

**ST. MARY PARISH WATER AND  
SEWER COMMISSION NO. 3**

Centerville, Louisiana

Financial Report

Year Ended September 30, 2022

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
BASIC FINANCIAL STATEMENTS	
Fund Financial Statements	
Statement of net position	5-6
Statement of revenues, expenses, and change in fund net position	7
Statement of cash flows	8-9
Notes to basic financial statements	10-26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of employer's share of net pension liability (asset)	28
Schedule of employer contributions	29
Note to retirement system schedules	30
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	32-33
Summary schedule of prior audit findings	34
Schedule of audit results and findings	35-36
Corrective action plan for current audit findings	37

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
St. Mary Parish Water and Sewer Commission No. 3  
Centerville, Louisiana

### Report on the Audit of the Financial Statements

#### *Adverse and Unmodified Opinions*

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 3 (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 basic financial statements of the Commission's primary government as listed in the table of contents.

#### *Adverse Opinion on Discretely Presented Component Unit*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the basic financial statements do not present fairly the financial position of the discretely presented component unit of the Commission, as of September 30, 2022, or the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Unmodified Opinion on the Basic Financial Statements*

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 change 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 Adverse and Unmodified Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and 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 adverse and unmodified audit opinions.

### *Matters Giving Rise to Adverse Opinion on Discretely Presented Component Unit*

The financial statements do not include financial data for the Commission's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Commission's primary government unless the Commission also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Commission has not issued such reporting entity financial statements. The effects of not including the Commission's legally separate component unit on the discretely presented component unit has not been determined.

### ***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 opinions. 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 opinions on the basic financial statements are not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023 on our consideration of the Commission’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.

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

Morgan City, Louisiana  
March 23, 2023

## **BASIC FINANCIAL STATEMENTS**

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Statement of Net Position  
September 30, 2022

ASSETS	
Current assets	
Cash	\$ 7,827,854
Accounts receivable	240,223
Prepaid expenses	38,975
Total current assets	<u>8,107,052</u>
Noncurrent assets	
Restricted assets	
Cash	225,170
Capital assets	
Land	22,155
Construction in progress	69,322
Other, net of accumulated depreciation	5,048,617
Other assets	
Net pension asset	295,448
Total noncurrent assets	<u>5,660,712</u>
Total assets	13,767,764
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension asset	<u>80,726</u>
Total assets and deferred outflows of resources	<u>\$ 13,848,490</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Statement of Net Position (continued)  
September 30, 2022

LIABILITIES

Current liabilities

Payable from current assets

Accounts payable	\$ 147,890
Accrued liabilities	15,280
Compensated absences payable	13,232
Other liabilities	<u>21,738</u>
Total payable from current assets	198,140

Payable from restricted assets

Customer deposits payable	<u>226,810</u>
Total liabilities	<u>424,950</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension asset	<u>276,970</u>
-----------------------------------------------	----------------

NET POSITION

Net investment in capital assets	5,140,094
Unrestricted	<u>8,006,476</u>
Total net position	<u>13,146,570</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,848,490</u>

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



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

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

Operating revenues	
Water sales	\$ 1,189,598
Sewer sales	493,601
Garbage collection fees	15,091
Miscellaneous revenues	<u>22,774</u>
Total operating revenues	<u>1,721,064</u>
Operating expenses	
Personnel services and related benefits	625,779
Supplies and materials	1,202,264
Other services and charges	340,580
Depreciation	<u>351,972</u>
Total operating expenses	<u>2,520,595</u>
Operating loss	(799,531)
Non-operating revenues (expenses)	
Ad valorem tax revenues	960,176
Deductions from ad valorem taxes	(31,371)
Interest income	<u>34,775</u>
Total non-operating revenue (expenses)	<u>963,580</u>
Income before transfers	164,049
Transfer to Waterworks District No. 5 of the Parish of St. Mary	<u>(245,000)</u>
Change in net position	(80,951)
Net position, beginning	<u>13,227,521</u>
Net position, ending	<u>\$ 13,146,570</u>

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

ST MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Statement of Cash Flows  
Year Ended September 30, 2022

Cash flows from operating activities	
Cash received from customers	\$ 1,711,317
Cash paid to suppliers and others	(1,559,615)
Cash paid to employees	<u>(720,898)</u>
Net cash used by operating activities	<u>(569,196)</u>
Cash flows from non-capital financing activities	
Ad valorem property taxes collected	928,805
Proceeds from customer deposits	4,984
Payments to Waterworks District No. 5 of the Parish of St. Mary	<u>(245,000)</u>
Net cash provided by non-capital financing activities	<u>688,789</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(618,006)</u>
Cash flow from investing activities	
Withdrawal from investment pool	8,243,590
Interest received on investments	<u>34,775</u>
Net cash provided by capital and related financing activities	<u>8,278,365</u>
Net increase in cash and equivalents	7,779,952
Cash and equivalents, beginning	<u>273,072</u>
Cash and equivalents, ending	<u>\$ 8,053,024</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

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

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

Operating loss	<u>\$ (799,531)</u>
Adjustments to reconcile to net cash used by operating activities:	
Depreciation	351,972
Pension expense, net of nonemployer contributions	(100,307)
Changes in assets and liabilities --	
Accounts receivable	(4,559)
Accounts payable	(27,010)
Accrued liabilities	10,201
Other liabilities	<u>38</u>
Total adjustments	<u>230,335</u>
Net cash used by operating activities	<u>\$ (569,196)</u>

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements

INTRODUCTION

Pursuant to Ordinance No. 2060 adopted by the St. Mary Parish Government on September 14, 2017, the St. Mary Parish Water and Sewer Commission No. 3 (“Commission”) was created on October 1, 2016 to have jurisdiction over all works and facilities for water, sewer, and sewage treatment and disposal within the boundaries of Waterworks District No. 5 of the Parish of St. Mary, Sewerage District No. 5 of the Parish of St. Mary, and Sewerage District No. 8 of the Parish of St. Mary (collectively, the “Districts”), including the waterworks facilities, sewers, and sewerage treatment and disposal facilities now owned and/or operated by the Districts or the Parish or as such works and facilities may be acquired, extended, or improved by the Districts. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

Pursuant to Ordinance No. 2112 adopted by the St. Mary Parish Government on August 23, 2017, Sewerage District No. 8 of the Parish of St. Mary and Sewerage District No. 5 of the Parish of St. Mary were abolished effective October 1, 2017. All funds and assets and all liabilities and obligations remaining with the Districts were transferred by the Districts to the Commission on September 30, 2017.

Pursuant to Ordinance No. 2146 adopted by the St. Mary Parish Government of August 8, 2018, it is the intent of the St. Mary Parish Council to abolish Waterworks District No. 5 of the Parish of St. Mary on the later of (i) the date on which the District no longer has any employees or (ii) the date on which the District no longer has outstanding indebtedness. Any funds and assets remaining with the District shall, upon abolition of the District, transfer to the Commission, to be used solely for the purposes for which such funds and assets may lawfully be used. Any deposits or other funds previously required to be segregated on the books of the District shall be segregated on the books of the Commission.

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Commission (a component unit of the St. Mary Parish Government) 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 sections 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, Waterworks District No. 5 of St. Mary Parish (“District”), and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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 and the Commission 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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and (a) the ability of the Parish and Commission to impose its will on that organization, and/or (b) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Parish or Commission.
2. Organizations for which the Parish or Commission does not appoint a voting majority but are fiscally dependent on the Parish Council or Commission.
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 of the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. Because the Commission may impose its will on the District and be financially burdened by the District, the District was determined to be a component unit of the Commission. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the parish government, the general government services provided by that governmental unit, or the District, the other governmental unit that comprises 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 changes in net position, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

Enterprise funds

Enterprise funds are used to account for operations (a) that are financial 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 net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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 statement of cash flows, “cash and 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.

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. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

Restricted assets

Funds representing customer utility deposits are shown as restricted assets in the statement of net position.

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 cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of the donation. The Commission maintains a threshold level of \$1,000 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, which 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 as follows:

Water and Sewer System	5 - 50 Years
Buildings & Improvements	20 - 40 Years
Furniture, Equipment, and Vehicles	5 - 10 Years

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

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. Sick leave shall be earned at the rate of one day per month up to twelve days per year. An employee cannot accrue more than 120 days of sick leave. Upon termination an employee is compensated for accumulated vacation time. Employees are not compensated for sick time unless termination is due to normal retirement at which point sick time is considered vested. Normal retirement is when the employee meets the required qualifications to retire from the Parochial Retirement System.

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 liability/asset.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

Pensions

For purposes of measuring the net pension liability/asset, 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.

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 their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Revenues

Fees for water and sewer services are recognized when earned. Connection and service fees are recognized when received. Interest income is recognized when earned. Substantially, all other revenues are recorded when received.

Expenses

Expenses are classified by function. Expenses are further classified as operating and nonoperating. All expenses are recognized in the period that the liabilities are incurred.



ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

F. Budgeting 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 for the year ended September 30, 2022. Accordingly, budget figures 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 of America 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2022, the Commission had cash and interest-bearing deposits (book balances) totaling \$8,053,024 as follows:

Demand deposits:	
Unrestricted	\$ 7,827,854
Restricted	<u>225,170</u>
	<u>\$ 8,053,024</u>

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2022, are as follows:

Bank balances	<u>\$ 8,118,058</u>
At September 30, 2022, the deposits are secured as follows:	
Federal deposit insurance	250,000
Pledged securities	<u>7,868,058</u>
Total insured and secured	<u>\$ 8,118,058</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. 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 \$7,868,058 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Commission's name.

(3) Capital Assets

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

	Balance 10/01/21	Additions	Deletions	Balance 09/30/22
Capital assets not being depreciated:				
Land	\$ 22,155	\$ -	\$ -	\$ 22,155
Construction in progress	<u>9,910</u>	<u>370,805</u>	<u>(311,393)</u>	<u>69,322</u>
Total assets not being depreciated	<u>32,065</u>	<u>370,805</u>	<u>(311,393)</u>	<u>91,477</u>
Capital assets being depreciated:				
Sewer System	12,366,130	209,365	-	12,575,495
Water System	1,073,497	102,028	-	1,175,525
Buildings & Improvements	176,632	156,864	-	333,496
Equipment	672,962	77,242	-	750,204
Furniture & Fixtures	3,993	-	-	3,993
Vehicles	<u>91,608</u>	<u>-</u>	<u>-</u>	<u>91,608</u>
Total assets being depreciated	<u>14,384,822</u>	<u>545,499</u>	<u>-</u>	<u>14,930,321</u>
Less: accumulated depreciation				
Sewer System	(8,703,315)	(242,497)	-	(8,945,812)
Water System	(130,628)	(58,049)	-	(188,677)
Buildings & Improvements	(70,778)	(14,455)	-	(85,233)
Equipment	(551,909)	(29,460)	-	(581,369)
Furniture & Fixtures	(3,920)	-	-	(3,920)
Vehicles	<u>(69,182)</u>	<u>(7,511)</u>	<u>-</u>	<u>(76,693)</u>
Total accumulated depreciation	<u>(9,529,732)</u>	<u>(351,972)</u>	<u>-</u>	<u>(9,881,704)</u>
Total capital assets, net	<u>\$ 4,887,155</u>	<u>\$ 564,332</u>	<u>\$ (311,393)</u>	<u>\$ 5,140,094</u>

Depreciation expense for the year ended September 30, 2022 totaled \$351,972.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

(4) Due to other Governments

St. Mary Parish Government Ordinance No. 1171 imposes a monthly collection service charge of \$15 per month for each residence from which solid waste is collected. The Commission bills the fees and remits each month all garbage service charges collected to the St. Mary Parish Government, less a collection fee of \$0.65 per charge, plus a \$0.41 collection fee per customer who does not receive water services. At September 30, 2022, the garbage collection charges due to the St. Mary Parish Government were \$39,150.

Additionally, the Commission charges a monthly fee of \$2 per month for each residence with water service for mosquito abatement as imposed by the St. Mary Parish Government. The Commission remits each month all mosquito abatement fees collected to the St. Mary Parish Government. At September 30, 2022, mosquito abatement fees due to the St. Mary Parish Government were \$4,514.

(5) Long Term Debt

The following is a summary of changes in long term debt for the year ended September 30, 2022:

	10/1/2021	Additions	Reductions	9/30/2022
Compensated absences	\$ 13,232	\$ 24,297	\$ 24,297	\$ 13,232

(6) Pension Plan

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 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 A.

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

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](http://www.persla.org), or on the Louisiana Legislative Auditor's website, [www.la.gov](http://www.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.

**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 A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to 3% 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:** Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

In lieu of terminating employment and accepting a service retirement, any member of Plan A or 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.

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 A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or 3% multiplied by years of service assuming continued 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 year ended December 31, 2021, the actuarially determined contribution rate was 10.38% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2021 was 12.25% for Plan A.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended September 30, 2022, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$5,188 for its participation in PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2022, the Commission reported assets in its financial statements of \$295,448 for its proportionate share of the net pension assets of PERS. The net pension assets were measured as of December 31, 2021 and the total pension asset used to calculate the net pension asset 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 0.062722%, which was an increase of 0.008059% from its proportion measured as of December 31, 2020.

For the year ended September 30, 2022, the Commission recognized pension benefit of \$44,847.

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	\$ 17,851	\$ 21,413
Changes of assumptions	15,408	-
Net difference between projected and actual earnings on pension plan investments	-	255,557
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,289	-
Employer contributions subsequent to the measurement date	<u>37,178</u>	<u>-</u>
	<u>\$ 80,726</u>	<u>\$ 276,970</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

Deferred outflows of resources of \$37,178 resulting from the Commission's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset 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 (benefit) as follows:

Year	
2023	(42,659)
2024	(97,606)
2025	(65,765)
2026	(27,392)
	\$ (233,422)

*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 A
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	4.75%
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. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

The discount rate used to measure the total pension asset was 6.40% for Plan A, which was unchanged from the rate used as of December 31, 2020. 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 A, which was unchanged from the rate used as of December 31, 2020. 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 2.1% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7% 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	<u>2%</u>	<u>0.11%</u>
Totals	<u>100%</u>	<u>4.90%</u>
Inflation		<u>2.1%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

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. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

*Sensitivity to Changes in Discount Rate*

The following presents the net pension liability/asset of the participating employers as of December 31, 2021 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	Discount Rate	Increase
	5.40%	6.40%	7.40%
Net Pension Liability (Asset)	\$ <u>52,673</u>	\$ <u>(295,448)</u>	\$ <u>(587,063)</u>

*Payables to the Pension Plan*

The Commission recorded no accrued liabilities related to the pension plan for the year ended September 30, 2022.

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at [www.persla.com](http://www.persla.com).

(7) Contingencies

As of September 30, 2022, the employees of the Commission accumulated approximately \$90,790 in non-vested sick pay, which is not reflected in the fund financial statements. The contingent liability will be recognized if and when the employees meet the normal vesting requirements.

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

(8) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 34 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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

Compensation paid to board members for the year ended September 30, 2022 is as follows:

Glenn Blood	\$ 2,400
William Miller	2,400
Willis Dore, Jr.	2,400
Donald Hahn, Sr.	2,400
Phelo Keller	2,400
Mike Ortiz	2,400
Leonard Klutts, Jr.	2,400
	<u>\$ 16,800</u>

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 of chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's chief officer. For the year ended September 30, 2022, the Commission's board president, H. Glenn Blood, received \$2,400 in per diem payments.

(9) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks.

(10) Intergovernmental / Cooperative Endeavor Agreements

St. Mary Parish Waterworks No. 5

In September 2016, the Commission entered into cooperative endeavor agreements with Waterworks District No. 5 of the Parish of St. Mary outlining the Commission's responsibilities for the operation and maintenance of the District's system and improvements to same and providing for the joint use of funds, facilities, personnel, and property.

St. Mary Parish Government

In September 2002, Waterworks District No. 5 of the Parish of St. Mary entered a cooperative endeavor with the St. Mary Parish Government whereby the District will bill and collect mosquito abatement fees in the amount of \$2 per month per water service customer on behalf of the Parish Government and remit all sums collected to the Parish Government. At January 1, 2017, the Commission was granted jurisdiction over the District's operations, including billing and collections by the intergovernmental agreement discussed above. The Commission has remitted all collections for mosquito abatement service charges due to the Parish Government subsequent to the effective date of the agreement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

In August 2006, Waterworks District No. 5 of the Parish of St. Mary entered into an intergovernmental agreement with the St. Mary Parish Government whereby the District agreed to collect on behalf of the Parish Government a monthly service charge in the amount of \$15 from each residence within the territorial limits of the District from which solid waste is collected and remit to the Parish Government, on a monthly basis, all solid waste service charges collected, less a collection fee. At September 30, 2022, the District has remitted collections for solid waste service charges due to the Parish Government.

(11) 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, \$232,964 of the Commission’s ad valorem tax revenues were abated by other governments through ITEP.

(12) New Accounting Pronouncements

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 Commission’s financial statements has not yet been determined.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

Notes to Financial Statements (continued)

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. 3  
Centerville, 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
2014	0.046920%	\$ 12,828	254,804	5.03%	99.15%
2015	0.044886%	\$ 118,153	248,651	47.52%	92.23%
2016	0.042857%	\$ 88,265	255,269	34.58%	94.15%
2017	0.048356%	\$ (35,892)	297,883	-12.05%	101.98%
2018	0.045057%	\$ 199,979	276,994	72.20%	88.86%
2019	0.051212%	\$ 2,410	324,719	0.74%	99.89%
2020	0.054663%	\$ (95,847)	365,095	-26.25%	104.00%
2021	0.062722%	\$ (295,448)	420,827	-70.21%	110.46%

*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. 3  
Centerville, 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 Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 36,974	\$ 36,974	\$ -	\$ 248,651	14.87%
2016	\$ 34,542	\$ 34,542	\$ -	\$ 257,621	13.41%
2017	\$ 35,388	\$ 35,388	\$ -	\$ 280,382	12.62%
2018	\$ 33,248	\$ 33,248	\$ -	\$ 281,668	11.80%
2019	\$ 36,584	\$ 36,584	\$ -	\$ 318,126	11.50%
2020	\$ 41,003	\$ 41,003	\$ -	\$ 340,072	12.06%
2021	\$ 52,297	\$ 52,297	\$ -	\$ 426,909	12.25%
2022	\$ 50,272	\$ 50,272	\$ -	\$ 430,207	11.69%

*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. 3  
Centerville, 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	4.75%
2019	6.50%	6.50%	2.40%	4	4.75%
2020	6.40%	6.40%	2.30%	4	4.75%
2021	6.40%	6.40%	2.30%	4	4.75%



**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

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

The Board of Commissioners  
St. Mary Parish Water and Sewer Commission No. 3  
Centerville, 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. 3, (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 basic financial statements of the Commission's primary government and have issued our report thereon dated March 23, 2023. Our report expressed an adverse opinion on the discretely presented component unit because the financial statements of the primary government do not include financial data for the Commission's legally separate component unit.

### Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 a deficiency in internal control that we consider to be a material weakness and which is described in the accompanying schedule of audit results and findings as item 2022-001.

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

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 finding 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, in accordance with 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 23, 2023

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

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

A. Internal Control

2022-001 – 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: 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.

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

B. Compliance

There were no findings reported under this section.

C. Uniform Guidance

Not applicable in the prior year.

D. Management Letter

Not issued in the prior year.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

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

Part I. Summary of auditor's results:

Financial Statements

1. Type of auditor's report issued on the financial statements:

Opinion Unit	Type of Opinion
Enterprise Fund	Unmodified
Discretely presented component unit	Adverse

2. Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

3. Noncompliance material to the financial statements?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
--------------------------------------------------------	--------------------------	-----	-------------------------------------	----

Other

4. Management letter issued?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2022-001 – Financial Reporting (Application of Generally Accepted Accounting Principles)

Year Initially Occurring: 2017

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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3  
Centerville, Louisiana

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

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. 3  
Centerville, Louisiana

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

2022-001 – Financial Reporting (Application of Generally Accepted Accounting Principles)

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. 3**

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

The Board of Commissioners  
St. Mary Parish Water and Sewer Commission No. 3, 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. 3 (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):

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

*Not applicable to the Commission's operations.*

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.

*Written policies and procedures were obtained and address the subcategories noted above, with the exception of (2) how vendors are added to the vendor list.*

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

*The Commission does not have written policies and procedures related to this category.*

- 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).

*The Commission does not have written policies and procedures related to this category.*

- 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.

*Written policies and procedures were obtained and address the subcategories noted above.*

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

*The Commission does not have written policies and procedures related to this category.*

- 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).

*Written policies and procedures were obtained and address the subcategories noted above.*

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

*Written policies and procedures were obtained and address the subcategories noted above, with the exception of (2) dollar threshold by category of expense.*

- 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.

*The Commission does not have written policies and procedures related to this category.*

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

*The Commission does not have written policies and procedures related to this category.*

- 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.

*The Commission does not have written policies and procedures related to this category.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*The Commission does not have written policies and procedures related to this category.*

***Board or Finance Committee***

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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 to the Commission's operations.*

- 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 operations.*

***Bank Reconciliations***

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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 three (3) additional accounts. 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);

*No exceptions were found as a result of this procedure.*

- 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 four (4) reconciliations selected were prepared by a member of management who posts ledgers.*

- 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)***

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- 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.

*The employees responsible for cash collections share a cash drawer/register.*

- 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.

*No exceptions were found as a result of this procedure.*

- 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.

*The Commission’s receipts are not pre-numbered.*

- 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, as applicable.*

- 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).

*Two (2) receipts selected were deposited five (5) and six (6) business days, respectively, after collection.*

- 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)

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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.

*No exceptions were found as a result of this procedure.*

- 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.

*No exceptions were found as a result of this procedure.*

[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.

*No exceptions were found as a result of this procedure.*

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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- 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 four (4) cards used during the fiscal period and randomly selected one (1) monthly statement.*

- 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]]

*No exceptions were found as a result of this procedure.*

- 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.

*Three (3) of the nine (9) 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 one (1) of the nine (9) transactions.*

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

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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](http://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.

*No 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).

*No exceptions were found as a result of this procedure.*

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

*No exceptions were found as a result of this procedure.*

### ***Contracts***

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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. Selected the four (4) 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***

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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 noting no exceptions.*

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.

*No exceptions were found as a result of this procedure.*

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

*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 period.*

- 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 all amounts have bene paid, and any associated forms have been file, by required deadlines.*

### ***Ethics***

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- 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.

*Management did not provide documentation that the employees/officials completed an hour of 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 written ethics policy.*

### ***Debt Service***

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- 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 or other debt instruments issued during the fiscal period.*

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).

*Obtained management's representation that there were no bonds/notes or other debt instruments outstanding at the end of the fiscal period.*

### ***Fraud Notice***

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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***

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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***

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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.

*Management did not provide documentation that the employees/officials completed an hour of 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 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**

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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 23, 2023