

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

Charenton, Louisiana

Financial Report

Year Ended September 30, 2019

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# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

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

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

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

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

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

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2019, 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 opinions 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 opinions.

## *Opinions*

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, 2019, and the changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United State of America require 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 32, schedule of employer contributions on page 33, or note to retirement system schedules on page 34 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The comparative financial statements and other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative financial statements on pages 36 through 40, the financial statements by utility on pages 41 through 43, and other supplementary schedules on pages 44 through 47 have 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 information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

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

Morgan City, Louisiana  
March 12, 2020

## **BASIC FINANCIAL STATEMENTS**

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4

Charenton, Louisiana

Statement of Net Position

September 30, 2019

ASSETS

Current assets:

Cash and interest-bearing deposits \$ 703,957

Receivables:

Accounts, net 563,767

Prepaid expenses 25,962

Total current assets 1,293,686

Noncurrent assets:

Restricted assets:

Cash and interest-bearing deposits 1,804,734

Capital assets:

Land and construction in progress 33,068

Other, net of accumulated depreciation 7,951,362

Total noncurrent assets 9,789,164

Total assets 11,082,850

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability 198,454

Total assets and deferred outflows of resources \$ 11,281,304

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4

Charenton, Louisiana

Statement of Net Position (continued)

September 30, 2019

LIABILITIES

Current liabilities:	
Accounts payable	\$ 54,680
Accrued liabilities	41,355
Retainage payable	22,785
Due to other governmental units	179,941
Payable from restricted assets:	
Current maturities of bonds payable	409,751
Accrued interest	7,832
Refundable deposits	179,949
Total current liabilities	<u>896,293</u>
Noncurrent liabilities:	
Bonds payable	4,389,971
Compensated absences	74,255
Net pension liability	170,494
Total noncurrent liabilities	<u>4,634,720</u>
Total liabilities	<u>5,531,013</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>38,565</u>
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NET POSITION

Net investment in capital assets	4,241,079
Restricted for debt service	560,582
Unrestricted	910,065
Total net position	<u>5,711,726</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,281,304</u>

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



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

Statement of Revenues, Expenses and Changes in Fund Net Position  
Year Ended September 30, 2019

OPERATING REVENUES

Water sales	\$ 1,482,351
Sewer user and inspection fees	345,178
Commissions and fees for services	93,315
Other	<u>8,279</u>
Total operating revenues	<u>1,929,123</u>

OPERATING EXPENSES

Salaries and related benefits	806,580
Supplies and materials	7,825
Operation and maintenance	553,186
Other services and charges	95,839
Plant operation	370,540
Bad debts	49,061
Depreciation	<u>934,803</u>
Total operating expenses	<u>2,817,834</u>
Operating loss	<u>(888,711)</u>

NONOPERATING REVENUES (EXPENSES)

Ad valorem taxes, net	873,863
Bond interest and fiscal charges	(177,013)
Interest income	14,320
Intergovernmental grants	27,368
Miscellaneous income	<u>10,645</u>
Total nonoperating revenue (expense)	<u>749,183</u>
Net loss	<u>(139,528)</u>

NET POSITION, beginning	<u>5,851,254</u>
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NET POSITION, ending	<u>\$ 5,711,726</u>
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*The accompanying notes are an integral part of this statement.*

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

Statement of Cash Flows  
Year Ended September 30, 2019

OPERATING ACTIVITIES

Revenue collected	\$ 1,761,044
Payments for goods and services	(1,085,899)
Payments to employees	<u>(788,105)</u>
Net cash used by operating activities	<u>(112,960)</u>

NONCAPITAL FINANCING ACTIVITIES

Miscellaneous receipts	13,945
Taxes received	<u>873,863</u>
Net cash provided by noncapital financing activities	<u>887,808</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(69,228)
Interest and fiscal charges paid	(125,034)
Intergovernmental grant proceeds	27,368
Principal payments on bonds	<u>(449,633)</u>
Net cash used by capital and related financing activities	<u>(616,527)</u>

INVESTING ACTIVITIES

Interest received	<u>14,320</u>
Net increase in cash and cash equivalents	172,641
Cash and cash equivalents, beginning	<u>2,336,050</u>
Cash and cash equivalents, ending	<u>\$ 2,508,691</u>

(continued)

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

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

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

Operating income (loss)	\$ (888,711)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-	
Depreciation	934,803
Pension expense, net of nonemployer contributions	38,861
Changes in assets and liabilities:	
Receivables	(110,739)
Prepaid expenses and other assets	(810)
Accounts payable	(25,318)
Retainage payable	22,785
Accrued liabilities	(32,447)
Due to other governmental entities	<u>(51,384)</u>
Net cash used by operating activities	<u>\$ (112,960)</u>

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

Cash and cash equivalents, beginning -	
Cash and interest-bearing deposits - unrestricted	275,345
Cash and interest-bearing deposits - restricted	1,878,174
Cash and interest-bearing deposits - noncurrent restricted	191,170
Cash overdraft	<u>(8,639)</u>
Total cash and cash equivalents, beginning	<u>2,336,050</u>
Cash and cash equivalents, ending -	
Cash and interest-bearing deposits - unrestricted	703,957
Cash and interest-bearing deposits - noncurrent restricted	<u>1,804,734</u>
Total cash and cash equivalents, ending	<u>2,508,691</u>
Net increase in cash	<u>172,641</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

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

Notes to Financial Statements (continued)

INTRODUCTION

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

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

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

This criteria includes:

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

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

Notes to Financial Statements (continued)

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

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

B. Basis of Presentation

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

Fund Financial Statements

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

Proprietary Funds

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net position, changes in position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission operates as an enterprise fund.

Enterprise Funds

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

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

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year end.

Prepaid Items

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

Restricted Assets

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

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

Notes to Financial Statements (continued)

Capital Assets

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

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

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

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

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

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

Bad Debts

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

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the collectability of the particular receivable.

Deferred Outflows of Resources and Deferred Inflows of Resources

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



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

Notes to Financial Statements (continued)

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.

Compensated Absences

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

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists primarily of bonds payable.

Equity Classifications

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

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

E. Revenues and Expenses

Operating Revenues and Expenses

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

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

Notes to Financial Statements (continued)

Expenses

Expenses are classified by function. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

F. Budgets and Budgetary Accounting

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

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2019, the Commission has cash and interest-bearing deposits (book balances) totaling \$ 2,508,691 as follows:

Cash on hand	\$ 200
Demand deposits	916,271
Time deposits	<u>1,592,220</u>
Total cash	<u>\$ 2,508,691</u>

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

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

Notes to Financial Statements (continued)

Bank balances	<u>\$ 2,513,772</u>
Federal deposit insurance	904,096
Pledged securities	<u>1,609,676</u>
Total insured and secured	<u>\$ 2,513,772</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, 2019, deposits in the amount of \$1,609,676 were exposed to custodial credit risk. These deposits are uninsured but collateralized with securities held by the pledging financial institution's agent, but not in the Commission's name.

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

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2019:

	Interest-bearing Deposits
Water improvement bonds	\$ 1,422,057
Customer security deposits	179,949
Revenue bond reserve fund	45,154
Capital additions and contingencies fund	45,154
Sinking fund	7,546
Reserve fund	52,437
Contingency fund	52,437
Total	<u>\$ 1,804,734</u>

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

Notes to Financial Statements (continued)

(4) Ad Valorem Taxes

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

	<u>Authorized/ Levied Millage</u>
Commission taxes:	
Debt millage	11.04
Bond and interest millage	7.54
Operating millage	14.67

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

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

Total taxes of \$976,089 were levied on property having assessed taxable valuations totaling \$43,448,822.

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

Notes to Financial Statements (continued)

(5) Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 6,926	\$ -	\$ -	\$ 6,926
Construction in progress	1,729,600	3,423	1,706,881	26,142
Total capital assets not being depreciated	<u>1,736,526</u>	<u>3,423</u>	<u>1,706,881</u>	<u>33,068</u>
Capital assets being depreciated:				
Water system	11,172,252	1,772,689	-	12,944,941
Sewer system	10,702,663		-	10,702,663
Buildings	254,025	-	-	254,025
Improvements	454,359	-	-	454,359
Equipment	1,928,105	-	-	1,928,105
Total capital assets being depreciated	<u>24,511,404</u>	<u>1,772,689</u>	<u>-</u>	<u>26,284,093</u>
Less accumulated depreciation for:				
Water system	8,317,276	432,174	-	8,749,450
Sewer system	8,071,650	418,223	-	8,489,873
Buildings	49,626	5,560	-	55,186
Improvements	205,165	22,088	-	227,253
Equipment	754,211	56,758	-	810,969
Total accumulated depreciation	<u>17,397,928</u>	<u>934,803</u>	<u>-</u>	<u>18,332,731</u>
Total capital assets being depreciated, net	<u>7,113,476</u>	<u>837,886</u>	<u>-</u>	<u>7,951,362</u>
Capital assets, net	<u>\$ 8,850,002</u>	<u>\$ 841,309</u>	<u>\$ 1,706,881</u>	<u>\$ 7,984,430</u>

Depreciation expense for the year ended September 30, 2019 totaled \$934,803.

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

Notes to Financial Statements (continued)

(6) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water improvement bonds, series 2007	\$ 114,000	\$ -	\$ 27,000	\$ 87,000	\$ 28,000
General obligation bonds, series 2008	755,000	-	60,000	695,000	60,000
Water revenue notes payable	712,549	-	17,294	695,255	18,126
Sewer revenue bonds	840,061	-	22,594	817,467	23,625
General obligation bonds, series 2014	2,275,000	-	195,000	2,080,000	200,000
G.O. refunding bonds, series 2016	500,000	-	75,000	425,000	80,000
Compensated absences	102,920	-	28,665	74,255	-
	<u>\$ 5,299,530</u>	<u>\$ -</u>	<u>\$ 425,553</u>	<u>\$ 4,873,977</u>	<u>\$ 409,751</u>

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

Notes to Financial Statements (continued)

Bonds payable at September 30, 2019 are comprised of the following individual issues:

\$350,000 Water Improvement Bonds, Series 2007, dated 09/05/07; due in annual installments of \$16,000-\$30,000 through August 1, 2022; interest rate of 4.119% per annum, secured by system revenue.	<u>\$ 87,000</u>
\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08; due in annual installments of \$35,000-\$95,000 through March 1, 2028; interest rate of 3.94% per annum, secured by ad valorem taxation.	<u>\$ 695,000</u>
\$900,000 Water Revenue Notes Payable, issued for constructing improvements to the waterworks plant and system, payable in Monthly installments of \$4,230 from 2003 to 2043, with interest at 4.75% per annum; secured by system revenues	<u>\$ 695,255</u>
\$1,100,000 Sewerage Revenue Bonds; due in monthly installments of \$4,994 beginning January 5, 2002; payable over 40 years; interest rate of 4.50% per annum	<u>\$ 817,467</u>
\$3,000,000 General Obligation Bonds, Series 2014, issued July 2014 for construction improvements to the waterworks plant and system, payable in annual installments of \$175,000 to \$260,000 from 2015 to 2028, semi-annual interest payable at 0.25% to 3.00% per annum. The bonds maturing March 2028 and thereafter are callable for redemption in full, or in part, after March 2024; secured by ad valorem tax revenues.	<u>\$ 2,080,000</u>
\$655,000 General Obligation Refunding Bonds, Series 2016, dated June 22, 2016; due in annual installments of \$75,000 to \$90,000 through March 1, 2024; semi-annual interest payable at 1.875% to 2.125% per annum.	<u>\$ 425,000</u>

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

Notes to Financial Statements (continued)

The bonds are due as follows:

Year Ending September 30,	Water Improvement Bonds		General Obligation Bonds		Revenue Bonds/Notes		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	28,000	3,784	340,000	86,983	41,751	68,937	569,455
2021	29,000	2,566	360,000	79,171	43,716	66,972	581,425
2022	30,000	1,306	370,000	70,258	45,775	64,913	582,252
2023	-	-	385,000	60,413	47,929	62,759	556,101
2024	-	-	395,000	48,782	50,186	60,502	554,470
2025 - 2029	-	-	1,350,000	87,882	288,676	264,763	1,991,321
2030 - 2034	-	-	-	-	363,347	190,093	553,440
2035 - 2039	-	-	-	-	457,352	96,086	553,438
2040 - 2044	-	-	-	-	173,990	7,724	181,714
	<u>\$ 87,000</u>	<u>\$ 7,656</u>	<u>\$ 3,200,000</u>	<u>\$ 433,489</u>	<u>\$ 1,512,722</u>	<u>\$ 882,749</u>	<u>\$ 6,123,616</u>



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

Notes to Financial Statements (continued)

(7) Employee Retirement

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

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

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

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

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

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4  
Charenton, 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 B shall consist of an amount equal to 2% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

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

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

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

In lieu of terminating employment and accepting a service retirement, any member of Plan 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 WATER AND SEWER COMMISSION NO. 4  
Charenton, Louisiana

Notes to Financial Statements (continued)

**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.

**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 September 30, 2019, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$8,279 for its participation in PERS.

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

At September 30, 2019, the Commission reported liabilities in its financial statements of \$170,494 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2018 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Commission's proportional share of PERS was 0.631072%, which was an increase of 0.088632% from its proportion measured as of December 31, 2017.

For the year ended September 30, 2019, the Commission recognized a pension expense of \$94,100 in its activities.

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

Notes to Financial Statements (continued)

At September 30, 2019, 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	\$ -	\$ 37,987
Changes of assumptions	47,374	-
Net difference between projected and actual earnings on pension plan investments	116,748	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,834	578
Employer contributions subsequent to the measurement date	32,498	-
	<u>\$ 198,454</u>	<u>\$ 38,565</u>

The \$32,498 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2020	40,643
2021	18,646
2022	17,002
2023	51,100
	<u>\$ 127,391</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.

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

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

Notes to Financial Statements (continued)

	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.

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

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

Notes to Financial Statements (continued)

future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

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

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

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.

	Changes in Discount Rate 2018		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	\$ 448,554	\$ 170,494	\$ (61,811)

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

Notes to Financial Statements (continued)

*Payables to the Pension Plan*

The Commission recorded accrued liabilities to PERS for the year ended September 30, 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 September 30, 2019 is \$10,921.

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](http://www.persla.org).

(8) Contingencies

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

(9) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Thomas Ducote, President	\$ 2,908
Anthony Darden, Vice President	2,700
Willie Scott, Secretary/Treasurer	3,000
Julius Hebert	2,700
Herbert Bell	2,700
Stephanie Milton	2,250
Camile Punch	2,700
	<u>\$ 18,958</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. For the year ended September 30, 2019, the Commission's chief officer, Thomas Ducote received \$2,500 in per diem payments, and \$408 in travel reimbursements.

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

Notes to Financial Statements (continued)

(10) Related Party Activity

Parish of St. Mary ("Parish"):

The Commission collects garbage fees and mosquito charges on behalf of the Parish. The Commission receives 4.333% of each month's collections for their services.

(11) Intergovernmental Agreement

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

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



## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Schedule of Employer's Share of Net Pension Liability (Asset)  
Year Ended September 30, 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 Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.590839%	\$ 1,641	513,227	0.32%	99.89%
2015	0.609904%	\$ 108,591	512,135	21.20%	93.48%
2016	0.595456%	\$ 77,354	593,188	13.04%	95.50%
2017	0.542440%	\$ (68,250)	572,547	-11.92%	104.02%
2018	0.631072%	\$ 170,494	658,637	25.89%	91.93%

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

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

Schedule of Employer Contributions  
Year Ended September 30, 2019

Fiscal Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 53,893	\$ 53,893	\$ -	\$ 512,135	10.52%
2016	\$ 47,455	\$ 47,455	\$ -	\$ 593,188	8.00%
2017	\$ 44,868	\$ 44,868	\$ -	\$ 560,836	8.00%
2018	\$ 48,203	\$ 48,203	\$ -	\$ 631,653	7.63%
2018	\$ 46,960	\$ 46,960	\$ -	\$ 626,130	7.50%

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

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

Note to Retirement System Schedules  
Year Ended September 30, 2019

Parochial Employees' Retirement System

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

Changes of assumptions –

<u>Year ended September 30,</u>	<u>Discount Rate</u>	<u>Investment Rate of Return</u>	<u>Inflation Rate</u>	<u>Expected Remaining Service Lives</u>	<u>Projected Salary Increase</u>
2015	7.25%	7.25%	3.00%	4	5.75%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	7.00%	7.00%	2.50%	4	5.25%
2018	6.75%	6.75%	2.50%	4	5.25%
2019	6.50%	6.50%	2.40%	4	4.25%

## **OTHER SUPPLEMENTARY INFORMATION**

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

Statement of Net Position  
September 30, 2019

With Comparative Totals as of September 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and interest-bearing deposits	\$ 703,957	\$ 502,202
Receivables:		
Accounts, net	563,767	453,028
Prepaid expenses	<u>25,962</u>	<u>25,152</u>
Total current assets	<u>1,293,686</u>	<u>980,382</u>
Nonecurrent assets:		
Restricted assets:		
Cash and interest-bearing deposits	1,804,734	1,842,487
Capital assets:		
Land and construction in progress	33,068	1,736,526
Other, net of accumulated depreciation	7,951,362	7,113,479
Other assets:		
Net pension asset	<u>-</u>	<u>68,250</u>
Total noncurrent assets	<u>9,789,164</u>	<u>10,760,742</u>
 Total assets	 11,082,850	 11,741,124
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	<u>198,454</u>	<u>76,822</u>
Total assets and deferred outflows of resources	<u>\$ 11,281,304</u>	<u>\$ 11,817,946</u>

(continued)

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

Statement of Net Position (continued)  
September 30, 2019  
With Comparative Totals as of September 30, 2018

LIABILITIES	<u>2019</u>	<u>2018</u>
Current liabilities:		
Cash overdraft	\$ -	\$ 8,639
Accounts payable	54,680	79,998
Accrued liabilities	41,355	45,137
Retainage payable	22,785	-
Due to other governmental units	179,941	231,325
Payable from restricted assets:		
Current maturities of bonds payable	409,751	357,000
Accrued interest	7,832	8,604
Refundable deposits	179,949	176,649
Total current liabilities	<u>896,293</u>	<u>907,352</u>
Noncurrent liabilities:		
Bonds payable	4,389,971	4,839,604
Compensated absences	74,255	102,920
Total noncurrent liabilities	<u>4,634,720</u>	<u>4,942,524</u>
Total liabilities	<u>5,531,013</u>	<u>5,849,876</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	<u>38,565</u>	<u>116,816</u>
NET POSITION		
Net investment in capital assets	4,241,079	4,959,425
Restricted for debt service	560,582	206,546
Unrestricted	910,065	685,283
Total net position	<u>5,711,726</u>	<u>5,851,254</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,281,304</u>	<u>\$ 11,817,946</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Position  
Year Ended September 30, 2019  
With Comparative Totals for the Year Ended September 30, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Water sales	\$ 1,482,351	\$ 1,455,614
Sewer user and inspection fees	345,178	346,589
Commissions and fees for services	93,315	82,428
Other	<u>8,279</u>	<u>6,888</u>
Total operating revenues	<u>1,929,123</u>	<u>1,891,519</u>
OPERATING EXPENSES		
Salaries and related benefits	806,580	731,668
Supplies and materials	7,825	15,599
Operation and maintenance	553,186	556,050
Other services and charges	95,839	138,644
Plant operation	370,540	364,074
Bad debt expense	49,061	-
Depreciation	<u>934,803</u>	<u>879,555</u>
Total operating expenses	<u>2,817,834</u>	<u>2,685,590</u>
Operating loss	<u>(888,711)</u>	<u>(794,071)</u>
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	873,863	881,398
Bond interest and fiscal charges	(177,013)	(180,361)
Interest income	14,320	10,543
Intergovernmental grants	27,368	-
Miscellaneous income	<u>10,645</u>	<u>30,663</u>
Total nonoperating revenue (expense)	<u>749,183</u>	<u>742,243</u>
Net income	<u>(139,528)</u>	<u>(51,828)</u>
NET POSITION, beginning	<u>5,851,254</u>	<u>5,903,082</u>
NET POSITION, ending	<u>\$ 5,711,726</u>	<u>\$ 5,851,254</u>



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

Statement of Cash Flows  
Year Ended September 30, 2019  
With Comparative Totals for the Year Ended September 30, 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Revenue collected	\$ 1,761,044	\$ 1,722,978
Payments for goods and services	(1,085,899)	(1,078,244)
Payments to employees	<u>(788,105)</u>	<u>(732,205)</u>
Net cash used by operating activities	<u>(112,960)</u>	<u>(87,471)</u>
NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous receipts	13,945	36,129
Taxes received	<u>873,863</u>	<u>881,398</u>
Net cash provided by noncapital financing activities	<u>887,808</u>	<u>917,527</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(69,228)	(534,210)
Interest and fiscal charges paid	(125,034)	(228,364)
Intergovernmental grant proceeds	27,368	-
Principal payments on bonds	<u>(449,633)</u>	<u>(357,007)</u>
Net cash used by capital and related financing activities	<u>(616,527)</u>	<u>(1,119,581)</u>
INVESTING ACTIVITIES		
Interest received	<u>14,320</u>	<u>10,543</u>
Net increase or decrease in cash and cash equivalents	172,641	(278,982)
Cash and cash equivalents, beginning	<u>2,336,050</u>	<u>2,615,032</u>
Cash and cash equivalents, ending	<u>\$ 2,508,691</u>	<u>\$ 2,336,050</u>

(continued)

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

Statement of Cash Flows (continued)  
Year Ended September 30, 2019  
With Comparative Totals for the Year Ended September 30, 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (888,711)	\$ (794,071)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-		
Depreciation	934,803	879,555
Pension expense, net of nonemployer contributions	38,861	(9,120)
Changes in assets and liabilities:		
Receivables	(110,739)	(160,828)
Prepaid expenses and other assets	(810)	2,022
Accounts payable	(25,318)	(10,085)
Retainage payable	22,785	
Accrued liabilities	(32,447)	17,245
Due to other governmental entities	(51,384)	(12,189)
Net cash used by operating activities	<u>\$ (112,960)</u>	<u>\$ (87,471)</u>

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

Balance Sheet By utility  
Year Ended September 30, 2019

ASSETS	<u>Water</u>	<u>Sewer</u>
Current assets:		
Cash and interest-bearing deposits	\$ 703,957	\$ -
Receivables:		
Accounts, net	546,541	17,226
Prepaid expenses	25,962	-
Restricted assets:		
Cash and interest-bearing deposits	-	-
Total current assets	<u>1,276,460</u>	<u>17,226</u>
Noncurrent assets:		
Restricted assets:		
Cash and interest-bearing deposits	1,692,314	112,420
Capital assets:		
Land and construction in progress	33,068	-
Other, net of accumulated depreciation	<u>4,840,459</u>	<u>3,110,903</u>
Total noncurrent assets	<u>6,565,841</u>	<u>3,223,323</u>
Total assets	7,842,301	3,240,549
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability	<u>198,454</u>	-
Total assets and deferred outflows of resources	<u>8,040,755</u>	<u>3,240,549</u>

(continued)

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

Balance Sheet by utility (continued)  
Year Ended September 30, 2019

	Water	Sewer
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	54,680	-
Accrued liabilities	41,355	-
Retainage Payable	22,785	-
Due to other governmental units	179,941	-
Payable from restricted assets:		
Current maturities of bonds payable	386,126	23,625
Accrued interest	7,832	-
Refundable deposits	179,949	-
Total current liabilities	<u>872,668</u>	<u>23,625</u>
Noncurrent liabilities:		
Bonds payable	3,596,130	793,841
Compensated absences	74,255	-
Net pension liability	170,494	-
Total noncurrent liabilities	<u>3,840,879</u>	<u>793,841</u>
Total liabilities	<u>4,713,547</u>	<u>817,466</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to net pension liability	<u>38,565</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,947,642	2,293,437
Restricted for debt service	448,162	112,420
Unrestricted	892,839	17,226
Total net position	<u>3,288,643</u>	<u>2,423,083</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,040,755</u>	<u>\$ 3,240,549</u>

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

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

Statement of Revenues, Expenses and Changes in Net Position by utility  
Year Ended September 30, 2019

	<u>Water</u>	<u>Sewer</u>
OPERATING REVENUES		
Water sales	\$ 1,482,351	\$ -
Sewer user and inspection fees	-	345,178
Commission and fees for services	75,690	17,625
Other	<u>6,715</u>	<u>1,564</u>
Total operating revenues	<u>1,564,756</u>	<u>364,367</u>
OPERATING EXPENSES		
Salaries and related benefits	654,236	152,344
Supplies and materials	6,347	1,478
Operation and maintenance	448,702	104,484
Other services and charges	77,737	18,102
Plant operation	300,554	69,986
Bad debt expense	49,061	-
Depreciation	<u>507,786</u>	<u>427,017</u>
Total operating expenses	<u>2,044,423</u>	<u>773,411</u>
Operating loss	<u>(479,667)</u>	<u>(409,044)</u>
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	653,362	220,501
Bond interest and fiscal charges	(139,675)	(37,338)
Interest income	11,615	2,705
Intergovernmental grants	27,368	-
Miscellaneous income	<u>8,634</u>	<u>2,011</u>
Total nonoperating revenues (expenses)	<u>561,304</u>	<u>187,879</u>
Change in net position	81,637	(221,165)
NET POSITION, beginning	<u>3,207,006</u>	<u>2,644,248</u>
NET POSITION, ending	<u>\$ 3,288,643</u>	<u>\$ 2,423,083</u>

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

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

Schedule of Number of Customers  
September 30, 2019

Records maintained by the Commission indicate the following number of residential and non-residential water customers were being served during the month of September 2019 were as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	2,237	882
Non-residential	<u>162</u>	<u>52</u>
Total	<u>2,399</u>	<u>934</u>

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

Schedule of Insurance in Force  
September 30, 2019

The insurance for the Commission is as follows:

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2020	\$ 300,000.00
Surety Bonds-		
Blanket coverage of Board of Directors		60,000
Public Officials and Employees		3,000,000
Employee Theft	3/6/2020	\$50,000 per Loss
Real and Personal Property	2/25/2020	Replacement Cost

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

Schedule of Aged Accounts  
September 30, 2019

Aged receivables were as follows at September 30, 2019:

Under 30 days	\$ 140,202
31 to 60 days	54,605
61 to 90 days	63,122
91 to 120 days	47,730
Over 120 days	<u>417,585</u>
Subtotal	723,244
Allowance for doubtful accounts	(209,849)
Accrual for unbilled receivables	<u>50,372</u>
Total receivables	<u>\$ 563,767</u>



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

Schedule of Water and Sewer Rates  
September 30, 2019

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

Residential and non-residential:

Water rates

\$14.23 per month for the first 2,000 gallons

\$3.21 per thousand or part thereof over 2,000 gallons

Sewer rates

\$14.23 per month for the first 2,000 gallons

\$3.21 per thousand or part thereof over 2,000 gallons

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

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

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

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

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

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

\* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 12, 2020.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2019-001 and 2019-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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  
March 12, 2020

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

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

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission

Two deficiencies in internal control were disclosed by the audit of the financial statements and both are considered to be material weaknesses. No significant deficiencies were reported.

No material instances of noncompliance or other matters required to be reported in accordance with *Government Auditing Standards* are included in Part II of this schedule.

A management letter was not issued.

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

A. Internal Control

2019-001 - Segregation of Duties

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.

YEAR INITIALLY OCCURRING: Unknown

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

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

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

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.

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.

YEAR INITIALLY OCCURRING: Unknown

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

B. Compliance and Other Matters

No matters are reported.

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

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

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

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

A. Internal Control-

2018-001 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

2018-002 - 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.

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

CURRENT STATUS: See schedule of audit results and findings item 2019-002.

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

Corrective Action Plan for Current Audit Findings  
Year Ended September 30, 2019

2019-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

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

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.

MANAGEMENT'S RESPONSE: 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.



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

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2018 through September 30, 2019

# KOLDER, SLAVEN & COMPANY, LLC

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C. Burton Kolder, CPA\*  
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183 S. Beadle Rd.  
Lafayette, LA 70508  
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Baton Rouge, LA 70816  
Phone (225) 293-8300

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

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

We have performed the procedures enumerated below, which were agreed to by St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019, as required by the *Louisiana Governmental Audit Guide*. The Commission's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the Commission 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 are as follows:

### *Written Policies and Procedures*

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

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

*The Commission does not have written policies and procedures which address the functions noted above.*

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

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

*The Commission does not have written policies and procedures which address the functions noted above.*

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*The Commission does not have written policies and procedures which address the functions noted above.*

### ***Board or Finance Committee***

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

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

### ***Bank Reconciliations***

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

*Obtained a listing of bank accounts and management's representation that the listing is complete. Selected the main operating account and randomly selected four other accounts for testing. Randomly selected the month of January for testing.*

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

*Bank reconciliations showed no evidence of being prepared within two months of the bank statement date.*

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

*Bank reconciliations did not include evidence of management's review.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*One of the five bank reconciliations tested evidenced no researching of checks outstanding for more than twelve months.*

***Collections (excluding EFTs)***

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*Obtained a listing of deposit sites and collection locations. Obtained management's representation that the listing is complete. Selected the Commission's only deposit and collection site.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

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

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*The person responsible for cash collections also prepares/makes bank deposits without another person reconciling the collection documentation to the deposit.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*The person responsible for collecting cash is also responsible for posting collection entries to the general ledger, without another person reconciling ledger postings to each other and the deposit.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*The person responsible for reconciling cash collections to the general ledger and subsidiary ledgers is also responsible for collecting cash, without another person verifying the reconciliation.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*Management asserted that all employees who have access to cash are covered by an insurance policy for theft.*

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

*Randomly selected two deposit dates and obtained supporting documentation for each deposit.*

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

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

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

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

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

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

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

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

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

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

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

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

*Obtained a listing of locations that process payments and management's representation that the listing is complete. Selected the Commission's location that processes payments.*

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

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

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

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

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

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

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

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

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*Obtained the Commission's non-payroll disbursement transaction population and management's representation that the population is complete. Obtained supporting documentation for the five transactions selected.*

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

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

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

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

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

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

*Obtained a listing of all active credit cards including card numbers, names of the person who maintained possession of the cards, and management's representation that the listing is complete.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:

*Selected the only active credit card.*

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported]]

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

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

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

*Randomly selected a month for testing, obtained supporting documentation as prescribed noting no exceptions for these procedures.*

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

***Contracts***

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

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.



### ***Payroll and Personnel***

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

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

### ***Ethics***

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

*Since the procedures under "Payroll and Personnel" were not applicable, randomly selected five (5) employees/officials for testing.*

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

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

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

*The Commission has not adopted a formal written ethics policy.*

### ***Debt Service***

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

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

### ***Other***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management asserted that no public funds or assets were misappropriated during the fiscal period.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

### **Management's Response**

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

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

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

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