

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

Financial Report

Year Ended September 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Mary Parish Wards 5 and 8 Joint Sewer Commission (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of September 30, 2020, 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.

Emphasis of a Matter

As described in Note 12 to the financial statements, the prior financial statements have been restated to correct errors. Our opinion is not modified with respect to this matter.

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 26, schedule of employer contributions on page 27, or note to retirement system schedules on page 28 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of insurance in force on page 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that schedule.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2021, 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
June 3, 2021

BASIC FINANCIAL STATEMENTS

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

Internal Service Fund
Statement of Net Position
September 30, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 506,109
Due from other governments	178,025
Prepaid insurance	<u>25,106</u>
Total current assets	709,240
Noncurrent assets	
Other capital assets, net of accumulated depreciation	1,003,113
Other assets	
Deposits	<u>2,402</u>
Total assets	1,714,755

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>14,090</u>
Total assets and deferred outflows of resources	<u>\$ 1,728,845</u>

(continued)

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

Internal Service Fund
Statement of Net Position (continued)
September 30, 2020

LIABILITIES

Current liabilities	
Accounts payable	\$ 41,396
Accrued liabilities	7,436
Total current liabilities	<u>48,832</u>
Noncurrent liabilities	
Net pension liability	<u>505</u>
Total liabilities	<u>49,337</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>24,681</u>
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NET POSITION

Net investment in capital assets	1,003,113
Unrestricted	<u>651,714</u>
Total net position	<u>1,654,827</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 1,728,845</u>

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

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

Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2020

Operating revenues	
Charges for services	\$ 977,981
Other	867
Total operating revenues	<u>978,848</u>
Operating expenses	
Alarms	8,235
Board meeting per diem	3,000
Chemicals	27,370
Contract labor	11,832
Depreciation	109,977
Engineering	10,821
Insurance	56,030
Lab fees	14,730
Legal and accounting	17,019
Miscellaneous	37,608
Repairs and maintenance	255,531
Retirement	9,407
Salaries	83,555
Supplies	1,738
Taxes - payroll	1,682
Telephone	6,919
Truck and fuel	5,319
Uniforms	7,286
Utilities	224,983
Total operating expenses	<u>893,042</u>
Operating Income	<u>85,806</u>
Non-operating revenues	
Miscellaneous	7,030
Interest income	966
Total non-operating revenues	<u>7,996</u>
Change in net position	93,802
Net position, beginning, as restated	<u>1,561,025</u>
Net position, ending	<u>\$ 1,654,827</u>

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

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

Internal Service Fund
Statement of Cash Flows
Year Ended September 30, 2020

Cash flows from operating activities	
Received from participants and other governments	\$ 910,660
Paid to suppliers	(785,161)
Paid to and for employees	(78,665)
Net cash provided by operating activities	<u>46,834</u>
 Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(3,999)</u>
 Cash flows from investing activities	
Other receipts	7,030
Interest received	966
Net cash provided by investing activities	<u>7,996</u>
Net increase in cash and cash equivalents	50,831
Cash and cash equivalents, beginning	<u>455,278</u>
Cash and cash equivalents, ending	<u>\$ 506,109</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 85,806
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	109,977
Pension expense, net of nonemployer contributions	15,112
Changes in assets and liabilities -	
Due from other governments	(67,321)
Prepaid insurance	(2,499)
Accounts payable	(83,873)
Accrued liabilities	<u>(10,368)</u>
Net cash provided by operating activities	<u>\$ 46,834</u>

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

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

During the year ended September 30, 1995, the St. Mary Parish Government entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Government's component units, St. Mary Parish Sewerage District No. 2 and St. Mary Parish Sewerage District No. 8. In October 2000, the St. Mary Parish Council combined St. Mary Parish Sewerage District No. 2 and St. Mary Parish Waterworks District No. 2 to create St. Mary Parish Water and Sewer Commission No. 2. During the year ended September 30, 2018, the St. Mary Parish Council consolidated St. Mary Parish Sewerage District No. 8 into the newly created St. Mary Parish Water and Sewer Commission No. 3 and abolished St. Mary Parish Sewerage District No. 8. The following components of the Parish of St. Mary and governmental entities are currently participants in and fund the operation of the Commission:

- Town of Berwick
- City of Patterson
- St. Mary Parish Water and Sewer Commission No. 2
- St. Mary Parish Water and Sewer Commission No. 3
- St. Mary Parish Government

A. Reporting Entity

As the governing authority of the parish, for financial reporting purposes the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criterion includes:

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

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

Notes to Financial Statements (continued)

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

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

B. Basis of Presentation

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

Fund Financial Statements

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

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an internal service fund.

Internal service funds –

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

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

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

Basis of Accounting

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

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net 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 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.

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 \$1,500 for capitalizing assets.

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

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

Notes to Financial Statements (continued)

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

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

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

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

Compensated absences

The Commission currently employs one full-time employee. The employee earns vacation and sick leave benefits based on length of service. Sick leave does not accumulate and is not payable upon termination. Unused vacation leave shall be paid at the termination of employment, whether by retirement or separation, in accordance with the Commission's policy. Accumulated vacation, sick leave and compensatory time are recorded as an expense of the period in which it is paid.

Deferred outflows of resources and deferred inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission reported deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Commission reported deferred inflows of resources related to pensions.

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.

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

Notes to Financial Statements (continued)

Equity classifications

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

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

E. Revenues and Expenses

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

Revenues

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

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

Expenses

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

F. Budgets

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

G. Use of Estimates

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

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

Notes to Financial Statements (continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks having principal offices in Louisiana. At September 30, 2020, the Commission had cash and interest-bearing deposits (book balances) totaling \$506,109.

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2020, deposit balances (bank balances) totaling \$574,088 are secured as follows:

Federal deposit insurance coverage	\$ 496,090
Uninsured and collateralized with securities	22,050
Uncollateralized	<u>55,948</u>
Total federal deposit insurance and pledged securities	<u>\$ 574,088</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered, or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2020, deposits in the amount of \$77,998 were exposed to custodial credit risk. These deposits are uninsured and not fully collateralized with securities held by the pledging institution's trust department or agent but not the Commission's name or uninsured and uncollateralized.

State law requires amounts on deposit with financial institutions in excess of FDIC limits be fully secured and/or collateralized. Louisiana Revised Statute 39:1225 provides that the "amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States." Since deposits in the amount of \$55,948 were uninsured and uncollateralized, the Commission was noncompliant with statutory requirements.

(3) Due from other Governmental Units

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

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

Notes to Financial Statements (continued)

At September 30, 2020, amounts due from other governmental units consisted of the following:

Sewer treatment charges:	
City of Patterson	\$ 99,870
St. Mary Parish Government	21,555
St. Mary Parish Water and Sewer Commission No. 2	20,258
St. Mary Parish Water and Sewer Commission No. 3	11,669
Town of Berwick	<u>24,673</u>
Total due from other governments	<u>\$ 178,025</u>

(4) Capital Assets

Capital asset and depreciation activity for the year ended September 30, 2020 is as follows:

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Balance 9/30/2020</u>
Capital assets being depreciated			
Buildings	638,772	-	638,772
Equipment	713,361	3,999	717,360
Vehicles	73,676	-	73,676
Improvements	<u>1,561,960</u>	-	<u>1,561,960</u>
Total other capital assets, at cost	<u>2,987,769</u>	<u>3,999</u>	<u>2,991,768</u>
Less accumulated depreciation for			
Buildings	201,816	26,554	228,370
Equipment	582,045	24,795	606,840
Vehicles	50,914	7,004	57,918
Improvements	<u>1,043,903</u>	<u>51,624</u>	<u>1,095,527</u>
Total accumulated depreciation	<u>1,878,678</u>	<u>109,977</u>	<u>1,988,655</u>
Total capital assets, net	<u>\$1,109,091</u>	<u>\$(105,978)</u>	<u>\$ 1,003,113</u>

Depreciation expense related to the utilization of fixed assets for the year ended September 30, 2020 was \$109,977.

ST. MARY PARISH WARD 5 AND 8 JOINT SEWER COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

(5) 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.

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.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.

ST. MARY PARISH WARD 5 AND 8 JOINT SEWER COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

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.

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.

ST. MARY PARISH WARD 5 AND 8 JOINT SEWER COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

Disability Benefits: For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or three percent multiplied by years of service assuming continued service to age 60 for those members who are enrolled prior to January 1, 2007 and to age 62 for those members who are enrolled January 1, 2007 and later.

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

In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 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, 2019, the actuarially determined contribution rate was 12.18% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2019 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 \$867 for its participation in PERS.

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

At September 30, 2020, the Commission reported liabilities in its financial statements of \$505 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2019 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 0.010720%, which was a decrease of 0.001043% from its proportion measured as of December 31, 2018.

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

Notes to Financial Statements (continued)

For the year ended September 30, 2020, the Commission recognized pension expense of \$9,407.

At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 4,518
Changes of assumptions	7,048	-
Net difference between projected and actual earnings on pension plan investments	-	18,917
Changes in proportion and differences between employer contributions and proportionate share of contributions	30	1,246
Employer contributions subsequent to the measurement date	<u>7,012</u>	<u>-</u>
	<u>\$ 14,090</u>	<u>\$ 24,681</u>

Deferred outflows of resources of \$7,012 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:

Year	
2021	(4,024)
2022	(5,163)
2023	102
2024	<u>(8,518)</u>
	<u>\$ (17,603)</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 WARDS 5 AND 8 JOINT SEWER COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2020 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan A
Valuation Date	December 31, 2019
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 WARDS 5 AND 8 JOINT SEWER COMMISSION
Patterson, Louisiana

Notes to Financial Statements (continued)

The discount rate used to measure the total pension asset was 6.50% for Plan A, which was the same rate used as of December 31, 2018. 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 the same rate used as of December 31, 2018. 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 7.18% for the year ended December 31, 2019.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	35%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real assets	2%	0.11%
Totals	100%	5.18%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.18%

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

Notes to Financial Statements (continued)

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

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		
	1%	Current	1%
	Decrease 5.50%	Discount Rate 6.50%	Increase 7.50%
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability	\$ 54,542	\$ 505	\$ (44,778)

Payables to the Pension Plan

The Commission recorded no accrued liabilities related to the pension plan for the year ended September 30, 2020.

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.

(6) Sewerage Fees

In order to defray the cost of maintaining the system, the Commission charges each participant \$1.80 per thousand gallons of water consumed by each participant's water customers. The Commission has set aside \$0.15 of each \$1.80 charged in a money market account specifically for any repairs paid by the Commission. The remaining \$1.65 is used to fund the Commission's operating expenses. At September 30, 2020, the balance in the repair and replacement money market account was \$45,246.

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

Notes to Financial Statements (continued)

(7) Related Party Transactions

The Commission charges its participants, all of which are governmental entities, for sewerage service based upon usage. All of the Commission's participants are related parties. During the year ended September 30, 2020, the Commission recorded, as charges for services, the following from related parties:

City of Patterson	\$ 283,797
Town of Berwick	257,972
St. Mary Parish Water and Sewer Commission No. 2	238,459
St. Mary Parish Water and Sewer Commission No. 3	120,975
St. Mary Parish Government	<u>76,778</u>
 Total related party revenue	 <u>\$ 977,981</u>

(8) Compensation and Other Payments to Board Members

Compensation and other payments to board members for the year ended September 30, 2020, are as follows:

Board members:	
Lonnie Easley	\$ 600
Michael Stewart	600
Tony Hensgens	600
Rafael Lopez	600
Gary Beadle	<u>600</u>
	<u>\$ 3,000</u>

Act 706 of the Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. The Commission had two chief officers during the year, Michael Stewart for the period October 1, 2019 through December 31, 2019, and Gary Beadle for the period January 1, 2020 through September 30, 2020. With the exception of per diem, no other payments which would require disclosure were made to the Commission's chief officers. For the year ended September 30, 2020, the Commission's chief officers, Michael Stewart and Gary Beadle received \$600 each in per diem payments.

(9) Contingencies

The Commission operates a sewerage treatment plant, which is regulated by the Louisiana Department of Environmental Quality (DEQ) and the US Environmental Protection Agency (EPA). The Commission has been notified by DEQ that it is in violation of certain requirements regarding development and monitoring of risk management policies and procedures over its storage of hazardous chemicals at the Commission's sewer treatment plant. Management estimates that the fines applicable to these violations could total up to \$15,500. Subsequent to year end, the Commission has commenced settlement negotiations with DEQ.

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

Notes to Financial Statements (continued)

(10) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retention, or limits during the year ended September 30, 2020. Settled claims have not exceeded the commercial coverages in any of the previous three years.

(11) New Accounting Pronouncements

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

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

The Statement postpones effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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. GASBS No. 95 postponed this statement by 18 months. The effect of implementation on the Commission's financial statements has not yet been determined.

(12) Net Position Restatement

During the fiscal year ended September 30, 2020, the Commission identified a payroll processing error that created an overstatement of related liabilities. The Commission also recorded a correction to properly recognize contributed capital as a component of net investments in capital assets. Therefore, a restatement of net position required as follows:

	Net Position
Beginning balance, as previously reported	\$ 1,446,475
Restatement due to processing error	15,440
Restatement due to recognition of contributed capital	99,110
Beginning balance, as restated	\$ 1,561,025

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Employer's Share of Net Pension Liability/(Asset)
Year Ended September 30, 2020

Plan Year Ended Dec 31,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2014	0.011699%	\$ 3,199	66,446	4.81%	99.15%
2015	0.009329%	\$ 24,557	71,745	34.23%	92.23%
2016	0.011712%	\$ 24,121	69,458	34.73%	94.15%
2017	0.012122%	\$ (8,998)	74,619	-12.06%	101.98%
2018	0.011763%	\$ 52,208	70,415	74.14%	88.86%
2019	0.010720%	\$ 505	68,013	0.74%	99.89%

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

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

Schedule of Employer Contributions
Year Ended September 30, 2020

Fiscal Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 10,677	\$ 10,677	\$ -	\$ 71,745	14.88%
2016	\$ 9,616	\$ 9,616	\$ -	\$ 71,957	13.36%
2017	\$ 9,205	\$ 9,205	\$ -	\$ 72,990	12.61%
2018	\$ 8,442	\$ 8,442	\$ -	\$ 71,859	11.75%
2019	\$ 7,845	\$ 7,845	\$ -	\$ 68,221	11.50%
2020	\$ 8,868	\$ 8,868	\$ -	\$ 73,378	12.09%

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

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

Note to Retirement System Schedules
Year Ended September 30, 2020

Parochial Employees' Retirement System

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

Changes of assumptions –

Plan Year ended December 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2014	7.25%	7.25%	3.00%	4	5.75%
2015	7.00%	7.00%	2.50%	4	5.25%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	6.75%	6.75%	2.50%	4	5.25%
2018	6.50%	6.50%	2.40%	4	4.75%
2019	6.50%	6.50%	2.40%	4	4.75%

SUPPLEMENTARY INFORMATION

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

Schedule of Insurance in Force
Year Ended September 30, 2020

Insurer	Type of Coverage	Coverage	Exp Date	
American Alternative Insurance Company	Public officials and management liability	Each wrongful act or offense Aggregate	\$ 1,000,000 3,000,000	7/2/2021
American Alternative Insurance Company	Cyber Liability Privacy Crisis Cyber Extortion Privacy Crisis	Each event Each event Each threat Aggregate	1,000,000 50,000 20,000 50,000	7/2/2021
American Alternative Insurance Company	Auto	Combined	1,000,000	7/2/2021
LWCC Insurance Company	Worker's compensation	Each accident Aggregate	1,000,000 1,000,000	7/2/2021
American Alternative Insurance Company	General liability	Aggregate Each occurrence	3,000,000 1,000,000	7/2/2021
American Alternative Insurance Company	Commercial umbrella	Aggregate Each occurrence	1,000,000 1,000,000	7/2/2021

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
St. Mary Parish Wards 5 and 8 Joint Sewer Commission
Patterson, 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 Wards 5 and 8 Joint Sewer Commission, (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 3, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control that we consider to be material weaknesses, which are described in the accompanying schedule of audit results and findings as items 2020-001 and 2020-002.

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 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 matter 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 2020-003.

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 audit 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
June 3, 2021

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

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

A. Internal Control –

2019-001 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CURRENT STATUS: This finding has not been resolved and will be reiterated. See finding 2020-001.

2019-002 - 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.

CURRENT STATUS: This finding has not been resolved and will be reiterated. See finding 2020-002.

B. Compliance –

No instances of noncompliance were reported.

C. Management Letter –

CONDITION: The Commission failed to provide evidence of the publication of minutes for three open meetings held during the fiscal year ended September 30, 2019 as required by RS 42:20.

CURRENT STATUS: This matter has been adequately addressed by management.

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

Schedule of Audit Results and Findings
Year Ended September 30, 2020

Part I. Summary of auditor's results:

Financial Statements

1. Type of opinion issued on the financial statements Unmodified

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements? ✓ 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

2020-001 - Segregation of Duties

Year Initially Occurring: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission’s internal control over financial reporting includes those policies and procedures that pertain to the Commission’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

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

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

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

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

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2020

2020-002 - Financial Reporting

Year Initially Occurring: Unknown

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 WARDS 5 AND 8 JOINT SEWER COMMISSION
Patterson, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2020

B. Compliance

2020-003 – Collateralization of Bank Deposits

Year Initially Occurring: September 30, 2020

CONDITION: Bank balances with the Commission's fiscal agent were under collateralized by \$55,948 at September 30, 2020.

CRITERIA: RS 39:1225 provides that amounts pledged to secure the deposits of depositing authorities "shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States." Accordingly, amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) limits must be fully collateralized.

CAUSE: The Commission's deposits were not fully collateralized.

EFFECT: The Commission was not compliant with RS 39:1225.

RECOMMENDATION: The Commission should implement policies and procedures which facilitate a periodic review of amounts on deposit with financial institutions, excess deposits requiring collateralization, and any amounts pledged by the financial institutions to secure such excess deposits.

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

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

CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS

APPENDIX A

**ST. MARY PARISH WARDS 5 & 8
JOINT SEWER COMMISSION
763 COTTON ROAD
PATTERSON, LOUISIANA 70392**

June 3, 2021

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, 2020, please accept the following as the Commission's responses and planned corrective action to address the findings.

2020-001 – Inadequate Segregation of Duties

Due to the size of the Commission's operations and the cost-benefit of employing additional personnel, the Board of Commissioners has determined that it is not economically feasible to achieve complete segregation of duties.

2020-002 – Financial Reporting

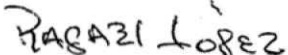
The Board of Commissioners has determined that it would be more cost effective to outsource the preparation of the Commission's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.

2020-003 – Collateralization of Bank Deposits

The Commission's financial custodian pledged additional collateral to ensure that the Commission's funds would be adequately secured. The Board of Commissioners will monitor the monthly reports of pledged securities received from the financial institution to ensure that the Commission's deposits are adequately secured at all times.

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

Sincerely,



Rafael Lopez, Chairman