

**ST. MARY PARISH WATER AND SEWER
COMMISSION NO. 5**

Jeanerette, Louisiana

Financial Report

Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Fund Financial Statements	
Statement of net position	4-5
Statement of revenues, expenses and changes in fund net position	6
Statement of cash flows	7-8
Notes to basic financial statements	9-19
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	21-22
Summary schedule of prior audit findings	23-24
Schedule of audit results and findings	25-28
Management's corrective action plan for current audit findings	Appendix A

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 5
Jeanerette, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 5 (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission, as of September 30, 2019, and the changes in its 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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 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
June 2, 2020

BASIC FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Statement of Net Position
September 30, 2019

ASSETS

Current assets:

Cash	\$ 500,053
Accounts receivable, net of allowance for doubtful accounts	21,407
Unbilled accounts receivable	2,076
Accrued interest receivable	93
Prepaid expenses	<u>12,214</u>
Total current assets	<u>535,843</u>

Restricted assets:

Cash - customer deposits	<u>20,516</u>
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Capital assets:

Land and construction in progress	108,237
Other, net of accumulated depreciation	<u>2,212,698</u>
Net capital assets	<u>2,320,935</u>

Total assets	<u>\$ 2,877,294</u>
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(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Statement of Net Position (continued)
September 30, 2019

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 100,251
Accrued liabilities	26,073
Due to primary government	<u>7,401</u>
Total current liabilities	133,725
Current liabilities (payable from restricted assets):	
Customer deposits payable	<u>20,516</u>
Total liabilities	<u>154,241</u>
Net position	
Net investment in capital assets	2,320,935
Unrestricted	<u>402,118</u>
Total net position	<u>\$ 2,723,053</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

Operating revenues:	
Water sales	\$ 123,989
Sewer charges	66,038
Garbage collection fees	2,918
Miscellaneous revenues	<u>31,629</u>
Total operating revenues	224,574
Operating expenses	<u>675,808</u>
Operating loss	<u>(451,234)</u>
Non-operating revenues/(expenses):	
Ad valorem property tax revenues	367,334
Deductions from ad valorem taxes	(11,847)
Interest income	2,470
Interest expense	(1,031)
Loss on disposal of assets	<u>(22,092)</u>
Net non-operating revenues (expenses)	<u>334,834</u>
Loss before other capital contributions	(116,400)
Capital contributions	<u>895,608</u>
Change in net position	779,208
Net position, beginning	<u>1,943,845</u>
Net position, ending	<u>\$ 2,723,053</u>

The accompanying notes are an integral part of this statement.

ST MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Statement of Cash Flows
Year Ended September 30, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 225,495
Cash paid to suppliers and others	(314,014)
Cash paid to employees and commissioners	<u>(217,330)</u>
Net cash used by operating activities	<u>(305,849)</u>
Cash flows from non-capital financing activities:	
Ad valorem property taxes received	355,487
Proceeds from customer deposits	<u>2,421</u>
Net cash provided by non-capital financing activities	<u>357,908</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(86,830)
Interest paid on short-term debt	<u>(1,031)</u>
Net cash used by capital and related financing activities	<u>(87,861)</u>
Cash flow from investing activities:	
Interest received on investments	<u>2,470</u>
Net decrease in cash and equivalents	(33,332)
Cash and equivalents, beginning	<u>353,901</u>
Cash and equivalents, ending	<u>\$ 320,569</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

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

Operating loss	<u>\$ (451,234)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	122,473
Changes in assets and liabilities-	
Accounts receivable	921
Prepaid expenses	(6,238)
Accounts payable	49,476
Accrued liabilities	(21,297)
Due to primary government	<u>50</u>
Total adjustments	<u>22,912</u>
Net cash used by operating activities	<u>\$ (305,849)</u>

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

Cash and equivalents, beginning -	
Cash and interest-bearing deposits- unrestricted	\$ 535,806
Less: Interest bearing deposits that are not cash equivalents	(200,000)
Cash- restricted	<u>18,095</u>
Total cash and equivalents	<u>353,901</u>
Cash and equivalents, ending -	
Cash and interest-bearing deposits- unrestricted	500,053
Less: Interest bearing deposits that are not cash equivalents	(200,000)
Cash- restricted	<u>20,516</u>
Total cash and equivalents	<u>320,569</u>
Net decrease	<u>\$ (33,332)</u>

Noncash Capital and Related Financing Activities:

Capital assets of \$895,608 were acquired through capital contributions.

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements

INTRODUCTION

St. Mary Parish Water and Sewer Commission No. 5 (“Commission”) was created by the St. Mary Parish Government on June 25, 1997. The purpose of the Commission is to establish, acquire, construct, maintain and operate a waterworks and sewer system for the benefit of the people of the district. The Commission was formed to consolidate the operations of the St. Mary Parish Waterworks District No. 7 and the St. Mary Parish Sewerage District No. 10. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government 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 or impose specific financial burdens on the Parish.
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 of the relationship.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

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

B. Basis of Presentation

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

Fund Financial Statements

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

Proprietary Funds –

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

Enterprise funds

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

Basis of Accounting

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

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

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

Receivables

Receivables consist of all revenues earned at year-end and not yet received. 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 loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic 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 cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of the donation. The Commission maintains a threshold level of \$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 revenues, expenses and changes in fund net position, which accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

Water Supply Facilities	10 - 40 Years
Water and Sewer Treatment Facilities	20 - 40 Years
Water Distribution Facilities	40 Years
Furniture, Equipment, and Vehicles	3 - 7 Years

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

Capitalization of Interest

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

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by the allowance method.

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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

Equity classifications

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

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

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

E. Revenues and Expenses

Revenues

Fees for water and sewer services are recognized when earned. Ad valorem taxes are recorded in the year that they are received. Connection and service fees are recognized when received. Interest income is recognized when earned. Unbilled utility services receivables are recorded at year-end. Substantially, all other revenues are recorded when received.

Expenses

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

F. Budgeting and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and accordingly, the Commission has elected to not formally adopt a budget for the year ended September 30, 2019. Accordingly, budget figures are not presented in this financial report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2019, the Commission had cash and interest-bearing deposits (book balances) totaling \$520,569 as follows:

Demand deposits:	
Unrestricted	\$ 200,053
Restricted	20,516
Time deposits:	
Unrestricted	<u>300,000</u>
	<u>\$ 520,569</u>

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2019, are as follows:

Bank balances	<u>\$ 531,622</u>
At September 30, 2019, the deposits are secured as follows:	
Federal deposit insurance	430,796
Pledged securities	<u>100,826</u>
Total insured and secured	<u>\$ 531,622</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The District 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 \$100,826 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not the Commission's name.

(3) Receivables

At September 30, 2019, the Commission had customer utility accounts receivable as follows:

Customer accounts receivable	\$ 83,419
Less: allowance for uncollectible accounts	<u>(63,681)</u>
Net customer accounts receivable	19,738
Utility collections due from other governments	<u>1,669</u>
Total accounts receivable	<u>\$ 21,407</u>

(4) Ad Valorem Taxes

The Commission's property tax is levied in October of each year on the assessed value of property within the Commission. Taxes are due and payable by December 31. The taxes are delinquent on January 1, at which time an enforceable lien attaches to the property. Taxes are collected on behalf of the Commission by the Sheriff and then remitted to the Commission. For the year ended September 30, 2019, taxes applicable to all taxable property within the boundaries of the Commission were levied at a rate of 9.98 mills on property with net assessed valuations totaling \$36,793,397. These taxes are to be used for the purpose of maintaining and operating the water and sewer facility. Total taxes levied for the year ended September 30, 2019 was \$367,198.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic 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	\$ 108,237	\$ -	\$ -	\$ 108,237
Construction in progress	277,051	-	(277,051)	-
Total capital assets not being depreciated	385,288	-	(277,051)	108,237
Capital assets being depreciated				
Equipment and furniture	136,411	33,088	(34,817)	134,682
Infrastructure	4,130,808	1,226,401	(26,586)	5,330,623
Total capital assets being depreciated	4,267,219	1,259,489	(61,403)	5,465,305
Less accumulated depreciation for:				
Equipment and furniture	132,241	13,862	(39,311)	106,792
Infrastructure	3,037,204	108,611	-	3,145,815
Total accumulated depreciation	3,169,445	122,473	(39,311)	3,252,607
Total capital assets, being depreciated, net	1,097,774	1,137,016	(22,092)	2,212,698
Total capital assets, net	\$ 1,483,062	\$ 1,137,016	\$ (299,143)	\$ 2,320,935

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2019 was \$122,473.

The Commission's current year additions include a capital contribution of \$895,608 from the St. Mary Parish Government.

(6) Short-Term Debt

Short-term debt, which is presented as a component of accrued liabilities, is comprised of the following at September 30, 2019:

Payable to a financing company in monthly installments of \$2,114 bearing interest at 10.318% with final payment in December 2019. Collateralized by unexpired premiums on insurance policies.	<u>\$ 6,342</u>
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The following is a summary of short-term debt activity for the year ended September 30, 2019:

Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019
\$ -	\$ 22,097	\$(15,755)	\$ 6,342

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

(7) Due to other Governments

St. Mary Parish Government Ordinance No. 1171 imposes a monthly collection service charge of \$15 per month for each residence from which solid waste is collected. The Commission bills the fees and remits each month all garbage service charges collected to the St. Mary Parish Government, less a collection fee of 4.33 percent. At September 30, 2019, the garbage collection charges due to the St. Mary Parish Government were \$6,491.

Additionally, the Commission charges a monthly fee of \$2 per month for each residence with water service for mosquito abatement as imposed by the St. Mary Parish Government. The Commission remits each month all mosquito abatement fees collected to the St. Mary Parish Government. At September 30, 2019, mosquito abatement fees due to the St. Mary Parish Government were \$910.

(8) Employee Retirement

The Commission has implemented a SIMPLE retirement plan for its employees. Under the plan, the Commission matches an employee's salary deferrals up to three percent of the employee's total wages. For the year ended September 30, 2019, the Commission's matching contributions totaled \$3,607.

(9) Contingencies

Sewerage Plant Operations

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

(10) 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 \$300 per month.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

Frank Matthews	\$ 1,200
Wilfred Edwards	1,020
Edward Patrick	1,020
Ulysses Dumesnil	1,080
Virginia Sutton	1,140
Wayne Caesar	1,140
Elodie Stewart	1,080
	<u>\$ 7,680</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head of chief officer. With the exception of per diem, no other payments which would require disclosure were made to the Commission's chief officer. For the year ended September 30, 2019, the Commission's chief officer, Frank Matthews received \$1,200 in per diem payments.

(11) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2019. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

(12) Tax Abatements

The Commission is subject to certain property tax abatements granted by the Louisiana Board of Commerce and Industry ("LBCI"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the Commission may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). In addition, local governments have the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program. For the year ended September 30, 2019, the Commission incurred abatements of ad valorem taxes through ITEP.

ITEP is authorized by Article 7, Section 21(F) of the Louisiana Constitution. Companies qualifying as manufacturers can apply to the LBCI for a property tax exemption on all new property, as defined, used in the manufacturing process. Under ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon approval by LBCI. These state-granted abatements have resulted in reductions of property taxes, which the tax entity administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Notes to Basic Financial Statements (continued)

fulfill its commitments under the agreement. For the year ended September 30, 2019, \$57,272 of the Commission's ad valorem tax revenues were abated by the state of Louisiana through ITEP.

(13) New Accounting Pronouncements

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

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

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

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

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

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

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

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

Members of the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 5
Jeanerette, 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. 5, (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 June 2, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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, 2019-002, 2019-003, and 2019-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results and findings as item 2019-005 and 2019-006.

Commission's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
June 2, 2020

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, 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: The Commission's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed its benefits. No additional response is deemed necessary.

CURRENT STATUS: This finding is unresolved and will be reiterated in the current year as 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: This finding is unresolved and will be reiterated in the current year as item 2019-002.

2018-003 – Reconciliation of Customer Deposits

CONDITION: The Commission does not maintain a listing of customer deposit balances to be reconciled to its general ledger and the related cash balances.

RECOMMENDATION: We recommend the Commission implement policies and procedures to ensure that a listing of customer deposits is maintained and reconciled to the general ledger.

CURRENT STATUS: Management was unable to provide a listing of customer deposits to reconcile to the general ledger. Therefore, this finding is unresolved and will be reiterated in the current year as item 2019-003.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

B. Compliance –

2018-004 – Remittance of Payroll Taxes Withheld and Filing of Related IRS Forms

CONDITION: The Commission is not remitting amounts withheld from employee's compensation to the appropriate agencies in a timely manner. The Commission is also delinquent in filing 2018 Forms 941 for the quarters ended March 31, June 30 and September 30.

RECOMMENDATION: The Commission should implement policies and procedures to ensure that payroll tax deposits are made in a timely manner and the required forms are filed with the IRS on or before stipulated deadlines.

CURRENT STATUS: This finding is partially resolved and will be reiterated in the current year as item 2019-005.

2018-005 – Failure to Publish Minutes

CONDITION: The Commission did not publish minutes for eight (8) of its twelve (12) public meetings in the Commission's official journal in a timely manner.

RECOMMENDATION: We recommend that the Commission prepare written minutes for its open meetings and publish these minutes in its official journal within a reasonable amount of time.

CURRENT STATUS: This finding has been resolved.

C. Management Letter –

No management letter was issued.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

Part I. Summary of auditor's results:

Financial Statements

1. Type of auditor's report issued on financial statements:	Unmodified	
2. Internal control over financial reporting:		
Material weakness(es) identified?	<u> ✓ </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> ✓ </u> none reported
3. Noncompliance material to the financial statements?	<u> ✓ </u> yes	<u> </u> no
 <u>Other</u>		
4. Management letter issued?	<u> ✓ </u> yes	<u> </u> no

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

A. Internal Control

2019-001 - Segregation of Duties

Year Initially Occurring: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

2019-002 - Financial Reporting

Year Initially Occurring: 2012

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

CRITERIA: The Commission's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

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

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

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

2019-003 - Reconciliation of Customer Deposits

Year Initially Occurring: 2016

CONDITION: The Commission does not maintain a listing of customer deposit balances to be reconciled to its general ledger and the related cash balances.

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 failure to maintain a listing of customer deposit balances.

EFFECT: Failure to reconcile customer deposit balances to the general ledger and the related cash balances can cause the customer deposits payable to be misstated.

RECOMMENDATION: We recommend that Commission implement policies and procedures to ensure that a listing of customer deposits is maintained and reconciled to the general ledger.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

2019-004 – Bank Reconciliations

Year Initially Occurring: 2019

CONDITION: Bank reconciliations were not performed in a timely manner and were performed subsequent to year end.

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: Bank reconciliations were not performed in a timely manner.

EFFECT: Certain transactions were not recorded on the Commission's general ledger until after bank reconciliations were performed subsequent to year end, which could have led to bank overdrafts.

RECOMMENDATION: We recommend that Commission implement policies and procedures to ensure that bank reconciliations are performed on a monthly basis.

B. Compliance

2019-005 – Remittance of Payroll Taxes Withheld

Year Initially Occurring: 2018

CONDITION: The Commission did not remit amounts withheld from employee's compensation to the appropriate agencies in a timely manner for all quarters in the calendar year ended December 31, 2018.

CRITERIA: The Federal Insurance Contribution Act (26 USC Subtitle C) and other federal regulation require employers to withhold and remit certain taxes to the Internal Revenue Service based upon stipulated deposit rules and deadlines.

CAUSE: The Commission did not timely remit amounts withheld from its employees on or before stipulated deadlines.

EFFECT: The Commission is noncompliant with certain federal regulations and paid \$8,342 in avoidable penalties and interest related to payroll taxes.

RECOMMENDATION: The Commission should implement policies and procedures to ensure that payroll tax deposits are made in a timely manner.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

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

2019-006 – Public Bid Law

Year Initially Occurring: 2019

CONDITION: The Commission purchased a vehicle with a cost between \$10,000 and \$30,000 and failed to obtain three quotes as required by RS 38:2212.1.

CRITERIA: RS 38:2212.1 et seq, *Public Bid Law*, states, in part:

“A. (1)(b) However, purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three quotes by telephone, facsimile, email, or any other printable electronic form. If telephone quotes are received, a written confirmation of the accepted offers shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file.”

CAUSE: The condition results from a failure to follow the requirements of the public bid law.

EFFECT: Failure to obtain quotes for purchases of ten thousand dollars or more, but less than thirty thousand dollars, places the Commission in violation of the State’s public bid statutes.

RECOMMENDATION: We recommend that the Commission implement policies and procedures to comply with the terms and conditions of the Public Bid Law.

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

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

APPENDIX A

**ST. MARY PARISH WATER & SEWER
COMMISSION NO. 5
349 GREY EAGLE RD
CHARENTON, LA 70523**

June 2, 2020

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

Dear Sirs:

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

2019-001 – Inadequate Segregation of Duties

The Commission retained a CPA firm to assist with some of our accounting duties related to closing the year and preparing for the annual audit. Additionally, the Commission has entered into an agreement with another water and sewer commission in St. Mary Parish to manage the daily administrative duties of the office until the Commission can hire and train an office manager and other administrative personnel to return management of the administrative duties to the Commission.

We believe this will adequately segregate our accounting and financial functions.

2019-002 – Financial Reporting

The CPA firm engaged by the Commission for monthly accounting duties has significant experience in governmental accounting. This expertise and experience should alleviate this problem for the Commission.

2019-003 – Reconciliation of Customer Deposits

The CPA firm engaged by the Commission will compare the detail customer deposit listing to the general ledger and reconcile it as needed.

2019-003 – Bank Reconciliations

The CPA firm engaged by the Commission will work with and supervise the Commission's clerk to ensure that bank reconciliations are prepared timely throughout the year.

2019-005 – Remittance of Payroll Taxes Withheld and Filing of Related IRS Forms

As of the completion of this report, the Commission has remitted all required payroll taxes withheld and has filed all required IRS forms pertaining to the Commission's payroll for the year ended September 30, 2019.

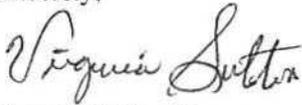
In the future, the Commission will ensure that payroll taxes will be remitted, and related reports prepared and submitted to regulatory authorities within the prescribed deadlines.

2019-006 – Public Bid Law

The Commission will ensure that quotes or bids, as applicable, will be obtained when required so as to comply with the public bid law.

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

Sincerely,

A handwritten signature in cursive script that reads "Virginia Sutton". The signature is written in black ink and is positioned above the printed name.

Virginia Sutton, Treasurer

**ST. MARY PARISH WATER AND SEWER
COMMISSION NO. 5**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2018 through September 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

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

The Board of Commissioners,
St. Mary Parish Water and Sewer Commission No. 5 and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the St. Mary Parish Water and Sewer Commission No. 5 (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 the provisions of *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to attestation engagements. 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 any written policies and procedures on budgeting functions.

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 any written policies and procedures on purchasing functions.

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

The Commission does not have any written policies and procedures on the disbursement functions.

- 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 any written policies and procedures on receipt functions.

- 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 any written policies and procedures related to payroll/personnel that address the above functions.

- 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 any written policies and procedures on contracting functions.

- 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 any written policies and procedures on credit card functions.

- 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 any written policies and procedures on travel and expense reimbursement functions.

- 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 any written policies and procedures on ethics functions.

- 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 any written policies and procedures on debt service functions.

- 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 any written policies and procedures on disaster recovery/business continuity functions.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

Obtained the minutes of the Commission's board meetings.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Formal budgets are not required by the Local Government Budget Act for proprietary funds. Minutes referenced the presentation of monthly financial statements.

- 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.

The Commission only has one fund, which is an enterprise fund. Observed that the Commission's prior year unrestricted net position in its enterprise fund was not negative.

Bank Reconciliations

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 from management, and management's representation that the listing was complete. Selected the Commission's main operating account and the Commission's only two remaining accounts that were not savings or certificates of deposit accounts and part of the Commission's daily business operations. Randomly selected one month from the fiscal period.

- 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);

Of the three bank accounts selected, a bank reconciliation was only prepared for two of the bank accounts. Evidence that the reconciliations were prepared within two months of the statements closing date was not provided.

- 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

Observed that the bank reconciliations did not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- 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 bank reconciliations selected for testing had reconciling items that have been outstanding for more than 12 months from the statement closing date. Management did not have documentation reflecting that it has researched the reconciling items.

Collections (excluding EFTs)

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 deposits sites and management's representation that the listing is complete. Selected the Commission's one (1) deposit site.

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

Obtained a listing of collection locations for the Commission's one deposit site and management's representation that the listing is complete. Randomly selected one collection location.

- 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.

An employee who is responsible for collecting cash is also responsible for preparing bank deposits and reconciling collection documentation to the deposit. An employee who is not responsible for collecting cash makes the bank deposits.

- 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.

An employee who is responsible for collecting cash is also responsible for posting collection entries to the general ledger and for reconciling general 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.

No exceptions were found as a result of this procedure.

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

The Commission has an insurance policy which covers employee theft.

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

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

The Commission does not use a sequentially pre-numbered receipt system.

- 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).

Of the six deposits tested, three of the deposits were not made within one business day of receipt at the collection location.

- 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)

- 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 obtained management's representation that the listing was complete selected the Commission only payment processing location.

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

Inquired of the Commission's employees in relation to their job duties.

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

There are not at least two employees involved in initiating and approving purchase requests.

- 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.

The employee responsible for processing payments also prepares checks to be mailed.

- 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 a listing of nonpayroll disbursements during the year and management's representation that the listing is complete randomly selected five disbursements from the Commission's sole payment processing location.

- 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

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 listing of all credit, debit and fuel cards of the Commission and management's representation that the listing was 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 Commission only card (debit) and randomly selected one month for testing during the fiscal period.

- 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]

Statements or supporting documents show no evidence of approval by someone other than the cardholder.

- 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.

No exceptions were found as a result of this procedure.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained a listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete. Randomly selected five (5) reimbursements. Obtained related expense forms, as well as the supporting documentation for four (4) of the five (5) reimbursements. Supporting documentation was not provided for one (1) of the five (5) reimbursements.

- 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).

No exceptions noted for the four (4) reimbursements for which supporting documentation was provided.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

None of the reimbursements tested were reimbursed using actual costs.

- 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).

The Commission could not provide supporting documentation for one (1) of the reimbursements selected for testing.

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

Evidence that the reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement was provided for only one (1) of the reimbursements tested.

Contracts

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

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.

Obtained a listing of all employees employed during the fiscal period and management's representation that the listing is complete. Randomly selected five (5) employees. Evidence of board authorization of pay rates in personnel files could not be obtained.

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:

Randomly selected one pay period during the fiscal period.

- 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.)

No exceptions were found as a result of this procedure.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No evidence of supervisor's approval of attendance and leave provided.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions were found as a result of this procedure.

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.

Obtained listing of employees who received termination payments during the fiscal year and management's representation that the listing is complete. Selected the only employee with termination pay during the period. Obtained cumulative leave records and agreed hours used in calculation to leave schedule.

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.

Obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid and filed by the required deadlines, with the exception of the 2018 4th quarter payroll tax payments.

Ethics

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

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

Documentation demonstrating the completion of the one hour of ethics training during the fiscal period was not provided for the five (5) employees tested.

- 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 an ethics policy.

Debt Service

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.

Obtained management's representation that only a short-term premium finance agreement was issued during the fiscal period. Approval of the State Bond Commission was not obtained.

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

Obtained management's representation that only a short-term premium finance agreement was outstanding at the end of the fiscal period. Agreed actual payments to those required by the agreement. The agreement did not require a reserve balance.

Other

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."

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

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

Management's Response

The Commission 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

Morgan City, Louisiana
June 2, 2020

KOLDER, SLAVEN & COMPANY, LLC

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MANAGEMENT LETTER

To the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 5
Jeanerette, LA 70544

We have audited the financial statements of St. Mary Parish Water and Sewer Commission No. 5 (hereinafter "Commission") as of and for the year ended September 30, 2019 and have issued our report thereon dated June 2, 2020.

In planning and performing our audit of the financial statements of the Commission, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control or on its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control or on compliance.

During our audit we noted certain matters involving internal control or compliance which are summarized below for your consideration. These comments and the related recommendations are intended to improve the Commission's internal control and its compliance with laws, regulations, contracts, and grant agreements and other matters. Our comments are not intended to reflect upon the ability or integrity of the Commission's personnel.

2019-ML-1 Commissioner Per Diem

RS 33:7833 states "Each member of the board, with the approval of the board, shall be entitled to receive a stated per diem and travel allowance not to exceed the sum of three hundred dollars per month." During August 2019, one board member received per diem and travel allowances totaling \$313.

The Commission should review its reimbursement policies and assure that per diem and travel allowances paid to board members does not exceed \$300 per month.

2019-ML-2 Bond Commission Approval

The Commission entered into a premium finance agreement having an eleven (11) month term without obtaining the approval of the State Bond Commission. RS 39:1410.60 requires political subdivisions to obtain the approval of the State Bond Commission prior to incurring debt on terms which exceed ninety (90) days.

The Commission should comply with the requirements of RS 39:1410.60 by requesting the approval of the State Bond Commission prior to incurring debt on terms which exceed ninety (90) days.

St. Mary Parish Water and Sewer Commission No. 5
Management Letter

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not identify all weaknesses in policies and procedures or incidents of noncompliance that may exist. We aim, however, to use our knowledge of the Commission's operations gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of the Commission's management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation to you and your staff for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need additional assistance, please feel free to contact us.

KOLDER, SLAVEN & COMPANY, LLC
Certified Public Accountants

Morgan City, Louisiana
June 2, 2020

**ST. MARY PARISH WATER & SEWER
COMMISSION NO. 5
349 GREY EAGLE RD
CHARENTON, LA 70523**

June 2, 2020

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

Dear Sirs:

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

2019-ML-1 – Commissioner Per Diem

The Commission will insure that compensation and reimbursements paid to commissioners does not exceed monthly allowances as determined by state statutes.

2019-ML-2 – Bond Commission Approval

In the future, the Commission will ensure that financing agreements with terms exceeding ninety days will not be entered into without first obtaining bond commission approval as required by state statute.

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

Sincerely,



Virginia Sutton, Treasurer