

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**
Charenton, Louisiana

Financial Report

Year Ended September 30, 2022

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Matthew E. Margaglio, CPA*
Casey L. Ardoin, CPA, CFE*
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Nicholas Fowlkes, CPA
Deidre L. Stock, CPA

C. Burton Kolder, CPA*
Of Counsel

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA – retired 2022

* A Professional Accounting Corporation

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

WWW.KCSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2022, 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 basic financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements

Management is responsible for 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

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

(asset), schedule of employer contributions, or the note to retirement system schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023, 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 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 13, 2023

BASIC FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana
Statement of Net Position
September 30, 2022

ASSETS

Current assets:	
Cash and interest-bearing deposits	\$ 252,017
Receivables:	
Accounts receivable	170,376
Due from other governments	502,440
Prepaid expenses	<u>31,972</u>
Total current assets	<u>956,805</u>
Noncurrent assets:	
Restricted assets:	
Cash and interest-bearing deposits	1,081,431
Capital assets:	
Land and construction in progress	172,310
Other, net of accumulated depreciation	8,711,825
Other assets:	
Net pension asset	<u>335,618</u>
Total noncurrent assets	<u>10,301,184</u>
Total assets	11,257,989

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension asset	<u>63,703</u>
Total assets and deferred outflows of resources	<u>\$ 11,321,692</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position (continued)
September 30, 2022

LIABILITIES

Current liabilities:	
Cash overdraft	\$ 56,210
Accrued liabilities	17,212
Due to other governmental units	122,146
Payable from restricted assets:	
Current maturities of bonds payable	432,388
Refundable deposits	<u>188,225</u>
Total current liabilities	<u>816,181</u>
Noncurrent liabilities:	
Bonds payable	3,079,069
Compensated absences	<u>106,155</u>
Total noncurrent liabilities	<u>3,185,224</u>
Total liabilities	<u>4,001,405</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension asset	<u>256,365</u>
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NET POSITION

Net investment in capital assets	5,372,678
Restricted for debt service	460,818
Unrestricted	<u>1,230,426</u>
Total net position	<u>7,063,922</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,321,692</u>

The accompanying notes to financial statements are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2022

OPERATING REVENUES	
Water sales	\$ 1,300,209
Sewer user and inspection fees	332,157
Commissions and fees for services	51,841
Other	<u>8,813</u>
Total operating revenues	<u>1,693,020</u>
OPERATING EXPENSES	
Salaries and related benefits	785,159
Supplies and materials	11,857
Operation and maintenance	903,597
Other services and charges	153,826
Plant operation	425,935
Depreciation	<u>873,937</u>
Total operating expenses	<u>3,154,311</u>
Operating loss	<u>(1,461,291)</u>
NONOPERATING REVENUES (EXPENSES)	
Ad valorem taxes	940,350
Bond interest and fiscal charges	(137,467)
Interest income	1,690
Miscellaneous income	<u>69,161</u>
Total nonoperating revenue (expenses)	<u>873,734</u>
Loss before special item	(587,557)
Recovery of bad debt	<u>260,107</u>
Change in net position	(327,450)
NET POSITION, beginning	<u>7,391,372</u>
NET POSITION, ending	<u>\$ 7,063,922</u>

The accompanying notes to financial statements are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2022

OPERATING ACTIVITIES

Receipts from customers	\$ 1,669,272
Payments for goods and services	(1,519,790)
Payments to employees	<u>(880,617)</u>
Net cash used by operating activities	<u>(731,135)</u>

NONCAPITAL FINANCING ACTIVITIES

Miscellaneous receipts	68,818
Taxes received	<u>960,797</u>
Net cash provided by noncapital financing activities	<u>1,029,615</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(385,786)
Interest and fiscal charges paid	(149,308)
Principal payments on bonds	<u>(433,942)</u>
Net cash used by capital and related financing activities	<u>(969,036)</u>

INVESTING ACTIVITIES

Interest received	<u>1,690</u>
Net decrease in cash and cash equivalents	(668,866)
Cash and cash equivalents, beginning	<u>1,946,104</u>
Cash, cash equivalents, and cash overdraft, ending	<u>\$ 1,277,238</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2022

Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	\$ (1,461,291)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-	
Depreciation	873,937
Pension expense, net of nonemployer contributions	(104,271)
Changes in assets and liabilities:	
Receivables	(14,935)
Prepaid expenses and other assets	(3,570)
Accounts payable	(8,816)
Accrued liabilities	4,010
Due to other governmental entities	(16,199)
Net cash used by operating activities	<u>\$ (731,135)</u>

Reconciliation of cash and cash equivalents per statement of cash flows to statement of net position:

Cash and cash equivalents, beginning -	
Cash and interest-bearing deposits - unrestricted	\$ 573,569
Cash and interest-bearing deposits - restricted	<u>1,372,535</u>
Total cash and cash equivalents, beginning	<u>1,946,104</u>
Cash, cash equivalents, and cash overdraft, ending -	
Cash and interest-bearing deposits - unrestricted	252,017
Cash and interest-bearing deposits - overdraft	(56,210)
Cash and interest-bearing deposits - restricted	<u>1,081,431</u>
Total cash, cash equivalents, and cash overdraft, ending	<u>1,277,238</u>
Net decrease in cash	<u>\$ (668,866)</u>

Noncash Capital and Related Financing Activities:

Acquisition of capital assets from other governments	<u>\$ 230,000</u>
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The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements

INTRODUCTION

The St. Mary Parish Water and Sewer Commission No. 4 (“Commission”) was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Mary Parish Council on January 10, 2007. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within a designated territory of St. Mary Parish. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

On July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7; however, none of the Districts were formally abolished by the Parish until September 12, 2018, when the St. Mary Parish Council adopted ordinances 2143, 2144, and 2147 abolishing Sewerage District No. 7 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, and Waterworks District No. 6 of the Parish of St. Mary, respectively.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for 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 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.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish 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 criteria includes:

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish council
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance to the relationship

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the Commission and does 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 position, changes in position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission operates as an enterprise fund.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The Commission's fund is used to account for the provision of water and sewerage collection and treatment services to residents. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

C. Measurement Focus/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

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

Basis of Accounting

The proprietary fund utilizes 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 used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, "cash and cash equivalents" include all 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. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year end.

Prepaid Items

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the statement of net position. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

The costs 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 position. 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 asset is as follows:

Water system	20-50 years
Sewer System	50 years
Buildings	40 years
Improvements	20 years
Equipment	5-20 years

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

Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts by direct write-off at the time information becomes available which would indicate the impairment of the collectability of the receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the impairment of the collectability of the particular receivable.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

The Commission reports decreases (increases) in net position that relate to future periods as deferred outflows (inflows) of resources in separate sections of its statement of net position. The Commission reports deferred outflows of resources and deferred inflows of resources related to its net pension asset/liability.

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 120 days of sick leave may be paid as a termination benefit upon retirement.

Long-term Debt

All long-term debt to be repaid from proprietary fund resources is reported as liabilities. The long-term debt consists primarily of bonds and notes payable.

Equity Classifications

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on its 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 – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

E. Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and/or services in connection with ongoing operations. The principal operating revenue is charges to customers for water consumption and the collection and treatment of wastewater. Operating revenues also include tap fees intended to recover the costs of connecting new customers to the systems. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

F. Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and the Commission has elected to not formally adopt a budget. Accordingly, budgeted amounts are not presented in this financial report.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures 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 organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2022, the Commission has cash and interest-bearing deposits (book balances) totaling \$ 1,277,238 as follows:

Cash on hand	\$	200
Demand deposits		863,564
Time deposits		<u>413,474</u>
Total cash	\$	<u>1,277,238</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

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 plus the federal deposit insurance 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.

Bank balances	\$ <u>1,345,889</u>
Federal deposit insurance	785,206
Pledged securities	<u>560,683</u>
Total insured and secured	<u>\$ 1,345,889</u>

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. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2022, deposits in the amount of \$638,552 were exposed to custodial credit risk. These deposits are uninsured but collateralized with securities held by the pledging financial institution's agent, but not in the Commission's name.

Louisiana Revised Statute 39:1225 requires that the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit, except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2022:

	<u>Interest-bearing Deposits</u>
Water improvement bonds	\$ 655,816
Customer security deposits	188,225
Revenue bond reserve fund	51,726
Capital additions and contingencies fund	53,841
Sinking fund	8,972
Reserve fund	60,177
Contingency fund	<u>62,674</u>
Total	<u>\$ 1,081,431</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and are billed to the taxpayers by the Sheriff in October or November. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Taxes and the revenue recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of St. Mary Parish and are collected by the St. Mary Parish Sheriff. The taxes are remitted to the Commission net of deductions for pension fund contributions.

The following is a summary of authorized and levied ad valorem tax millages:

	<u>Authorized/ Levied Millage</u>
Commission taxes:	
Debt millage	11.04
Bond and interest millage	7.54
Operating millage	15.35

Levied millages for debt taxes and bond and interest taxes are restricted to payment of principal and interest on general obligation bonds and are reported as nonoperating revenue on the statement of revenues, expenses, and changes in net position.

Ad valorem taxes for the operation and maintenance millage are reported as nonoperating revenue on the statement of revenues, expenses, and changes in net position.

Total taxes of \$958,458 were levied on property having assessed taxable valuations totaling \$43,857,785.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 6,926	\$ -	\$ -	\$ 6,926
Construction in progress	107,362	71,345	13,323	165,384
Total capital assets not being depreciated	<u>114,288</u>	<u>71,345</u>	<u>13,323</u>	<u>172,310</u>
Capital assets being depreciated:				
Water system	12,944,941	230,000	-	13,174,941
Sewer system	10,702,663	-	-	10,702,663
Buildings	254,025	-	-	254,025
Improvements	3,199,933	322,339	-	3,522,272
Equipment	2,080,621	5,423	-	2,086,044
Total capital assets being depreciated	<u>29,182,183</u>	<u>557,762</u>	<u>-</u>	<u>29,739,945</u>
Less accumulated depreciation for:				
Water system	(9,577,535)	(371,812)	-	(9,949,347)
Sewer system	(9,395,568)	(391,816)	-	(9,787,384)
Buildings	(61,254)	(3,034)	-	(64,288)
Improvements	(276,082)	(74,342)	-	(350,424)
Equipment	(843,744)	(32,933)	-	(876,677)
Total accumulated depreciation	<u>(20,154,183)</u>	<u>(873,937)</u>	<u>-</u>	<u>(21,028,120)</u>
Total capital assets being depreciated, net	<u>9,028,000</u>	<u>(316,175)</u>	<u>-</u>	<u>8,711,825</u>
Capital assets, net	<u>\$ 9,142,288</u>	<u>\$ (244,830)</u>	<u>\$ 13,323</u>	<u>\$ 8,884,135</u>

Depreciation expense for the year ended September 30, 2022 totaled \$873,937.

On September 1, 2022, the Commission entered into a cooperative endeavor agreement with the Town of Baldwin (Town). This agreement consolidated water services to be provided by the Commission to residents within the limits of the Town.

In accordance with the terms of the agreement, the Town agreed to transfer title of the water system upon final confirmation of the Commission's qualification of a specified grant through the State of Louisiana Water Sector Program, Round 1. Transfer of these assets will satisfy the Town's payable to the Commission. At September 30, 2022, the Commission was entitled to and accepted transfer of capital assets with a value of approximately \$230,000. Based on the facts and circumstances at September 30, 2022, the Town's outstanding receivable of approximately \$700,000 has been reduced by the assets received. Further, the allowance for doubtful accounts of approximately \$260,000 has been reversed and recovery of bad debts recognized as a special item on the statement of revenues, expenses and changes in fund net position.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

In October 2022, the Commission awarded and executed a construction contract for approximately \$192,000 for the renovation of the new administrative office located in Baldwin. Costs incurred on this project at September 30, 2022 are included as construction in progress in the schedule above.

(6) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings:					
Water revenue notes payable	\$ 658,116	\$ -	\$ 19,933	\$ 638,183	\$ 20,354
Sewer revenue bonds	769,124	-	25,850	743,274	27,034
Direct placements:					
Water improvement bonds, series 2007	30,000	-	30,000	-	-
G.O. bonds, series 2008	570,000	-	70,000	500,000	75,000
G.O. bonds, series 2014	1,670,000	-	215,000	1,455,000	225,000
G.O. refunding bonds, series 2016	260,000	-	85,000	175,000	85,000
Compensated absences	<u>106,155</u>	<u>29,186</u>	<u>29,186</u>	<u>106,155</u>	<u>-</u>
	<u>\$ 4,063,395</u>	<u>\$ 29,186</u>	<u>\$ 474,969</u>	<u>\$ 3,617,612</u>	<u>\$ 432,388</u>

Bonds payable at September 30, 2022 are comprised of the following individual issues:

\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08; due in annual installments of \$35,000-\$95,000 through March 1, 2028; interest rate of 3.94% per annum, secured by ad valorem taxation. \$ 500,000

\$900,000 Water Revenue Notes Payable, issued for constructing improvements to the waterworks plant and system, payable in Monthly installments of \$4,230 from 2003 to 2043, with interest at 4.75% per annum; secured by system revenues. \$ 638,183

\$1,100,000 Sewerage Revenue Bonds; due in monthly installments of \$4,994 beginning January 5, 2002; payable over 40 years; interest rate of 4.50% per annum. \$ 743,274

\$3,000,000 General Obligation Bonds, Series 2014, issued July 2014 for construction improvements to the waterworks plant and system, payable in annual installments of \$175,000 to \$260,000 from 2015 to 2028, semi-annual interest payable at 0.25% to 3.00% per annum. The bonds maturing March 2028 and thereafter are callable for redemption in full, or in part, after March 2024; secured by ad valorem tax revenues. \$ 1,455,000

\$655,000 General Obligation Refunding Bonds, Series 2016, dated June 22, 2016; due in annual installments of \$75,000 to \$90,000 through March 1, 2024; semi-annual interest payable at 1.875% to 2.125% per annum. \$ 175,000

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The bonds are due as follows:

Year Ending September 30,	Direct Placements		Direct Borrowings		TOTAL
	General Obligation Bonds		Revenue Bonds/Notes		
	Principal	Interest	Principal	Interest	
2023	385,000	60,413	47,388	63,300	556,101
2024	395,000	48,782	49,095	61,054	553,931
2025	320,000	37,509	51,988	58,700	468,197
2026	330,000	27,588	54,454	56,234	468,276
2027	345,000	17,013	57,037	53,651	472,701
2028 - 2032	355,000	5,772	328,429	225,011	914,212
2033 - 2037	-	-	414,095	139,345	553,440
2038 - 2042	-	-	378,971	36,008	414,979
	<u>\$ 2,130,000</u>	<u>\$ 197,077</u>	<u>\$ 1,381,457</u>	<u>\$ 693,303</u>	<u>\$ 4,401,837</u>

(7) Employee Retirement

The employer pension schedules for the Parochial Employees' Retirement System of Louisiana are prepared using the accrual basis of accounting. Members' earnable compensation, for which the employer allocations are based, is recognized in the period in which the employee is compensated for services performed.

Substantially all of the Commission's employees are covered under the Parochial Employees' Retirement System of Louisiana. Details concerning the plan are:

Plan Description: The Parochial Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. Employees of the Commission are members of Plan B.

The System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2025, specifically, and other general laws of the State of Louisiana.

The Parochial Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the report can be found on the system's website, www.persla.org, or on the Louisiana Legislative Auditor's website, www.lla.la.gov.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to these appropriate statutes for more complete information.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Eligibility Requirements: All permanent parish government employees (except those employed by Orleans, Lafourche, and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Retirement Benefits: Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with thirty (30) years of service.
2. Age 62 with ten (10) years of service.
3. Age 67 with seven (7) years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan B shall consist of an amount equal to 2% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits: Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan: Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

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

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, if not eligible for normal retirement, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to 2% of the member's final average compensation multiplied by his years of service, to age 60 for those members who are enrolled prior to January 1, 2007 and to age 62 for those members who are enrolled January 1, 2007 and later.

Cost of Living Increases: The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements.

In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions: According to state statute, contributions for all employers are actuarially determined each year. For the plan year ended December 31, 2021, the actuarially determined contribution rate was 7.07% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2021 was 7.50% for Plan B.

Non-employer Contributions: According to state statute, PERS also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended September 30, 2022, the

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Commission recognized revenue as a result of support received from non-employer contributing entities of \$8,813 for its participation in PERS.

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

At September 30, 2022, the Commission reported assets in its financial statements of \$335,618 for its proportionate share of the net pension asset of PERS. The net pension asset was measured as of December 31, 2021 and the total pension asset used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension asset was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2021, the Commission's proportional share of PERS was 0.600594%, which was an increase of 0.062078% from its proportion measured as of December 31, 2020.

For the year ended September 30, 2022, the Commission recognized a pension benefit of \$95,210 in its activities.

At September 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,377	\$ 35,668
Changes of assumptions	13,482	-
Net difference between projected and actual earnings on pension plan investments	-	218,643
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,054
Employer contributions subsequent to the measurement date	43,844	-
	<u>\$ 63,703</u>	<u>\$ 256,365</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The \$43,844 reported as deferred outflows of resources resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2022	(49,885)
2023	(97,484)
2024	(65,674)
2025	(23,463)
	\$ (236,506)

Actuarial Assumptions

The net pension asset was measured as the portion of the present value of projected benefits to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension asset as of September 30, 2022 are as follows:

Parochial Employees' Retirement System of Louisiana Plan B	
Valuation Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.40%, net of investment expense, including inflation
Projected Salary Increases	4.25%
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants
Inflation Rate	2.30%

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The discount rate used to measure the total pension asset was 6.40% for Plan B, which was unchanged from the rate used in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The investment rate of return was 6.40% for Plan B, which was unchanged from the rate used in the prior year. The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.10% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.00% for the year ended December 31, 2021.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	33%	0.85%
Equity	51%	3.23%
Alternatives	14%	0.71%
Real assets	2%	0.11%
Totals	100%	4.90%
Inflation		2.10%
Expected Arithmetic Nominal Return		7.00%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plan Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
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Notes to Financial Statements (continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability/(asset) of the participating employers calculated using the discount rate of 6.40%, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower 5.40% or one percentage point higher 7.40% than the current rate.

	Changes in Discount Rate		
	1%	Current	1%
	Decrease 5.40%	Discount Rate 6.40%	Increase 7.40%
Net Pension Liability/(Asset)	\$ (28,983)	\$ (335,618)	\$ (592,048)

Payables to the Pension Plan

The Commission recorded accrued liabilities to PERS for the year ended September 30, 2022, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accrued liabilities. The balance due to PERS as of September 30, 2022 is \$15,034.

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

(8) Contingencies

The Commission operates a water and sewerage plant, which are regulated by the Department of Environmental Quality and the Environmental Protection Agency. 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.

(9) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$300 per month.

Joel Authement	\$ 2,925
Herbert Bell	2,675
Anthony Darden	1,975
William Grey	2,450
Stephanie Milton	2,225
Camile Punch	3,000
Willie Scott	3,600
	\$ 18,850

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
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Notes to Financial Statements (continued)

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. For the year ended September 30, 2022, the Commission's chief officer, Willie Scott, received \$3,600 in per diem payments.

(10) Related Party Activity

Parish of St. Mary ("Parish"):

The Commission collects garbage fees and mosquito charges on behalf of the Parish, the Commission's primary government. The Commission receives 4.333% of each month's collections for their services. The Commission is also billed by the Parish for its respective share of wastewater treated at the Parish's regional treatment facility. Of the \$122,146 reported as amounts due to other governmental units at September 30, 2022, \$85,093 is due to the Parish.

(11) Intergovernmental Agreement

On March 1, 1995, the Commission (through the abolished Sewerage District No. 9 of the Parish of St. Mary) entered into an agreement with the Sovereign Nation of the Chitimacha (Chitimacha Tribe of Louisiana) for the construction, operation and maintenance of sanitary sewerage collection and treatment facilities. The agreement is binding on the Commission and Tribe for a period of 40 years unless renewed upon mutual consent or terminated by agreement between the parties. The agreement provides that the Commission and the Tribe were each responsible for the construction, maintenance and operation of the non joint-service components that service their customers only. The Commission was and is responsible for the construction, administration, operation, and maintenance of the joint service components. The costs associated with the construction of the sewer treatment facility was shared equally by the Commission and the Tribe up to \$425,000 each. The Tribe contributed a lump sum amount of \$35,000 as its share of costs related to the construction of other joint service components such as regional pump stations and regional force mains to be constructed under the agreement and that may be constructed in the future over an anticipated 20 year period. For the treatment facility and the other joint service components, ownership shall vest to the Commission and the Tribe in relation of their cost contribution in proportion to the total costs of the construction.

Subject to the direction of the Management Committee, made up of one representative from the Commission and one from the Tribe, the Commission shall be responsible for the proper physical operation and maintenance of all joint service components constructed under the agreement. The Commission shall determine, establish, and institute an equitable system of user charges for the users of the facilities for the payment of the necessary costs of operation and maintenance of the joint service components. The Tribe shall, on a monthly basis, pay to the Commission their pro-rata share of the costs of operating and maintaining the joint service components. The pro-rata share of the costs shall be determined based on the proportionate burden placed on the facility by the sewer customers of each of the parties as indicated by flow measurements. The Commission shall pay all costs of operation and maintenance of the facility as they become due and payable and shall submit to the Tribe, monthly, following such payment, an itemized statement showing such costs.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(12) Tax Abatements

The Commission is subject to certain property tax abatements granted by the Louisiana Board of Commerce and Industry ("LBCI"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the Commission may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). In addition, local governments have the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program. For the year ended September 30, 2022, the Commission incurred abatements of ad valorem taxes through ITEP.

ITEP is authorized by Article 7, Section 21(F) of the Louisiana Constitution. Companies qualifying as manufacturers can apply to the LBCI for a property tax exemption on all new property, as defined, used in the manufacturing process. Under ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5 year term and are renewable for an additional 5 year term upon approval by LBCI. These state-granted abatements have resulted in reductions of property taxes, which the tax entity administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement. For the year ended September 30, 2022, \$602,655 of the Commission's ad valorem tax revenues were abated by other governments through ITEP.

(13) New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP)*. This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The provisions of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The effect of implementation on the City's financial statements has not yet been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. The effect of implementation on the Commission's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended September 30, 2022

Plan Year Ended Dec. 31	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset
2014	0.590839%	\$ 1,641	513,227	0.32%	99.89%
2015	0.609904%	\$ 108,591	512,135	21.20%	93.48%
2016	0.595456%	\$ 77,354	593,188	13.04%	95.50%
2017	0.542440%	\$ (68,250)	572,547	-11.92%	104.02%
2018	0.631072%	\$ 170,494	658,637	25.89%	91.93%
2019	0.547931%	\$ (39,641)	595,804	-6.65%	102.05%
2020	0.538516%	\$ (138,251)	616,772	-22.42%	106.76%
2021	0.600594%	\$ (335,618)	685,984	-48.93%	114.20%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
See independent auditor's report and note to retirement system schedules.*

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Employer Contributions
Year Ended September 30, 2022

Fiscal Year Ended Sept. 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 53,893	\$ 53,893	\$ -	\$ 512,135	10.52%
2016	\$ 47,455	\$ 47,455	\$ -	\$ 593,188	8.00%
2017	\$ 44,868	\$ 44,868	\$ -	\$ 560,836	8.00%
2018	\$ 48,203	\$ 48,203	\$ -	\$ 631,653	7.63%
2019	\$ 46,960	\$ 46,960	\$ -	\$ 626,130	7.50%
2020	\$ 45,205	\$ 45,205	\$ -	\$ 602,729	7.50%
2021	\$ 52,419	\$ 52,419	\$ -	\$ 698,925	7.50%
2022	\$ 56,356	\$ 56,356	\$ -	\$ 751,422	7.50%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
See independent auditor's report and note to retirement system schedules.*

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Note to Retirement System Schedules
Year Ended September 30, 2022

Parochial Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions –

Plan Year ended December 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2014	7.25%	7.25%	3.00%	4	5.75%
2015	7.00%	7.00%	2.50%	4	5.25%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	6.75%	6.75%	2.50%	4	5.25%
2018	6.50%	6.50%	2.40%	4	4.25%
2019	6.50%	6.50%	2.40%	4	4.25%
2020	6.40%	6.40%	2.30%	4	4.25%
2021	6.40%	6.40%	2.30%	4	4.25%

OTHER INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position
September 30, 2022

With Comparative Totals as of September 30, 2021

	2022	2021
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 252,017	\$ 573,569
Receivables:		
Accounts receivable, net	170,376	602,591
Due from other governments	502,440	45,630
Prepaid expenses	31,972	28,402
Total current assets	956,805	1,250,192
Noncurrent assets:		
Restricted assets:		
Cash and interest-bearing deposits	1,081,431	1,372,535
Capital assets:		
Land and construction in progress	172,310	114,288
Other, net of accumulated depreciation	8,711,825	9,027,998
Other assets:		
Net pension asset	335,618	138,251
Total noncurrent assets	10,301,184	10,653,072
Total assets	11,257,989	11,903,264
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	63,703	71,417
Total assets and deferred outflows of resources	\$ 11,321,692	\$ 11,974,681

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position (continued)
September 30, 2022
With Comparative Totals as of September 30, 2021

	2022	2021
LIABILITIES		
Current liabilities:		
Cash overdraft	\$ 56,210	\$ -
Accounts payable	-	8,816
Accrued liabilities	17,212	13,202
Due to other governmental units	122,146	138,345
Payable from restricted assets:		
Current maturities of bonds payable	432,388	444,229
Refundable deposits	188,225	188,568
Total current liabilities	816,181	793,160
Noncurrent liabilities:		
Bonds payable	3,079,069	3,513,011
Compensated absences	106,155	106,155
Total noncurrent liabilities	3,185,224	3,619,166
Total liabilities	4,001,405	4,412,326
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	256,365	170,983
NET POSITION		
Net investment in capital assets	5,372,678	5,310,277
Restricted for debt service	460,818	614,259
Unrestricted	1,230,426	1,466,836
Total net position	7,063,922	7,391,372
Total liabilities, deferred inflows of resources, and net position	\$ 11,321,692	\$ 11,974,681

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2022
With Comparative Totals for the Year Ended September 30, 2021

	2022	2021
OPERATING REVENUES		
Water sales	\$ 1,300,209	\$ 1,363,385
Sewer user and inspection fees	332,157	339,431
Commissions and fees for services	51,841	51,800
Other	8,813	8,163
Total operating revenues	1,693,020	1,762,779
OPERATING EXPENSES		
Salaries and related benefits	785,159	758,041
Supplies and materials	11,857	9,378
Operation and maintenance	903,597	704,706
Other services and charges	153,826	154,641
Plant operation	425,935	394,183
Depreciation	873,937	928,047
Total operating expenses	3,154,311	2,948,996
Operating loss	(1,461,291)	(1,186,217)
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes	940,350	941,833
Bond interest and fiscal charges	(137,467)	(149,761)
Interest income	1,690	4,510
Miscellaneous income	69,161	38,448
Total nonoperating revenue (expense)	873,734	835,030
Loss before special item	(587,557)	(351,187)
Recovery of bad debt	260,107	-
Change in net position	(327,450)	(351,187)
NET POSITION, beginning	7,391,372	7,742,559
NET POSITION, ending	\$ 7,063,922	\$ 7,391,372

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows
September 30, 2022

With Comparative Totals for the Year Ended September 30, 2021

	2022	2021
OPERATING ACTIVITIES		
Revenue collected	\$ 1,669,272	\$ 1,808,273
Payments for goods and services	(1,519,790)	(1,429,289)
Payments to employees	<u>(880,617)</u>	<u>(795,648)</u>
Net cash used by operating activities	<u>(731,135)</u>	<u>(416,664)</u>
NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous receipts	68,818	42,240
Taxes received	<u>960,797</u>	<u>896,203</u>
Net cash provided by noncapital financing activities	<u>1,029,615</u>	<u>938,443</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(385,786)	(349,779)
Interest and fiscal charges paid	(149,308)	(136,772)
Principal payments on bonds	<u>(433,942)</u>	<u>(445,713)</u>
Net cash used by capital and related financing activities	<u>(969,036)</u>	<u>(932,264)</u>
INVESTING ACTIVITIES		
Interest received	<u>1,690</u>	<u>4,510</u>
Net increase (decrease) in cash and cash equivalents	(668,866)	(405,975)
Cash and cash equivalents, beginning	<u>1,946,104</u>	<u>2,352,079</u>
Cash, cash equivalents, and cash overdraft, ending	<u>\$ 1,277,238</u>	<u>\$ 1,946,104</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows (continued)
September 30, 2022
With Comparative Totals for the Year Ended September 30, 2021

	2022	2021
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,461,291)	\$ (1,186,217)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-		
Depreciation	873,937	928,047
Pension expense, net of nonemployer contributions	(104,271)	(45,770)
Changes in assets and liabilities:		
Receivables	(14,935)	53,657
Prepaid expenses and other assets	(3,570)	(2,436)
Accounts payable	(8,816)	(112,489)
Accrued liabilities	4,010	(25,813)
Due to other governmental entities	(16,199)	(25,643)
Net cash used by operating activities	\$ (731,135)	\$ (416,664)

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position By Utility
September 30, 2022

ASSETS	Water	Sewer
Current assets:		
Cash and interest-bearing deposits	\$ 252,017	\$ -
Accounts receivable, net	170,376	-
Due from other governments	502,440	-
Prepaid expenses	31,972	-
Total current assets	956,805	-
Noncurrent assets:		
Restricted assets:		
Cash and interest-bearing deposits	949,608	131,823
Capital assets:		
Land and construction in progress	172,310	-
Other, net of accumulated depreciation	6,816,663	1,895,162
Other assets:		
Net pension asset	335,618	-
Total noncurrent assets	8,274,199	2,026,985
Total assets	9,231,004	2,026,985
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	63,703	-
Total assets and deferred outflows of resources	9,294,707	2,026,985

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position By Utility (continued)
September 30, 2022

	Water	Sewer
LIABILITIES		
Current liabilities:		
Cash overdraft	\$ 56,210	\$ -
Accrued liabilities	17,212	-
Due to other governmental units	122,146	-
Payable from restricted assets:		
Current maturities of bonds payable	405,354	27,034
Refundable deposits	188,225	-
Total current liabilities	789,147	27,034
Noncurrent liabilities:		
Bonds payable	2,362,829	716,240
Compensated absences	106,155	-
Total noncurrent liabilities	2,468,984	716,240
Total liabilities	3,258,131	743,274
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	256,365	-
NET POSITION		
Net investment in capital assets	4,220,790	1,151,888
Restricted for debt service	356,029	104,789
Unrestricted	1,203,392	27,034
Total net position	5,780,211	1,283,711
Total liabilities, deferred inflows of resources, and net position	\$ 9,294,707	\$ 2,026,985

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Position by Utility
Year Ended September 30, 2022

	Water	Sewer
OPERATING REVENUES		
Water sales	\$ 1,300,209	\$ -
Sewer user and inspection fees	-	332,157
Commission and fees for services	41,292	10,549
Other	7,020	1,793
Total operating revenues	1,348,521	344,499
OPERATING EXPENSES		
Salaries and related benefits	625,393	159,766
Supplies and materials	9,444	2,413
Operation and maintenance	719,731	183,866
Other services and charges	122,525	31,301
Plant operation	339,265	86,670
Depreciation	508,446	365,491
Total operating expenses	2,324,804	829,507
Operating loss	(976,283)	(485,008)
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes	774,298	166,052
Bond interest and fiscal charges	(103,389)	(34,078)
Interest income	1,346	344
Miscellaneous income	55,088	14,073
Total nonoperating revenues (expenses)	727,343	146,391
Income (Loss) before special item	(248,940)	(338,617)
Recovery of bad debt	260,107	-
Change in net position	11,167	(338,617)
NET POSITION, beginning	5,769,044	1,622,328
NET POSITION, ending	\$ 5,780,211	\$ 1,283,711

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Number of Customers
September 30, 2022

Records maintained by the Commission indicate the following number of residential and non-residential water customers were being served during the month of September 2022 were as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	2,224	877
Non-residential	<u>180</u>	<u>56</u>
Total	<u>2,404</u>	<u>933</u>

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Insurance in Force
September 30, 2022

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2023	3,000,000
Surety Bonds-		
Blanket coverage of Board of Directors	2/25/2023	60,000
Public Officials and Employees	2/25/2023	3,000,000
Employee Theft	2/25/2023	250,000
Business Auto	2/25/2023	1,000,000
Real and Personal Property	2/25/2023	Replacement Cost

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Aged Accounts
September 30, 2022

Aged receivables were as follows at September 30, 2022:

Under 30 days	\$ 97,108
31 to 60 days	<u>773</u>
Subtotal	97,881
Accrual for unbilled receivables	<u>72,495</u>
Total receivables	<u>\$ 170,376</u>

See independent auditor's report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Water and Sewer Rates
September 30, 2022

Water and sewer charge rates for residential and non-residential customers of the Commission are as follows:

Residential and non-residential:

Water rates:

- \$14.50 per month for the first 2,000 gallons
- \$3.65 per thousand or part thereof over 2,000 gallons

Sewer rates:

- \$14.23 per month for the first 2,000 gallons
- \$3.21 per thousand or part thereof over 2,000 gallons

See independent auditor's report.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
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Bryan K. Joubert, CPA
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Deidre L. Stock, CPA

C. Burton Kolder, CPA*
Of Counsel

Victor R. Slaven, CPA* - retired 2020
Christine C. Doucet, CPA – retired 2022

* A Professional Accounting Corporation

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

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

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, 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 St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 13, 2023.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2022-001 and 2022-002.

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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying schedule of audit results and findings. 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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 13, 2023

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2022

Part I. Summary of auditor's results:

Financial Statements

1. Type of opinion issued on the financial statements Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?	<u> ✓ </u>	yes	<u> </u>	no
Significant deficiency(ies) identified?	<u> </u>	yes	<u> ✓ </u>	none reported

3. Noncompliance material to the financial statements?	<u> </u>	yes	<u> ✓ </u>	no
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Other

4. Management letter issued?	<u> </u>	yes	<u> ✓ </u>	no
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Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2022-001 - Segregation of Duties

Year Initially Occurring: Unknown

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: The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

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 WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2022

2022-002 - Financial Reporting (Application of Generally Accepted Accounting Principles)

Year Initially Occurring: Unknown

CONDITION: The Commission lacks adequate staff and the expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP), as applicable to governmental entities.

CRITERIA: The Commission's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements and to apply GAAP in the preparation of those financial statements and related disclosures.

CAUSE: The condition results from the relatively small size of the Commission and the increased costs of hiring personnel to prepare GAAP-based financial statements.

EFFECT: GAAP-based financial statements, as applicable to governmental entities, are not prepared by the Commission.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

B. Compliance and Other Matters

No findings reported under this section.

Part III. Findings and questioned costs reported in accordance with the Uniform Guidance:

The requirements of the Uniform Guidance do not apply to the Commission.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022

A. Internal Control-

2021-001 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

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.

CURRENT STATUS: See schedule of audit results and findings item 2022-001.

2021-002 - Financial Reporting (Application of Generally Accepted Accounting Principles)

CONDITION: The Commission lacks adequate staff and the expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP), as applicable to governmental entities.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of hiring additional personnel, it may not be economically feasible to achieve the desired benefit.

CURRENT STATUS: See schedule of audit results and findings item 2022-002.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2022

2022-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Due to the size of the operation and the cost-benefit of additional personnel, we were advised that a response to this issue is not required.

2022-002 - Financial Reporting

CONDITION: The Commission lacks adequate staff to properly prepare financial statements in accordance with U.S. GAAP, as applicable to governmental entities.

MANAGEMENT'S RESPONSE: The Board of Commissioners continues to evaluate the cost-benefit of outsourcing the preparation of the Commission's financial statements to its independent auditors rather than incur the costs to employ someone to prepare GAAP-based financial statements and have determined that it would be more cost effective to outsource the preparation of the Commission's financial statements. We will review the financial statements, notes, and any supplementary information prior to accepting responsibility for their presentation and content.

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2021 through September 30, 2022

KOLDER, SLAVEN & COMPANY, LLC

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

Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4, and
Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2021 through September 30, 2022. The management of the St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission") is responsible for those control and compliance areas identified in the SAUPs.

An agreed-upon procedures engagement involves the performing of specific procedures that the Commission has agreed to and acknowledged to be appropriate on those control and compliance areas identified in the LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022 and report on exceptions based upon the procedures performed. Additionally, the 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 exceptions, if any, are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

The Commission does not have formally adopted written policies and procedures. Therefore, the procedures below are not applicable.

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

- c) **Disbursements**, including processing, reviewing, and approving.
- d) **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).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employees(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee

2. 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:

Obtained and inspected board minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period.

- a) 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 were found as a result of this procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum on all special revenue funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Not applicable- The Commission does not prepare a budget for its proprietary fund.

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

Not applicable to the Commission's proprietary fund.

Bank Reconciliations

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

Obtained a listing of bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the main operating account, and four (4) additional accounts were randomly selected. Obtained and inspected the corresponding bank statements and reconciliations for each account.

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

The five (5) reconciliations selected did not include evidence of the date of preparation.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The five (5) reconciliations selected did not include evidence of management's review.

- c) 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.

Management does not maintain documentation reflecting that it has researched items outstanding for more than 12 months from the statement closing date, as applicable.

Collections (excluding EFTs)

4. 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 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. Selected the one (1) deposit site.

5. 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 and 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 a listing of collection locations for the one (1) deposit site from management and management's representation that the listing is complete. Selected the one (1) collection location for the deposit site.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions were found as a result of this procedure.

- b) 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.

The employees responsible for collecting cash are also responsible for preparing/making bank deposits without another employee being responsible for reconciling collection documentation to the deposit.

- c) 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.

No exceptions were found as a result of this procedure.

- d) 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/official verifies the reconciliation.

No exceptions were found as a result of this procedure.

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

Obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observed that the bond or insurance policy for theft was enforced during the fiscal period.

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

Randomly selected two (2) deposit dates for the selected bank accounts under procedure #3 and obtained supporting documentation for each of the deposits.

- a) Observe that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were found as a result of this procedure.

- d) 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).

One (1) collection selected was deposited four (4) business days after receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

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

8. 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).

Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the one (1) location.

9. For each location selected under #8 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:

Obtained a listing of employees involved in non-payroll purchasing and payment functions and inquired of employee job duties.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions were found as a result of this procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions were found as a result of this procedure.

- c) 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.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files.

- d) 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.

The employee responsible for processing payments also mails the payments.

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

10. For each location selected under #8 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:

Obtained the non-payroll disbursement population for the Commission's one (1) location and management's representation that the population is complete. Randomly selected five (5) disbursements for the location and obtained supporting documentation.

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

No exceptions were found as a result of this procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

The following exceptions were identified:

Documentation evidencing that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase could not be obtained for three (3) of the disbursements selected. The Commission's process for initiating a purchase requires verbal request only.

Documentation of a purchase order or approval could not be obtained for two (2) of the disbursements selected. The Commission does not require such approval for recurring disbursements.

Two (2) of the disbursements selected did not have documentation of management approval.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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.

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

12. 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:

Selected the three (3) cards used during the fiscal period and randomly selected one (1) monthly statement for each.

- a) Observe that 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. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported]]

Evidence that the monthly statement and all supporting documentation was reviewed and approved in writing by someone other than the authorized card holder could not be obtained for two (2) of the three (3) cards selected.

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

No exceptions were found as a result of this procedure.

13. Using the monthly statements or combined statements selected under #12 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.

Selected all six (6) transactions of the Commission's one (1) card that was not a fuel card. Three (3) of the six (6) transactions selected were not supported by itemized receipts identifying precisely what was purchased. Written documentation of the business/public purpose could not be obtained for all six (6) transactions.

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

14. 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, 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:

Obtained a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. Randomly selected five (5) reimbursements.

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions were found as a result of this procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

One (1) of the five (5) reimbursements selected was inaccurately calculated resulting in an overpayment. No other exceptions were found as a result of this procedure.

- c) 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 policy (procedure #1h).

Four (4) of the five (5) reimbursements selected did not include documentation of the reason for travel. One (1) reimbursement for meal charges did not include documentation of who received the meals.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Documentation did not include evidence that reimbursements were reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Contracts

15. 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:

Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period and management's representation that the listing is complete. Randomly selected five (5) contracts.

- a) 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.

No exceptions were found as a result of this procedure.

- b) 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 were found as a result of this procedure.

- c) 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).

No exceptions were found as a result of this procedure.

- d) 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 were found as a result of this procedure.

Payroll and Personnel

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

Obtained a listing of all employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five (5) employees or officials and agreed paid salaries to authorized salaries/pay rates to the Commission's adopted salary and wage schedule. One (1) of the five (5) employees was paid at a rate higher than the Commission's salary schedule based on employee's certification.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

Leave taken during the pay period selected was not reflected in the Commission's cumulative leave records for one(1) of the five (5) employees.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Except for the exception identified under Procedures #17a above, no exceptions were found as a result of this procedure.

- 18. 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 policy on termination payments. Agree the hours to the employee or officials' cumulate 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.

Obtained management's representation that there were no employees or officials that received termination payments during the fiscal year.

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

Obtained management's representation that state income tax withholdings and related forms were not paid and filed by the required deadline. Obtained management's representation that all other third-party amounts have been paid and any associated forms have been filed by the required deadline.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Three (3) of the five (5) employees/officials did not complete ethics training during the fiscal period.

- b) Observe that 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 – The Commission does not have a formal written ethics policy.

Debt Service

- 21. 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 bond/note issued.

Obtained management's representation that there were no bonds/notes and other debt instruments issued during the fiscal year.

22. 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).

No exceptions were found as a result of this procedure.

Fraud Notice

23. 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.

Obtained management's representation that there were no misappropriations of public funds and assets during the fiscal period.

24. 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 were found as a result of this procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures:

- a) 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 occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b) 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.

- c) 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.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under 'Payroll and Personnel' above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Four (4) of the five (5) employees/officials did not complete sexual harassment training during the calendar year.

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

Not applicable – The Commission does not have a formal written sexual harassment policy.

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

The Commission did not compile the annual report required by R.S. 42:344. Therefore, the procedures below are not applicable.

a) Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable

b) Number of sexual harassment complaints received by the agency;

Not applicable

c) Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable

d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable

e) Amount of time it took to resolve each complaint.

Not applicable

Management's Response

The Commission concurs with the exceptions and is working to address the deficiencies identified.

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards*, issued by the United States Comptroller General. 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 control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information of and use by the Commission and the LLA and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose. In accordance with Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 13, 2023