

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

Centerville, Louisiana

Financial Report

Year Ended September 30, 2019

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on Aggregate 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 a 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 this departure from accounting principles generally accepted in the United States of America on the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the aggregate discretely presented component unit are not reasonably determinable.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to previously do not present fairly the financial position of the aggregate discretely presented component unit of the Commission, as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Commission as of September 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 8, 2020

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position
September 30, 2019

ASSETS

Current assets:

Cash	\$ 430,659
Investments	7,530,076
Accounts receivable, net of allowance for doubtful accounts	243,252
Prepaid expenses	38,975
Total current assets	<u>8,242,962</u>

Restricted assets:

Cash	10,721
Investments	196,221
Total restricted assets	<u>206,942</u>

Capital assets

Land	22,155
Construction in progress	262,118
Other, net of accumulated depreciation	4,349,671
Total capital assets	<u>4,633,944</u>

Other assets:

Refundable deposits	<u>210</u>
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Total assets	13,084,058
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>188,782</u>
Total assets and deferred outflows of resources	<u>13,272,840</u>

(continued)

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

Statement of Net Position (continued)
September 30, 2019

LIABILITIES AND NET POSITION

Current liabilities:

Payable from current assets

Accounts payable	\$ 93,339
Accrued liabilities	15,836
Compensated absences payable	13,232
Contracts payable	183,449
Retainage payable	9,320
Other liabilities	<u>21,700</u>
Total payable from current assets	336,876

Payable from restricted assets

Customer deposits payable	<u>206,942</u>
Total current liabilities	543,818

Non-current liabilities:

Net pension liability	<u>199,979</u>
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Total liabilities	<u>743,797</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>27,201</u>
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NET POSITION

Net investment in capital assets	4,633,944
Restricted	-
Unrestricted	<u>7,867,898</u>
Total net position	<u>\$ 12,501,842</u>

The accompanying notes are an integral part of this statement.

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

Statement of Activities
Year Ended September 30, 2019

Operating revenues:	
Water sales	\$ 1,102,515
Sewer sales	479,547
Garbage collection fees	14,233
Miscellaneous revenues	<u>17,048</u>
Total operating revenues	<u>1,613,343</u>
Operating expenses	
Personnel services and related benefits	614,824
Supplies and materials	581,646
Other services and charges	336,552
Depreciation	<u>298,714</u>
Total operating expenses	<u>1,831,736</u>
Operating loss	(218,393)
Non-operating revenues (expenses)	
Ad valorem property tax revenues	911,601
Deductions from ad valorem taxes	(29,705)
Interest income	180,941
Reimbursements to Waterworks District No. 5 of the Parish of St. Mary	<u>(380,000)</u>
Net non-operating revenues	<u>682,837</u>
Change in net position	464,444
Net position, beginning	<u>12,037,398</u>
Net position, ending	<u>\$ 12,501,842</u>

The accompanying notes 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, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 1,618,094
Cash paid to suppliers and others	(985,767)
Cash paid to employees	<u>(573,343)</u>
Net cash provided by operating activities	<u>58,984</u>
Cash flows from non-capital financing activities:	
Ad valorem property taxes	881,896
Proceeds from customer deposits	2,985
Transfers to Waterworks District No. 5 of the Parish of St. Mary	<u>(380,000)</u>
Net cash provided by non-capital financing activities	<u>504,881</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(250,565)</u>
Cash flow from investing activities:	
Net purchases of investments	(706,043)
Interest received on investments	<u>180,941</u>
Net cash used by capital and related financing activities	<u>(525,102)</u>
Net decrease in cash and equivalents	(211,802)
Cash and equivalents, beginning	<u>653,182</u>
Cash and equivalents, ending	<u>\$ 441,380</u>
Classified as:	
Current assets	\$ 430,659
Restricted assets	<u>10,721</u>
Total	<u>\$ 441,380</u>

(continued)

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

Statement of Cash Flows (continued)
Year Ended September 30, 2019

Reconcilitaion of operating loss to net cash provided by operating activities:

Operating loss	\$ (218,393)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	298,714
Pension expense, net of nonemployer contributions	38,038
Changes in assets and liabilities --	
Accounts receivable	8,194
Prepaid expenses	22,007
Accounts payable	(34,723)
Accrued liabilities	(11,026)
Due to St. Mary Parish Government	(65,527)
Other liabilities	<u>21,700</u>
Total adjustments	<u>277,377</u>
Net cash provided by operating activities	<u>\$ 58,984</u>

The accompanying notes are an integral part of this statement.

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

Notes to Basic 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 (the District).

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 Basic 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 Basic 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

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net 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 Basic 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.

Capitalization of Interest

Interest costs incurred by the Commission during the construction of an asset for its own use are capitalized as part of the cost of constructing the asset. During the year ended September 30, 2019, there were no borrowings for assets under construction and no capitalized interest was recognized.

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.

Long-term debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The Commission had no long-term debt outstanding at September 30, 2019.

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

Notes to Basic Financial Statements (continued)

Deferred outflows of resources and deferred inflows of resources

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

Pensions

For purposes of measuring the net pension liability, deferred outflows or 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 do 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 included all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

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

Notes to Basic Financial Statements (continued)

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 for business-type activities. Expenses are further classified as operating and nonoperating. All expenses are recognized in the period that the liabilities are incurred.

F. Budgeting and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and accordingly, the Commission has elected to not formally adopt a budget for the year ended September 30, 2019. 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, 2019, the Commission had cash and interest-bearing deposits (book balances) totaling \$441,380 as follows:

Demand deposits:	
Unrestricted	\$ 430,659
Restricted	<u>10,721</u>
	<u>\$ 441,380</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, 2019, are as follows:

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

Notes to Basic Financial Statements (continued)

Bank balances	<u>\$ 456,722</u>
At September 30, 2019, the deposits are secured as follows:	
Federal deposit insurance	250,000
Pledged securities	<u>206,722</u>
Total insured and secured	<u>\$ 456,722</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the 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, 2019, deposits in the amount of \$206,722 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) Investments

Investments held at September 30, 2019 consist of \$7,726,297 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

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

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

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

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

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

Interest rate risk – 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

Foreign currency risk – not applicable to 2a7-like pools.

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

Notes to Basic Financial Statements (continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated in fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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

Fair Value Measurements

To the extent available, the Commission's investments are recorded at fair value as of September 30, 2019. GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Commission measures its investments using fair value guidelines established by GASB 72, which recognizes a three-tiered fair value hierarchy as follows:

- Level 1-quoted prices for identical investments in active markets
- Level 2-observable inputs other than quoted market prices
- Level 3-unobservable inputs

The Commission's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external pool is the same as the net asset value of the pool shares.

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

Notes to Basic Financial Statements (continued)

(4) Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance 10/01/18	Additions	Deletions	Balance 09/30/19
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,155	\$ -	\$ -	\$ 22,155
Construction in progress	-	262,118	-	262,118
Total assets not being depreciated	<u>22,155</u>	<u>262,118</u>	<u>-</u>	<u>284,273</u>
Capital assets, being depreciated:				
Sewer System	12,007,560	42,000	-	12,049,560
Water System	175,438	41,667	-	217,105
Buildings & Improvements	169,242	7,390	-	176,632
Equipment	617,980	54,982	-	672,962
Furniture & Fixtures	3,993	-	-	3,993
Vehicles	81,986	35,177	(25,555)	91,608
Total assets being depreciated	<u>13,056,199</u>	<u>181,216</u>	<u>(25,555)</u>	<u>13,211,860</u>
Less: accumulated depreciation				
Sewer System	(8,026,215)	(225,825)	-	(8,252,040)
Water System	(12,954)	(11,697)	-	(24,651)
Buildings & Improvements	(54,411)	(5,353)	-	(59,764)
Equipment	(419,087)	(48,567)	-	(467,654)
Furniture & Fixtures	(3,920)	-	-	(3,920)
Vehicles	(72,443)	(7,272)	25,555	(54,160)
Total accumulated depreciation	<u>(8,589,030)</u>	<u>(298,714)</u>	<u>25,555</u>	<u>(8,862,189)</u>
Total capital assets, net	<u>\$ 4,489,324</u>	<u>\$ 144,620</u>	<u>\$ -</u>	<u>\$ 4,633,944</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2019 was \$298,714 .

Construction Commitments

At September 30, 2019, the Commission had an uncompleted professional services contract related to the construction of a new 12" waterline from Highway 182 to Lake Road/Verdunville Rd. The remaining commitment on this construction contract is \$365,148. Additionally, the Commission entered into two contracts for improvements and/or relocations to existing waterlines at a combined cost of \$218,976. These two projects had not yet commenced as of the end of the Commission's fiscal year.

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

Notes to Basic Financial Statements (continued)

(5) 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 41-cent collection fee per customer who does not receive water services. At September 30, 2019, the garbage collection charges due to the St. Mary Parish Government were \$28,351.

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, 2019, mosquito abatement fees due to the St. Mary Parish Government were \$4,004.

(6) Long Term Debt

The following is a summary of changes in long term debt for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due within one year
St. Mary Parish Government	65,527	-	65,527	-	-
Compensated absences	13,232	-	-	13,232	13,232
Total	78,759	-	65,527	13,232	13,232

(7) 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 of the Commission's employees are covered under the Parochial Employees' Retirement System of Louisiana. Details concerning the plan are:

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

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

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

Notes to Basic Financial Statements (continued)

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

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

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

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 three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

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.

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

Notes to Basic Financial Statements (continued)

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

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

In lieu of terminating employment and accepting a service retirement, any member of Plan 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 three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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.

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

Notes to Basic Financial Statements (continued)

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

Employer Contributions: According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2018, the actuarially determined contribution rate was 9.99% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2018 was 11.5% for Plan A. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

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, 2019, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$3,443 for its participation in PERS.

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

At September 30, 2019, the Commission reported liabilities in its financial statements of \$199,979 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2018 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension liability 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, 2018, the Commission's proportional share of PERS was 0.045057%, which was a decrease of 0.003299% from its proportion measured as of December 31, 2017.

For the year ended September 30, 2019, the Commission recognized pension expense of \$78,065.

At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

Notes to Basic Financial Statements (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 12,183
Changes of assumptions	50,001	-
Net difference between projected and actual earnings on pension plan investments	95,731	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,769	15,018
Employer contributions subsequent to the measurement date	<u>27,281</u>	<u>-</u>
	<u>\$ 188,782</u>	<u>\$ 27,201</u>

Deferred outflows of resources of \$27,281 related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

<u>Year</u>	
2020	46,528
2021	25,340
2022	20,141
2023	<u>42,291</u>
	<u>\$ 134,300</u>

Actuarial Assumptions

The net pension liability 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.

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

Notes to Basic Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2019 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan A
Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.50%, 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	2.40%

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

Notes to Basic Financial Statements (continued)

The discount rate used to measure the total pension liability was 6.50% for Plan A, which was a .25% decrease from the rate used as of December 31, 2017. 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 6.50% for Plan A, which was a .25% decrease from the rate used as of December 31, 2017. 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 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Totals	<u>100%</u>	<u>5.43%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.43%</u>

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

Notes to Basic Financial Statements (continued)

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

Sensitivity to Changes in Discount Rate

The following presents the net pension liability/(asset) of the participating employers calculated using the discount rate of 6.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.50% or one percentage point higher 7.50% than the current rate.

	Changes in Discount Rate		
	2018		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	5.50%	6.50%	7.50%
Net Pension Liability	\$ 424,702	\$ 199,979	\$ 12,130

Payables to the Pension Plan

The Commission recorded no accrued liabilities related to the pension plan for the year ended September 30, 2019.

Pension Plan Fiduciary Net Positions

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.

(8) Contingencies

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.

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

Notes to Basic Financial Statements (continued)

(9) Compensation Paid to Board Members

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

Glenn Blood	\$ 1,400
William Miller	2,700
Willis Dore, Jr.	2,600
Donald Hahn, Sr.	2,700
Phelo Keller	2,700
Mike Ortiz	2,400
Leonard Klutts, Jr.	2,700
	<u>\$17,200</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, 2019, the Commission's board president, H. Glenn Blood, received \$1,400 in per diem payments.

(10) Risk Management

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

(11) 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 into 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

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

Notes to Basic Financial Statements (continued)

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.

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, 2019, the District has remitted collections for solid waste service charges due to the Parish Government.

(12) New Accounting Pronouncements

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

GASB Statement No. 84, *Fiduciary Activities* (January 2017)

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of GASB Statement No. 84 are effective for fiscal periods beginning after December 15, 2018 and are anticipated to have no effect on the Commission's financial statements.

GASB Statement No. 87, *Leases* (June 2017)

The Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after December 15, 2019. The effect of implementation on the Commission's financial statements has not yet been determined.

GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61* (August 2018)

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The provisions of GASB Statement No. 90 are effective for fiscal periods beginning after December 15, 2018 and are anticipated to have no effect on the Commission's financial statements.

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, 2019

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%

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

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

Schedule of Employer Contributions
Year Ended September 30, 2019

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%

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

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

Note to Retirement System Schedules
Year Ended September 30, 2019

Parochial Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended September 30, 2019.

Changes of assumptions –

Year ended September 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.25%	7.25%	3.00%	4	5.75%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	7.00%	7.00%	2.50%	4	5.25%
2018	6.75%	6.75%	2.50%	4	5.25%
2019	6.50%	6.50%	2.40%	4	4.75%

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

Members of the Board of Commissioners
St. Mary Parish 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, 2019, 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 May 8, 2020. Our report expressed an adverse opinion on the aggregate discretely presented component units because the financial statements of the primary government do not include financial data for the Commission's legally separate component unit.

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) to determine the 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 deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2019-003.

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are included in the accompanying corrective action plan for current year findings. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 8, 2020

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

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

A. Internal Control –

2018-001 – Financial Reporting

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

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

CURRENT STATUS: See schedule of audit results and findings, item 2019-001.

B. Compliance Finding-

No findings were reported in this section.

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

Schedule of Audit Results and Findings
Year Ended September 30, 2019

Part I. Summary of auditor's results:

Financial Statements

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

2. Internal control over financial reporting:

Material weakness(es) identified?

✓ yes no

Significant deficiency(ies) identified?

 yes ✓ none reported

3. Noncompliance material to the financial statements?

✓ yes no

Other

4. Management letter issued?

 yes ✓ no

Part II. Findings required to be reported in accordance with Government Auditing Standards:

A. Internal Control

2019-001 – Financial Reporting

Year Initially Occurring: 2017

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

CRITERIA: 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, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

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

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

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

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

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2019

2019-002 – Material Adjustments to the Financial Statements

Year Initially Occurring: 2019

CONDITION: During the performance of audit procedures, audit adjustments were proposed to correct misstatements that, individually and in the aggregate, were material to the Commission's financial statements.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

A deficiency in internal control is defined as a condition where 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. It defines a material weakness as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements may not be prevented, or detected and corrected, on a timely basis.

The identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the Commission's internal control is an indicator of a material weakness in internal control.

CAUSE: The cause of the condition is failure by management to design and implement effective internal controls such that there is a reasonable possibility that a material misstatement will not be prevented, or detected and corrected, on a timely basis by management or employees, in the normal course of performing their assigned functions.

EFFECT: The effect of the condition is that financial statements may contain a material misstatement that is not detected and corrected.

RECOMMENDATION: The Commission should develop and implement procedures to ensure that material misstatements in the financial statements are identified and corrected in a timely manner.

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

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2019

B. Compliance

2019-003 – Public Bid Law

Year Initially Occurring: 2019

CONDITION: The Commission expended funds totaling \$42,000 to fabricate six pump houses without seeking public bids prior to the acquisition.

CRITERIA: RS 38:2211 et seq (The Public Bid Law) is the set of laws that governs contracts for public works and the purchase of materials and supplies by public entities that meet certain threshold requirements. The purpose of the Public Bid Law is to ensure that public entities receive the best possible price when using public funds for the procurement of materials and supplies or public works. The Public Bid Law is a prohibitory law founded on public policy and therefore public entities must strictly comply with its provisions absent express exception in law.

Contracts by local political subdivisions and local governmental entities for purchases of materials and supplies with a value of more than \$30,000 must be advertised and let for contract with the lowest responsible bidder.

CAUSE: The cause of the condition is the failure of the Commission to establish policies and procedures to ensure compliance with applicable laws and regulations.

EFFECT: The Commission may be in violation of the Public Bid Law for failure to obtain public bids for the purchase of materials and supplies in excess of the current contract threshold established in the statute.

RECOMMENDATION: We recommend that the Commission develop and implement procedures to ensure that the Commission complies with the public bid law when it applies.

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

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

APPENDIX A

ST. MARY PARISH WATER & SEWER COMMISSION NO. 3

**POST OFFICE BOX 119
CENTERVILLE, LA 70522**

May 8, 2020

Kolder, Slaven & Company, LLC
PO Box 3438
Morgan City, LA 70381

Dear Sirs:

In response to the findings noted in your report on the audit of the Commission's financial statements for the year ended September 30, 2019, please accept the following as the Commission's responses and planned corrective action to address the findings.

2019-001 – Financial Reporting

We concur with your recommendation. The Commission has determined that it is not economically feasible to incur the costs necessary to employ personnel with the required expertise and/or experience in the preparation of financial statements and related notes in compliance with generally accepted accounting principles. Therefore, the Commission has outsourced its financial statement preparation process to its independent auditors and has appointed an individual with the Commission to oversee these procedures.

2019-002 – Material Adjustments to the Financial Statements

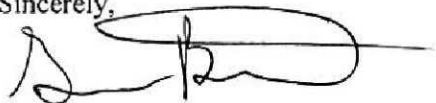
The Commission's management goes to great lengths to ensure that its books and records are complete with all accruals captured and posted. The audit adjustment in question was to accrue a payable for a capital project in which the payment was made from an account only used for capital projects. It was simply an oversight that the account was omitted when determining account payable accruals at year end. In the future, management will ensure that all disbursements will be considered when accruing payables at year end.

2019-003 – Public Bid Law

The Commission viewed the pump houses as a public works project in that the pump houses were installed and became an integral part of the Commission's sewer lift stations. As a result, the Commission sought quotes for the fabrication of the pump houses. In the future, the Commission will ensure that the statutory definition of a public work and the cumulative cost of the acquisition will be considered when determining the applicability of the public bid law.

We thank you for the opportunity to respond to your findings and note our planned corrective action.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Glenn Blood', with a long horizontal flourish extending to the right.

H. Glenn Blood, Chairman

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

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2018 through June 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1234 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

Board of Commissioners, St. Mary Parish Water and Sewer Commission No. 3, and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the St. Mary Parish Water and Sewer Commission No. 3 (hereinafter "Commission") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019, as required by the *Louisiana Governmental Audit Guide*. The Commission's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain 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.

Commission does not have written policies or procedures that address the categories or subcategories noted above.

- 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 were obtained but do not address (2) how vendors are added to the vendor list.

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

Commission does not have written policies or procedures that address the categories or subcategories noted above.

- 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).

Commission does not have written policies or procedures that address the categories or subcategories noted above.

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

Written policies and procedures were obtained and address the categories and 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.

Written policies and procedures were obtained but do not address (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, and (4) approval process.

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

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained but do not address the categories and subcategories noted above.

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

Commission does not have written policies and procedures that address the categories or subcategories noted above.

- k) **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.

Commission does not have written policies and procedures that address the categories or subcategories noted above.

Board or Finance Committee

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

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:
 - 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.
 - 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 and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary 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.*
 - 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.

Bank Reconciliations

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

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

Collections (excluding EFTs)

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

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).
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:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - 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.
 - 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.
 - 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 verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
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:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the Commission's only payment processing 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 those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to 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 noted.

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

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files. Another employee is not responsible for periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

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:

For the Commission's one payment processing location selected, obtained the Commission's non-payroll disbursement transaction population and management's representation that the population is complete. Randomly selected five (5) disbursements for the location and obtained supporting documentation for each selected transaction.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- 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 noted.

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

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete.
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:
 - 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]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
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.

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

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

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:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - 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).

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

Contracts

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

- 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:
 - 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.
 - 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).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - 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.

Payroll and Personnel

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor’s Statewide Agreed-Upon Procedures, Year 3: “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3.”

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations, agree the hours to the employee/officials’ cumulative leave records,

and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

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

Since the procedures under #16 "Payroll and Personnel" do not apply for the current testing period, randomly selected five (5) employees/officials and obtained ethics documentation from management.

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

Evidence of completion of one hour of ethics training during the fiscal period could not be provided for any of the five (5) employees selected for testing.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The five (5) employees selected for testing did not attest through signature verification that he or she had read the Commission's ethics policy during the fiscal period.

Debt Service

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
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).

Other

Note: Procedures excluded from testing in the current period – Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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.

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.

Management's Response

The Commission's management concurs with the exceptions and are working to address the deficiencies identified.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 8, 2020