

WATERWORKS DISTRICT NO. 5
OF THE PARISH OF ST. MARY
Centerville, Louisiana

Financial Statements

Year Ended May 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1-2
FINANCIAL SECTION	
Basic financial statements:	
Water enterprise fund:	
Statement of net position	3-4
Statement of revenues, expenses, and changes in net position	5
Statement of cash flows	6-7
Notes to the financial statements	8-24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of employer's share of net pension liability/(asset)	26
Schedule of employer contributions	27
Note to retirement system schedules	28
REQUIREMENTS OF THE <i>LOUISIANA GOVERNMENTAL AUDIT GUIDE</i>	
Independent accountant's report on applying agreed-upon procedures	30-32
Louisiana Attestation Questionnaire	Exhibit A

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 ACCOUNTANT'S REVIEW REPORT

Board of Commissioners
Waterworks District No. 5 of the Parish of St. Mary
Centerville, Louisiana

We have reviewed the accompanying financial statements of Waterworks District No. 5 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be 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 schedules for employer's share of net pension liability/(asset) and employer pension contributions 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. Such information is the responsibility of management. We have not audited or reviewed the schedule of employer's share of net pension liability/(asset) on page 26, schedule of employer contributions on page 27, or note to retirement system schedules on page 28 and do not express an opinion, conclusion, nor provide any assurance on such information.

The District 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
November 20, 2019

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Statement of Net Position
May 31, 2019

ASSETS

Current assets	
Cash	\$ <u>35,541</u>
Non-current assets	
Restricted assets	
Sinking Fund for Public Improvement Bonds:	
Cash	2,268
Investments, at fair value	<u>74,505</u>
Total restricted assets	<u>76,773</u>
Capital assets	
Capital assets not being depreciated	16,500
Other capital assets, net of accumulated depreciation	<u>3,532,956</u>
Total capital assets	<u>3,549,456</u>
Total non-current assets	<u>3,626,229</u>
Total assets	<u>3,661,770</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding (bonds payable)	7,255
Deferred outflows related to net pension liability	<u>96,436</u>
Total deferred outflows of resources	<u>103,691</u>
Total assets and deferred outflows of resources	<u>\$ 3,765,461</u>

(continued)

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Statement of Net Position (continued)
May 31, 2019

LIABILITIES

Current liabilities	
Payable from current assets	
Accrued expense	<u>\$ 21,358</u>
Payable from restricted assets	
Bonds payable within one year	150,000
Interest payable	<u>1,606</u>
Total payable from restricted assets	<u>151,606</u>
Total current liabilities	172,964
Long-term liabilities	
Net pension liability	<u>89,449</u>
Total liabilities	<u>262,413</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to net pension liability	<u>20,063</u>
--	---------------

NET POSITION

Net investment in capital assets	3,399,456
Restricted	75,167
Unrestricted	<u>8,362</u>
Total net position	<u>3,482,985</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,765,461</u>

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended May 31, 2019

Operating expenses	
Personnel services and related benefits	\$ 396,770
Other services and charges	4,384
Depreciation	<u>263,183</u>
Total operating expenses	<u>664,337</u>
Non-operating revenues (expenses)	
Ad valorem taxes	
Debt retirement	117,064
Investment income	2,381
Miscellaneous income	4,344
Bond interest	<u>(18,313)</u>
Total non-operating revenues (expenses)	<u>105,563</u>
Income before transfers	(558,774)
Transfers	<u>335,417</u>
Change in net position	(223,357)
Net position, beginning	<u>3,706,342</u>
Net position, ending	<u>\$ 3,482,985</u>

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Statement of Cash Flows
Year Ended May 31, 2019

Cash flows from operating activities	
Payments to suppliers for goods and services	\$ (4,384)
Payments to employees for services	<u>(391,034)</u>
Net cash used by operating activities	<u>(395,418)</u>
Cash flows from noncapital financing activities	
Ad valorem taxes collected	117,064
State revenue sharing	87
Receipts from other entities	<u>335,417</u>
Net cash provided by noncapital financing activities	<u>452,568</u>
Cash flows from capital and related financing activities	
Interest received on restricted funds	2,173
Principal paid on long-term debt	(140,000)
Interest paid on long-term debt	<u>(12,557)</u>
Net cash flows used by capital and related financing activities	<u>(150,384)</u>
Cash flows from investing activities	
Proceeds from maturity/sale of investments	25,827
Interest earned on operating funds	<u>208</u>
Net cash provided by investing activities	<u>26,035</u>
Net decrease in cash and cash equivalents	(67,199)
Cash and cash equivalents, beginning	<u>105,008</u>
Cash and cash equivalents, ending	<u>\$ 37,809</u>

(continued)

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Statement of Cash Flows (continued)
Year Ended May 31, 2019

Reconciliation of cash and cash equivalents per the statement of cash flows to the balance sheet:

Beginning of year:	
Unrestricted	\$ 91,432
Restricted - sinking fund	<u>13,576</u>
	<u>105,008</u>
End of year:	
Unrestricted	35,541
Restricted - sinking fund	<u>2,268</u>
	<u>\$ 37,809</u>

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

Operating loss	<u>\$ (664,337)</u>
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation expense	263,183
Pension expense, net of nonemployer contributions	23,773
Decrease in accrued expenses	<u>(18,037)</u>
Total adjustments	<u>268,919</u>
Net cash used by operating activities	<u>\$ (395,418)</u>

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements

INTRODUCTION

Waterworks District No. 5 of the Parish of St. Mary (“Waterworks District”) was created by Ordinance No. 595 of the St. Mary Parish Police Jury (predecessor to the St. Mary Parish Council), on September 5, 1954, for the purpose of establishing, acquiring, constructing, maintaining and operating a waterworks system for the benefit of the people of the Waterworks District. The Waterworks District is governed by a board of seven members. These board members are appointed by the St. Mary Parish Council.

In September 2016, the St. Mary Parish Council adopted Ordinance No. 2060 the purpose of which was to combine the operations of the Waterworks District with the operations of St. Mary Parish Sewerage District No. 5 and St. Mary Parish Sewerage District No. 8. The entities were combined to create St. Mary Parish Water and Sewer Commission No. 3 (the “Commission”) whose boundaries would comprise the entirety of the boundaries of the three consolidated districts. The Commission is governed by a separate board of commissioners appointed by the St. Mary Parish Council from the members of the three consolidated districts. The Commission assumed all operations formerly conducted by each of the individual districts other than those actions to which the Waterworks District maintained legal obligations to bondholders and employees. Upon satisfaction of these obligations, the St. Mary Parish Council intends to adopt ordinances to formally abolish the Waterworks District.

The Waterworks District board meets as needed at the Waterworks District office to manage its remaining legal obligations. The members receive a per diem of \$60 for each meeting attended.

(1) Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied in governmental units. The Governmental Accounting Standards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District is a component unit of the Parish of St. Mary, the financial reporting entity. The parish government is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

C. Fund Accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. A fund is considered major if it is the primary operating fund of the entity or its total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The Enterprise Fund of the District is considered to be a major fund.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. The District defines operating revenues as those revenues arising out of the principal business activity of the District. Operating revenues of the District include water sales and service charges, late penalty charges, and other collection fees such as reconnection fees and transfer fees. Substantially all other revenues are reported by the District as nonoperating revenues. Nonoperating revenues include ad valorem tax and state revenue sharing revenues, interest earnings on deposits and investments, capital grants from other governmental entities, and other non-exchange type transactions. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Ad valorem taxes and state revenue sharing are recorded in the year the taxes are due and payable. Interest income is recorded when earned. All other revenues are recorded when received.

Expenses

Expenditures are recorded in the period that the liabilities are incurred.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. Otherwise, they are classified as cash equivalents.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

F. Interest Receivable

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

G. Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "sinking fund for public improvement bonds" account is used to report resources set aside and restricted for payment of future bond installments and related interest. The "capital additions and contingency fund" account is used to report funds set aside and restricted for use in major capital additions and repairs to the waterworks system.

When fund resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first.

H. Waterworks System, Plant and Equipment

Fixed assets of the District are included on the statement of net position of the fund. Fixed assets used in the proprietary fund type operations are valued at historical costs. Infrastructure fixed assets, consisting of the waterworks system, are capitalized along with other fixed assets. The District maintains a threshold level of \$1,000 or more for capitalizing assets. Depreciation of all exhaustible fixed assets used by proprietary fund type operations is charged as an expense against operations. Fixed assets on the statement of net position are net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets as follows:

Water plants, lines and meters	5-50 years
Office building	20-39 years
Furniture and equipment	5-10 years
Trucks	5 years

I. Capitalization of Interest Costs

Interest costs incurred by the District during the construction of an asset for its own use are subject to capitalization based on the guidelines established by GASB Codification Section 1400.120 – .137 (Capitalization of Interest Costs). There was no capitalized interest recorded in the financial statements for the year ended May 31, 2019.

J. Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. A deferred outflow of resources reported in this year's financial statements is a deferred amount arising from the advance refunding of bonds. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The District also reports deferred outflows of resources related to its net pension liability.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

K. Compensated Absences

Under the District’s vacation and sick leave policy, permanent employees shall earn vacation and sick leave. An employee shall be authorized annual leave in the following manner; effective with his/her anniversary date:

<u>Years of Service</u>	<u>Annual Leave</u>
Less than 1 year	0 hours
1-5 years	80 hours
6-15 years	120 hours
16-20 years	160 hours
21 or more years	200 hours

Unused vacation leave can only be carried to the following calendar year when an employee is denied part of their leave because of an emergency.

Sick leave shall be earned at the rate of 1 day per month, up to 12 days per year. An employee may accrue up to 120 days of sick leave.

At May 31, 2019, earned vacation leave totaling \$9,966 has been accrued in the financial statements.

L. Deferred Inflows of Resources

The District’s statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The District will not recognize the related revenues until a future event occurs. The District reports deferred inflows of resources related to its net pension liability.

M. Net Position

In the District’s financial statements, 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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

N. 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.

O. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Risk Management

The District is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance is purchased for claims arising from such matters. There were no significant changes in coverage, retentions, or limits during the year ended May 31, 2019. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

(2) Cash and Cash Equivalents

Under state law, the District 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 District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At May 31, 2019, the District has cash and interest-bearing deposits (book balances) totaling \$37,809 as follows:

Demand deposits	\$ 1,223
Interest-bearing demand deposits	<u>36,586</u>
	<u>\$ 37,809</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At May 31, 2019, deposit balances (bank balances) totaling \$37,809 are fully secured by federal deposit insurance.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution the District's deposits may not be recovered, or the District will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At May 31, 2019, the District's deposits were not exposed to custodial credit risk.

(3) Investments

Investments held at May 31, 2019 consist of \$74,505 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 participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

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

Interest rate risk – LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 37 days (from LAMP's monthly statement of net assets) at May 31, 2019.

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

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 at 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.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of May 31, 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 District 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 prices
- Level 3 – unobservable inputs

The District'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.

(4) Ad Valorem Taxes

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31. The taxes are delinquent on January 1, at which time an enforceable lien attaches to the property. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District receives the majority of its taxes in January and February. The tax rate charged for the 2018 tax year was and 1.42 mills per \$1,000 for bond and interest payments. Total taxes levied during the year ended May 31, 2019 was \$118,662. Total taxes collected during the year ended May 31, 2019 was \$117,064.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

(5) Changes in Capital Assets

The following is a summary of changes in capital assets:

	Balance June 1, 2018	Additions	Deductions	Balance May 31, 2019
Capital assets not being depreciated				
Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Capital assets being depreciated				
Water plant, lines and meters	10,488,224	-	-	10,488,224
Office building	206,396	-	-	206,396
Furniture and equipment	172,016	-	-	172,016
Trucks	<u>58,602</u>	<u>-</u>	<u>-</u>	<u>58,602</u>
Sub-Total	10,941,738	-	-	10,941,738
Less accumulated depreciation	<u>(7,129,099)</u>	<u>(263,183)</u>	<u>-</u>	<u>(7,392,282)</u>
Total	<u>\$ 3,822,656</u>	<u>\$ (263,183)</u>	<u>\$ -</u>	<u>\$ 3,549,456</u>

Depreciation expense charged to operations for the year ended May 31, 2019, is \$263,183.

(6) Long-Term Debt

The following is a summary of the District's long-term debt transactions for the year ended May 31, 2019:

	<u>6/1/2018</u>	<u>Additions</u>	<u>Payments</u>	<u>5/31/2019</u>	<u>Due Within One Year</u>
Public Improvement Refunding Bonds	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ (140,000)</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

Bonds payable at May 31, 2019 are comprised of the following individual issues:

\$1,305,000 Public Improvement Refunding Bonds, dated July 6, 2006, with a final maturity date of March 1, 2020, bearing interest at 4.33% per annum	\$ 150,000
Less: deferred amount on refunding	<u>(7,255)</u>
Net Public Improvement Refunding Bonds	<u>\$ 142,745</u>

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

The bonds were incurred for the purpose of advance refunding \$1,220,000 of outstanding Public Improvement Bonds, Dated March 1, 2000, maturing March 1, 2012 through March 1, 2020. The net proceeds of \$1,286,698 (after payment of \$18,302 in issuance costs) plus an additional \$17,008 of cash provided by the District was used to advance refund a portion of the Series 2000 bonds.

The bonds are secured by a special tax to be imposed on all property subject to taxation within the territorial limits of the District, sufficient in amount to pay the principal and interest as they severally mature.

The following is a schedule of future debt service requirements at May 31, 2019:

Year Ending May 31	Public Improvement Bonds		Total debt service
	Principal	Interest	
2020	150,000	6,496	156,496
	\$ 150,000	\$ 6,496	\$ 156,496

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverage. The District is substantially in compliance with all such significant limitations and restrictions.

(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 District'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 District are members of Plan B.

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

The Parochial Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the report can be found on the system's website, www.persla.org, 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 B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

1. Age 55 with 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 B shall consist of an amount equal to 2% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

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

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

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 B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 2% of the member's final average compensation multiplied by his years of service, not to be less than 15, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

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

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

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 7.01% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2018 was 7.50% for Plan B.

Non-employer Contributions: According to state statute, PERS also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended May 31, 2019, the District recognized revenue as a result of support received from non-employer contributing entities of \$4,344 for its participation in PERS.

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

At May 31, 2019, the District reported liabilities in its financial statements of \$89,449 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 District's proportion of the net pension liability was based on a projection of the District'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 District's proportional share of PERS was 0.331091%, which was a decrease of 0.012905% from its proportion measured as of December 31, 2017.

For the year ended May 31, 2019, the District recognized pension expense of \$49,211 in its activities.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

At May 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 19,930
Changes of assumptions	24,855	-
Net difference between projected and actual earnings on pension plan investments	61,251	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	255	133
Employer contributions subsequent to the measurement date	10,075	-
	<u>\$ 96,436</u>	<u>\$ 20,063</u>

The \$10,075 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2020	\$ 21,177
2021	9,580
2022	8,731
2023	<u>26,810</u>
	<u>\$ 66,298</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.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan B
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	4.25%
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants
Inflation Rate	2.40%

The discount rate used to measure the total pension liability was 6.50% for Plan B, 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.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

The investment rate of return was 6.50% for Plan B, 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 the System'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	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

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/(asset) 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.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

	Changes in Discount Rate		
	2018		
	1%	Current	1%
	Decrease 5.50%	Discount Rate 6.50%	Increase 7.50%
Net Pension Liability (Asset)	\$ 235,333	\$ 89,449	\$ (32,429)

Payables to the Pension Plan: The District recorded accrued liabilities to PERS for the year ended May 31, 2019 primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accrued liabilities. The balance due to PERS as of May 31, 2019 is \$4,112.

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

(8) Compensation Paid to Board Members

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:3819 provides for each board member to receive a per diem not to exceed \$60 for each meeting attended not to exceed 24 meetings each year and for each special meeting not to exceed 12 per year. The District pays per diem of \$60 per meeting.

Board Member	Meetings Attended	Amount
H. Glenn Blood	2	\$ -
Leonard Klutts	2	120
Wendell Bogan	1	60
Donald Hahn, Sr	1	60
H.A. Pinho, Sr	2	120
Garland Romero	1	60
Phelo Keller	2	120
Total		\$ 540

(9) Compensation and Payments to Chief Officer

Act 706 of the 2014 Legislative Session amended R.S. 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. For the year ended May 31, 2019, the District's chief officer, Glenn Blood, received no compensation, reimbursements, benefits, or other payments.

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Notes to the Financial Statements (continued)

(11) Intergovernmental / Cooperative Endeavor Agreements

St. Mary Parish Water and Sewer Commission No. 3 and St. Mary Parish Fire Protection District No. 2

In July 2001, the District entered into a cooperative endeavor agreement St. Mary Parish Water and Sewer Commission No. 3 and St. Mary Parish Fire Protection District No. 2 for the planning, construction, use and maintenance of a multi-purpose building. The multi-purpose building was completed during 2004 and is co-owned by each District in equal proportions.

Utility consumption by the District and St. Mary Parish Water and Sewer Commission No. 3 is shared in equal proportions and is separately metered from the consumption by St. Mary Fire Protection District No. 2. Housekeeping and maintenance expenses are the responsibility of the respective Districts based upon the District's occupancy portion of the building as a whole. Expenses for landscaping, maintenance of the grounds, and exterior maintenance of the multi-purpose building are shared equally by the Districts.

St. Mary Parish Government

In September 2002, the District 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 May 31, 2019, the District has remitted all collections for mosquito abatement service charges due to the Parish Government.

In August 2006, the District 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 May 31, 2019, the District has remitted collections for solid waste service charges due to the Parish Government.

(12) District Consolidation

In September 2016, the St. Mary Parish Council adopted Ordinance No. 2060 the purpose of which was to combine the operations of the District with the operations of St. Mary Parish Sewerage District No. 5 and St. Mary Parish Sewerage District No. 8. The entities would be combined to create St. Mary Parish Water and Sewer Commission No. 3 (the "Commission") whose boundaries would comprise the entirety of the boundaries of the three consolidated districts. The Commission is governed by a separate board of commissioners appointed by the St. Mary Parish Council from the members of the three consolidated districts. The Commission has assumed all operations formerly conducted by each of the individual districts other than those actions to which the District maintained legal obligations to bondholders and employees. Upon satisfaction of these obligations, the St. Mary Parish Council will adopt ordinances to formally abolish the districts.

REQUIRED SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Schedule of Employer's Share of Net Pension Liability/(Asset)
Year Ended May 31, 2019

Plan Year Ended Dec 31	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.377302%	\$ 67,177	\$ 372,900	18.01%	93.48%
2016	0.331375%	43,048	330,110	13.04%	95.50%
2017	0.343996%	(43,282)	348,834	-12.41%	104.02%
2018	0.331091%	89,449	346,372	25.82%	91.93%

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Schedule of Employer Contributions
Year Ended May 31, 2019

Year Ended May 31	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
2016	\$ 30,052	\$ 30,052	\$ -	\$ 358,201	8.39%
2017	27,883	27,883	-	348,532	8.00%
2018	26,939	26,939	-	345,587	7.80%
2019	25,438	25,438	-	339,179	7.50%

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

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Centerville, Louisiana

Note to Retirement System Schedules
Year Ended May 31, 2019

Parochial Employees' Retirement System

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

Changes of assumptions –

Year ended May 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
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	4.25%

REQUIREMENTS OF THE *LOUISIANA GOVERNMENTAL AUDIT GUIDE*

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.KCSRCPAS.COM

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners, Waterworks District No. 5 of the Parish of St. Mary and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Waterworks District No. 5 of the Parish of St. Mary (hereinafter "District") and the Louisiana Legislative Auditor (LLA) on the District's compliance with certain laws and regulations included in the accompanying Louisiana Attestation Questionnaire (Exhibit A) during the fiscal year ended May 31, 2019, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The management of the District is responsible for its financial records and compliance with applicable laws and regulations.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the provisions of *Government Auditing Standards* applicable to attestation engagements. The sufficiency of these procedures is solely the responsibility of the District and LLA. 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, if any, are as follows:

Public Bid Law

1. Obtain documentation for all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$154,450. Report whether these expenditures were made in accordance with LSA-RS 38:2211-2296 (the public bid law).

No expenditures for materials and supplies were made during the year that exceeded \$30,000, nor were there any expenditures for public works made during the year that exceeded \$154,450.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of each of your board member's immediate family members as defined by LSA-R.S. 42:1101-1124 (the code of ethics).

We requested a listing of immediate family members from each board member and a listing of outside business interests of each board member, as well as any business interests of their immediate families. We received responses from two (2) of the District's seven (7) board members.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

None of the employees included on the list of employees provided by management [agreed upon procedure (3)] appeared on the list provided by management in agreed-upon procedures (2).

5. Obtain from management a listing of all disbursements made during the year, along with a list of outside business interests of board members, employees, and their respective immediate family members. Report whether any vendors appear on both lists.

None of the vendors appearing on the disbursement listing obtained from management appeared on the lists of outside business interests of board members, employees, or their immediate family members.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

The District operates as an Enterprise Fund and is not required to adopt a budget by the Local Government Budget Act.

7. Trace the budget adoption to adoption instruments.

Not applicable.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budget revenues by five percent (5%) or more or if actual expenditures exceeded budgeted amounts by five percent (5%) or more.

Not applicable.

Accounting and Reporting

9. Randomly select six (6) disbursements made during the period under examination and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation and: (a) report whether the six disbursements agree to the amount and payee in the supporting documentation, (b) report whether the six disbursements are coded to the correct fund and general ledger account, and (c) report whether the six disbursements were approved in accordance with management's policies and procedures.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amounts, made to the correct payees, properly coded to the correct funds and general ledger accounts, and appropriately approved in accordance with management's policies and procedures.

Meetings

10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law) and report any exceptions.

We examined evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required.

Debt

- 11. Obtain bank deposit slips for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission and report any exceptions.

We inspected copies of all bank deposit slips for the year ended May 31, 2019 and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

- 12. Obtain the list of payroll disbursements and meeting minutes of the governing board for the year. Determine and report whether any payments or approval of payments to employees which may constitute bonuses, advances, or gifts.

We inspected payroll records and minutes for the year and noted no instances which would indicate payments to employees that may constitute bonuses, advances, or gifts.

State Audit Law

- 13. Report whether the District provided for a timely report in accordance with R.S. 24:513

The District provided for a timely report in accordance with R.S. 24:513.

- 14. Inquire of management and report whether the District entered into any contracts utilizing state funds as defined in R.S. 39:72. 1 A3 (2); and that were subject to public bid law (R.S. 38:2211, et seq.), while the District was not in compliance with R.S. 24:513 (the audit law).

The District did not enter into any such contracts while not in compliance with R.S. 24:513.

Prior Comments and Recommendations

- 15. Obtain and report management’s representation as to whether any prior year suggestions, recommendations, and/or comments have been resolved.

Our prior year report, dated September 17, 2018, did not include any comments or unresolved matters regarding the foregoing agreed upon procedures.

We were not engaged to perform, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District’s compliance with the foregoing matters. 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 to describe the scope of testing performed on the District’s compliance with certain laws and regulations included in the accompanying Louisiana Attestation Questionnaire, 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 District’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

LOUISIANA ATTESTATION QUESTIONNAIRE
Exhibit

WATERWORKS DISTRICT NO. 5 OF THE PARISH OF ST. MARY
Louisiana Attestation Questionnaire
Year Ended May 31, 2019

Kolder, Slaven & Company, LLC, CPAs
Post Office Box 3438
Morgan City, Louisiana

In connection with your review of our financial statements as of May 31, 2019 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of the date noted on the last page of this questionnaire.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [] No []

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [] No []

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [] No []

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes [] No []

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [] No []

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [] No []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes [] No []

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes [] No []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [] No []

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes [] No []

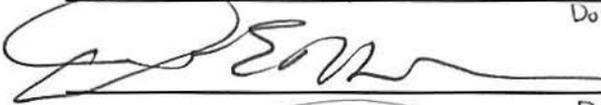
We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes No

The previous responses have been made to the best of our belief and knowledge.



Donald E. Hahn Secretary 6-18-19 Date



Donald E. Hahn Treasurer 6-18-19 Date



H. Glenn Blood President 6-18-19 Date