

**ST. MARY PARISH WARDS 5 AND 8  
JOINT SEWERAGE COMMISSION**

Patterson, Louisiana

Financial Report

Year Ended September 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
St. Mary Parish Wards 5 and 8 Joint Sewerage Commission  
Berwick, Louisiana

We have audited the accompanying financial statements of the business-type activities of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2012, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of the Commission as of September 30, 2012 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of insurance in force on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 that information.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 28, 2013

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Internal Service Fund  
Statement of Net Assets  
September 30, 2012

ASSETS

	Business-type activities
Current assets	
Cash and cash equivalents	\$ 502,834
Due from other governments	105,418
Prepaid insurance	16,221
Other current assets	1,154
Total current assets	625,627
Noncurrent assets	
Capital assets:	
Not being depreciated	114,779
Net of accumulated depreciation	968,180
	1,082,959
Other assets	
Deposits	2,402
	1,710,988

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	46,104
Deferred revenue	5,600
Total current liabilities	51,704
Noncurrent liabilities	
Due to participants	99,110
Total liabilities	150,814
Net assets	
Invested in capital assets	968,180
Unrestricted	591,994
Total net assets	\$ 1,560,174

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Internal Service Fund  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended September 30, 2012

	<u>Business-type activities</u>
Operating revenues	
Charges for services	\$ 907,076
Operating expenses	
Truck and fuel	9,957
Chemicals	24,761
Insurance	40,033
Contract labor	14,526
Legal and accounting	6,105
Miscellaneous	1,576
Supplies	7,060
Repairs and maintenance	389,803
Salaries	86,522
Taxes - payroll	1,263
Medical	1,846
Utilities	321,101
Retirement	17,335
Meetings and seminars	165
Engineering	10,720
Depreciation	79,479
Lab fees	17,270
Uniforms	2,682
Board meeting per diem	3,000
Telephone	6,768
Grass cutting	26,130
Total operating expenses	<u>1,068,102</u>
Loss from operations	(161,026)
Non-operating revenues	
Interest income	<u>532</u>
Change in net assets	(160,494)
Net assets, beginning of year	<u>1,720,668</u>
Net assets, end of year	<u><u>\$ 1,560,174</u></u>

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Internal Service Fund  
Statement of Cash Flows  
Year Ended September 30, 2012

	Business-type activities
Cash flows from operating activities	
Received from participants and other governments	\$ 924,049
Paid to suppliers	(894,693)
Paid to and for employees	(123,257)
Net cash used by operating activities	(93,901)
Cash flows from capital and related financing activities	
Acquisition of capital assets	(35,101)
Cash flows from investing activities	
Interest income	532
Net decrease in cash and cash equivalents	(128,470)
Cash and cash equivalents, beginning of year	631,304
Cash and cash equivalents, end of year	\$ 502,834
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (161,026)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	79,479
Changes in assets and liabilities -	
Decrease in due from other governments	16,973
Decrease in prepaid insurance	7,310
Decrease in accounts payable	(36,637)
Net cash used by operating activities	\$ (93,901)

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (the "Commission") was established in May 1984 by an intergovernmental agreement between the participants, the Town of Berwick, the City of Patterson, St. Mary Parish Sewerage District No. 2, and the St. Mary Parish Government. The Commission's sole responsibility and duty is to maintain, operate, and administer the sewerage treatment facility that is jointly owned by the participants.

During the year ended September 30, 1995, the St. Mary Parish Government entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Government's component units, St. Mary Parish Sewerage District No. 2 and St. Mary Parish Sewerage District No. 8. In October 2000, the St. Mary Parish Council combined St. Mary Parish Sewerage District No. 2 and St. Mary Parish Waterworks District No. 2 to create St. Mary Parish Water and Sewer Commission No. 2. These components of the Parish of St. Mary are currently participants in the funding of the operations of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission.

The following participants funded the operations of the Commission as of September 30, 2012:

- Town of Berwick
- City of Patterson
- St. Mary Parish Water and Sewerage Commission No. 2
- St. Mary Parish Sewerage District No. 8

A. Reporting Entity

As the governing authority of the parish, for financial reporting purposes the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, 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 (GASB) No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criterion includes:

1. Appointing a voting majority of an organization's governing body, and (a) the ability of the Parish to impose its will on the organization, and/or (b) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Parish.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

2. Organizations for the Parish do not appoint a voting majority but are fiscally dependent on the Parish Council.
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 or significance of the relationship.

Because the Parish Council appoints a voting majority of the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

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

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. 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 two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an internal service fund.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, it is the Commission's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Commission has not adopted any Financial Accounting Standards Board (FASB) or Accounting Principles Board (APB) opinions issued after November 30, 1989.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

Internal service funds –

An internal service fund is a proprietary fund that is used to account for any activity that provides goods or services to other governments, on a cost-reimbursement basis. The operating revenues of the Commission come from sales to municipal and other governmental customers. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Internal service fund activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Internal service fund equity is classified as net assets.

Basis of Accounting

Internal service funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the statement of cash flows, “cash and equivalents” include demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Prepaid items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

Capital assets

Capital assets, which include property, plant and equipment, are reported in the statement of net 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 the donation. The Commission maintains a threshold level of \$1,500 for capitalizing assets.

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

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

Buildings and improvements	10-25 years
Equipment	7-15 years
Vehicles	5-10 years

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

Compensated absences

The Commission currently employs one full-time employee. The employee earns vacation and sick leave benefits based on length of service. Sick leave does not accumulate and is not payable upon termination. Accumulated vacation, sick leave and compensatory time are recorded as an expense of the period in which it is paid. At September 30, 2012, the unrecorded liability for earned but unpaid vacation is immaterial and therefore, not recorded.

Equity classifications

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

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

E. Revenues and Expenses

The Commission uses the following practices in recording certain revenues and expenses:

Revenues

Charges for sewerage service are based upon usage and are recorded as revenues and receivables in the month the service is provided. Investment earnings are recorded when earned.

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

Expenses

Expenses are recognized in the period that the liabilities are incurred.

F. Budgets

The Commission is not legally required to and does not adopt a budget.

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks having principal offices in Louisiana. At September 30, 2012, the Commission had cash and cash equivalents (book balances) totaling \$502,834 in non-interest bearing and interest bearing demand deposits.

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2012, the Commission had \$565,824 in deposits (collected bank balances) which were secured from risk by \$429,332 of federal deposit insurance and \$176,863 of pledged securities held by the custodial bank.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. As of September 30, 2012, the Commission's total bank balances were fully insured and collateralized with securities held in the name of the Commission by the pledging financial institution's agent and therefore not exposed to custodial credit risk.

(3) Due from other Governmental Units

Due from other governmental units are amounts due from each participant for unpaid user fees of the sewerage system and reimbursements of expenses from other governmental units.

At September 30, 2012, amounts due from other governmental units consisted of the following:

Sewer treatment charges:

St. Mary Parish Water and Sewer Commission No. 2	\$ 18,291
St. Mary Parish Sewerage District No. 8	17,011
Town of Berwick	20,725
St. Mary Parish Government	6,304
City of Patterson	43,087
Total due from other governments	\$ 105,418

(4) Capital Assets

Capital asset and depreciation activity for the year ended September 30, 2012 is as follows:

	Beginning of year	Increases	Decreases	End of year
Capital assets not being depreciated				
Construction in progress	\$ 114,779	\$ -	\$ -	\$ 114,779
Other capital assets				
Buildings and improvements	1,660,037	3,000	-	1,663,037
Equipment	502,009	32,101	-	534,110
Vehicles	38,657	-	-	38,657
Total other capital assets, at cost	2,200,703	35,101	-	2,235,804
Less accumulated depreciation for				
Buildings and improvements	705,982	63,089	-	769,071
Equipment	447,086	12,813	-	459,899
Vehicles	35,077	3,577	-	38,654
Total accumulated depreciation	1,188,145	79,479	-	1,267,624
Total capital assets, net	\$ 1,127,337	\$ (44,378)	\$ -	\$ 1,082,959

Depreciation expense related to the utilization of fixed assets for the year ended September 30, 2012 was \$79,479.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

(5) Due to Participants

At September 30, 2012, advances received from participants are as follows:

St. Mary Parish Sewerage District No. 8	\$ 4,518
Town of Berwick	27,993
City of Patterson	31,292
St. Mary Parish Government	15,820
St. Mary Parish Water and Sewer Commission No. 2	<u>19,487</u>
Total due to participants	<u>\$ 99,110</u>

(6) Pension Plan

The Commission contributes to the Parochial Employees Retirement System of Louisiana (Plan A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The system provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The system was established by the Louisiana Legislature by Act 205 of 1952 and revised by Act 765 of 1979. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and the Commission is required to contribute at a rate established by the State Legislature. The current rate is 15.75% of annual covered payroll. The Commission's actual contributions to the system for the years ended September 30, 2012, 2011 and 2010 were approximately \$13,511, \$12,041, and \$11,269 respectively. The contributions were equal to the statutorily required contributions for each year.

(7) Sewerage Fees

In order to defray the cost of maintaining the system, the Commission charges each participant \$1.80 per thousand gallons of water consumed by each participant's water customers. The Commission has set aside \$0.15 of each \$1.80 charged in a money market account specifically for any repairs paid by the Commission. The remaining \$1.65 is used to fund the Commission's operating expenses. At September 30, 2012, the balance in the repair and replacement money market account was \$55,847.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

(8) Compensation of Board Members

Board members received the following per diems for the year ended September 30, 2012:

Lonnie Easley	\$ 600
Harlan Guillot, Jr	600
Tony Hensgens	600
Rafael Lopez	600
David Lowery	600
	<u>600</u>
	<u>\$ 3,000</u>

(9) Contingencies

The Commission operates a sewerage treatment plant, which is regulated by the Louisiana Department of Environmental Quality (DEQ) and the US Environmental Protection Agency (EPA). In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(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, retention, or limits during the year ended September 30, 2012. Settled claims have not exceeded the commercial coverages in any of the previous three years.

(11) New Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to the governmental and business-type activities and proprietary funds of state and local governments. The provisions of GASB No. 62 must be implemented by the Commission for the year ending September 30, 2013. The effect of implementation on the Commission's financial statements has not yet been determined.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Notes to Financial Statements (continued)

In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement changes how governments will organize their statements of financial position (such as the current statements of net assets). Under this standard, financial statements will include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. The provision of GASB No. 63 must be implemented by the Commission for the year ending September 30, 2013. The effect of implementation on the Commission's financial statements has not yet been determined.

**SUPPLEMENTARY INFORMATION**

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Schedule of Insurance in Force  
Year Ended September 30, 2012

<u>Insurer</u>	<u>Type of Coverage</u>	<u>Coverage</u>		<u>Exp Date</u>
American Alternative Insurance Company	Public officials and management liability	Aggregate	\$ 3,000,000	7/2/2013
American Alternative Insurance Company	Cyber Liability crisis management	Aggregate	\$ 1,000,000 50,000	7/2/2013
Allstate Insurance	Commercial property	Buildings Personal property	270,000 1,053,250	7/2/2013
American Alternative Insurance Company	Auto	Combined	1,000,000	7/2/2013
LWCC Insurance Company	Worker's compensation	Each accident Aggregate	1,000,000 1,000,000	7/2/2013
American Alternative Insurance Company	General liability	Aggregate Each occurrence	3,000,000 1,000,000	7/2/2013
American Alternative Insurance Company	Commercial umbrella	Aggregate Each occurrence	1,000,000 1,000,000	7/2/2013

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners  
St. Mary Parish Wards 5 and 8 Joint Sewerage Commission  
Berwick, Louisiana

We have audited the financial statements of the business-type activities of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (the Commission) as of and for the year ended September 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 28, 2013. 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.

### Internal Control over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of auditor's results and findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2012-1 in the accompanying schedule of auditor's results and findings to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, 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 the finding identified in our audit is described in the accompanying management's corrective plan for current year audit findings. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commission's management, others within the organization, the St. Mary Parish Government, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. 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 Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 28, 2013

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2012

A. Internal Control and Compliance Material to the Financial Statements -

2011-1 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CURRENT STATUS: This finding has not been resolved and will be reiterated in 2012.

2011-2 – Failure to Timely Submit Audit Report

CONDITION: The Commission's audit report was not completed and submitted to the Office of the Legislative Auditor within six months of year end.

CURRENT STATUS: This finding has been resolved.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Schedule of Auditor's Results and Findings  
Year Ended September, 30, 2012

Part 1: Summary of Auditor's Results

An unqualified opinion has been issued on the Commission's financial statements as of and for the year ended September 30, 2012.

There was one deficiency in internal control over financial reporting noted during the audit of the financial statements. This deficiency is reported as item 2012-1 in Part 2 of this schedule and is considered a material weakness.

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

For the year ended September 30, 2012, the Commission did not meet the requirements to have a single audit in accordance with OMB Circular A-133. Therefore, this section is not applicable.

Part 2: Findings Reported in Accordance with *Government Auditing Standards*

A. Internal Control Findings-

2012-1 Lack of 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 Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize and report financial data consistent with the assertions embodied in financial statements.

CAUSE: Due to limited personnel performing administrative functions, the same person prepares checks, reconciles bank statements, enters information into the general ledger and prepares journal entries and posts to the general ledger.

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

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Schedule of Auditor's Results and Findings  
Year Ended September, 30, 2012

Part 3: Findings and Questioned Costs Relating to Federal Award Programs

This section is not applicable for the year ended September 30, 2012.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION  
Patterson, Louisiana

Corrective Action Plan for Current Year Findings  
Year Ended September, 30, 2012

2012-1– Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated

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