- Listing of all contracts in effect and management's representation that the listing is complete was obtained.*
- i. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.  
*Not applicable.*
  - ii. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).  
*No exceptions noted.*
  - iii. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented.)  
*Not applicable.*

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions noted.*

## **9) Payroll and Personnel**

---

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

*Listing of employees and management's representation that the listing is complete was obtained. Authorized salaries/pay rates traced to personnel files without exception.*

- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

- i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*No exceptions noted*

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

*No exceptions noted*

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

*No exceptions noted.*

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

### ***10) Ethics***

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- A. Using the 5 randomly selected employees officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.  
*No exceptions noted.*
  - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.  
*Not applicable.*
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.  
*No exception noted.*

### ***11) Debt Service***

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- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, section 8 of the Louisiana Constitution.  
*Not applicable.*
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).  
*Not applicable.*

### ***12) Fraud Notice***

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- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24.523.  
*No misappropriations of public funds and assets noted*
- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24.523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.  
*No exceptions noted.*

### ***13) Information Technology Disaster Recovery/Business Continuity***

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- A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.  
*We performed the procedure and discussed the results with management.*
  - ii. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.  
*We performed the procedure and discussed the results with management.*
  - iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.  
*We performed the procedure and discussed the results with management.*
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.  
*No exceptions noted.*
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the employees/officials with access to the agency’s information technology assets have completed cybersecurity training as required by R.S. 42:1267.  
*Employees with access to information technology assets do not have completed cybersecurity training.*

### ***14) Prevention of Sexual Harassment***

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- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.  
*No exceptions noted.*
- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).  
*No exceptions noted.*
- C. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:



- i. Number and percentage of public servants in the agency who have completed the training requirements:  
*Observed 93% of public servants in the agency have completed training requirements without exception*
- ii. Number of sexual harassment complaints received by the agency:  
*No sexual harassment complaints were received by the agency.*
- iii. Number of complaints which resulted in a finding that sexual harassment occurred:  
*Not applicable.*
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action: and  
*Not applicable.*
- v. Amount of time it took to resolve each complaint.  
*Not applicable.*

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

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

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

***Darnall, Sikes & Frederick***  
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 25, 2024

# **ST. MARY PARISH WATER & SEWER COMMISSION #1**

POST OFFICE BOX 309

AMELIA, LOUISIANA 70340-0309

WATER PHONE NO. 631-2907 SEWER PHONE NO. 631-0518

## **Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response**

### **Board or Finance Committee**

- 2) A. ii. Management plans to document a budget to actual comparison at least quarterly at meetings in the 2024 fiscal year.

### **Collections**

- 4) B. i. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
- 4) B. ii. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
- 4) B. iii. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
- 4) B. iv. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

### **Non-Payroll Disbursements**

- 5) B. iv. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
- 5) C. ii. Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

### **Information Technology Disaster Recovery/Business Continuity**

- 13) C. Management plans to complete training in accordance with the requirements.