

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

Centerville, Louisiana

Financial Report

Year Ended September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 3 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2025, and the related notes to the financial statements which collectively comprise the basic financial statements of the Commission's primary government as listed in the table of contents.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Commission, as of September 30, 2025, or the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Financial Statements

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, 2025, and the change 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.

Basis for Adverse and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Discretely Presented Component Unit

The financial statements do not include financial data for the Commission's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Commission's primary government unless the Commission also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Commission has not issued such reporting entity financial statements. The effects of not including the Commission's legally separate component unit on the discretely presented component unit has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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), schedule of employer pension contributions, or the note to retirement system schedules 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Louisiana Community Development Block Grant schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Commission's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Louisiana Community Development Block Grant schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, on our consideration of the Commission's internal control over financial reporting and 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 18, 2026

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position
September 30, 2025

ASSETS

| | |
|---|-------------------|
| Current assets | |
| Cash | \$ 8,085,102 |
| Accounts receivable | 254,056 |
| Due from other governments | 481,923 |
| Prepaid expenses | <u>38,975</u> |
| Total current assets | <u>8,860,056</u> |
| Noncurrent assets | |
| Restricted assets | |
| Cash | 253,640 |
| Capital assets | |
| Land and construction in progress | 542,286 |
| Other, net of accumulated depreciation | 5,421,853 |
| Other assets | |
| Net pension asset | <u>65,360</u> |
| Total noncurrent assets | <u>6,283,139</u> |
| Total assets | <u>15,143,195</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to net pension asset | <u>85,566</u> |
| Total assets and deferred outflows of resources | <u>15,228,761</u> |

(continued)

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

Statement of Net Position (continued)
September 30, 2025

LIABILITIES

Current liabilities

Payable from current assets

| | |
|-----------------------------------|----------------|
| Accounts payable | 405,528 |
| Accrued liabilities | 15,098 |
| Compensated absence | 148,691 |
| Retainage payable | 27,317 |
| Other liabilities | <u>21,738</u> |
| Total payable from current assets | <u>618,372</u> |

Payable from restricted assets

| | |
|---------------------------|----------------|
| Customer deposits payable | <u>256,286</u> |
| Total current liabilities | <u>874,658</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|---------------|
| Deferred inflows related to net pension asset | <u>56,612</u> |
|---|---------------|

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 5,936,822 |
| Unrestricted | <u>8,360,669</u> |
| Total net position | <u>\$ 14,297,491</u> |

The accompanying notes to financial statements are an integral part of this statement.

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

Statement of Revenues, Expenses and Change in Fund Net Position
Year Ended September 30, 2025

| | |
|---|-----------------------------|
| Operating revenues | |
| Water sales | \$ 1,178,013 |
| Sewer sales | 486,614 |
| Garbage collection fees | 15,957 |
| Miscellaneous revenues | <u>14,205</u> |
| Total operating revenues | <u>1,694,789</u> |
| Operating expenses | |
| Personnel services and related benefits | 953,081 |
| Supplies and materials | 949,529 |
| Other services and charges | 423,703 |
| Depreciation | <u>453,250</u> |
| Total operating expenses | <u>2,779,563</u> |
| Operating loss | (1,084,774) |
| Non-operating revenues (expenses) | |
| Ad valorem tax revenues | 1,222,771 |
| Deductions from ad valorem taxes | (39,651) |
| Interest income | <u>329,686</u> |
| Total non-operating revenue (expenses) | <u>1,512,806</u> |
| Income before transfers | 428,032 |
| Transfer to Waterworks District No. 5 of the Parish of St. Mary | <u>(225,000)</u> |
| Change in net position | 203,032 |
| Net position, beginning | <u>14,094,459</u> |
| Net position, ending | <u><u>\$ 14,297,491</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

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

Statement of Cash Flows
Year Ended September 30, 2025

| | |
|--|---------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 1,698,625 |
| Cash paid to suppliers and others | (1,150,406) |
| Cash paid to employees | <u>(957,589)</u> |
| Net cash used by operating activities | <u>(409,370)</u> |
| | |
| Cash flows from non-capital financing activities | |
| Ad valorem property taxes collected | 1,183,120 |
| Proceeds from customer deposits | 10,270 |
| Transfer to St. Mary Parish Waterworks No. 5 | <u>(225,000)</u> |
| Net cash provided by non-capital financing activities | <u>968,390</u> |
| | |
| Cash flows from capital and related financing activities | |
| Acquisition of capital assets | <u>(471,010)</u> |
| | |
| Cash flow from investing activities | |
| Interest received on investments | <u>329,686</u> |
| | |
| Net change in cash and equivalents | 417,696 |
| | |
| Cash and equivalents, beginning | <u>7,921,046</u> |
| Cash and equivalents, ending | <u>\$ 8,338,742</u> |
| | |
| Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position: | |
| Cash and cash equivalents, beginning - | |
| Cash - unrestricted | \$ 7,671,326 |
| Cash - restricted | <u>249,720</u> |
| Total cash and cash equivalents | <u>7,921,046</u> |
| | |
| Cash and cash equivalents, ending - | |
| Cash - unrestricted | 8,085,102 |
| Cash - restricted | <u>253,640</u> |
| Total cash and cash equivalents | <u>\$ 8,338,742</u> |

(continued)

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

Statement of Cash Flows (continued)
Year Ended September 30, 2025

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

| | |
|--|-----------------------|
| Operating loss | <u>\$ (1,084,774)</u> |
| Adjustments to reconcile to net cash used by operating activities: | |
| Depreciation | 453,250 |
| Pension expense, net of nonemployer contributions | (11,295) |
| Changes in assets and liabilities: | |
| Accounts receivable | 10,623 |
| Accounts payable | 146,876 |
| Accrued liabilities | (554) |
| Compensated absence | <u>76,504</u> |
| Total adjustments | <u>675,404</u> |
| Net cash used by operating activities | <u>\$ (409,370)</u> |

The accompanying notes to financial statements are an integral part of this statement.

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

Notes to Financial Statements

INTRODUCTION

Pursuant to Ordinance No. 2060 adopted by the St. Mary Parish Government on September 14, 2017, the St. Mary Parish Water and Sewer Commission No. 3 (“Commission”) was created on October 1, 2016 to have jurisdiction over all works and facilities for water, sewer, and sewage treatment and disposal within the boundaries of Waterworks District No. 5 of the Parish of St. Mary, Sewerage District No. 5 of the Parish of St. Mary, and Sewerage District No. 8 of the Parish of St. Mary (collectively, the “Districts”), including the waterworks facilities, sewers, and sewerage treatment and disposal facilities now owned and/or operated by the Districts or the Parish or as such works and facilities may be acquired, extended, or improved by the Districts. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

Pursuant to Ordinance No. 2112 adopted by the St. Mary Parish Government on August 23, 2017, Sewerage District No. 8 of the Parish of St. Mary and Sewerage District No. 5 of the Parish of St. Mary were abolished effective October 1, 2017. All funds and assets and all liabilities and obligations remaining with the Districts were transferred by the Districts to the Commission on September 30, 2017.

Pursuant to Ordinance No. 2146 adopted by the St. Mary Parish Government on August 8, 2018, it is the intent of the St. Mary Parish Council to abolish Waterworks District No. 5 of the Parish of St. Mary on the later of (i) the date on which the District no longer has any employees or (ii) the date on which the District no longer has outstanding indebtedness. Any funds and assets remaining with the District shall, upon abolition of the District, transfer to the Commission, to be used solely for the purposes for which such funds and assets may lawfully be used. Any deposits or other funds previously required to be segregated on the books of the District shall be segregated on the books of the Commission. Waterworks District No. 5 of the Parish of St. Mary financial statements may be obtained on the Louisiana Legislative Auditor’s website (www.la.gov).

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, Waterworks District No. 5 of St. Mary Parish (“District”), and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

Notes to Financial Statements (continued)

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

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and (a) the ability of the Parish and Commission to impose its will on that organization, and/or (b) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Parish or Commission.
2. Organizations for which the Parish or Commission does not appoint a voting majority but are fiscally dependent on the Parish Council or Commission.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. Because the Commission may impose its will on the District and be financially burdened by the District, the District was determined to be a component unit of the Commission. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the parish government, the general government services provided by that governmental unit, or the District, the other governmental unit that comprises the financial reporting entity. Complete financial statements issued by the District can be obtained directly from the District's administrative office at P.O. Box 119, Centerville, LA, 70522.

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.

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

Notes to Financial Statements (continued)

Proprietary Funds –

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

Enterprise funds

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

Proprietary funds 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.

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

Notes to Financial Statements (continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Prepaid items

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

Restricted assets

Funds representing customer utility deposits are shown as restricted assets in the statement of net position.

Capital assets

Capital assets, which include property, plant and equipment are reported in the statement of net position. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of the donation. The Commission maintains a threshold level of \$1,000 for capitalizing assets.

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

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of revenues, expenses and change in fund net position, 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 as follows:

| | |
|------------------------------------|---------------|
| Water and Sewer System | 5 - 50 Years |
| Buildings & Improvements | 20 - 40 Years |
| Furniture, Equipment, and Vehicles | 5 - 10 Years |

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

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. Sick leave shall be earned at the rate of one day per month up to twelve days per year. An employee cannot accrue more than 120 days of sick leave. Upon termination an employee is compensated for accumulated vacation time. Employees are not compensated for sick time unless termination is due to normal retirement at which point sick time is considered vested. Normal retirement is when the employee meets the required qualifications to retire from the Parochial Retirement System.

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

Notes to Financial Statements (continued)

Compensated absence liability is reported in accordance with GASBS No. 101, *Compensated Absences*. As of September 30, 2025, the liability increased by \$76,504, net.

Deferred outflows of resources and deferred inflows of resources

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

Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity classifications

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

1. 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.
2. 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.
3. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

E. Revenues and Expenses

Operating Revenues and Expenses

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

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

Notes to Financial Statements (continued)

Revenues

Fees for water and sewer services are recognized when earned. Connection and service fees are recognized when received. Interest income is recognized when earned. Substantially, all other revenues are recorded when received.

Expenses

Expenses are classified by function. 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 the Commission has elected to not formally adopt a budget for the year ended September 30, 2025.

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 balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Commission has entered into a joint venture arrangement with other governmental entities for the operation of the multi-purpose building (hereafter "Multi-purpose Building"). See Note 13 for further discussion on the Commission's relationship with this organization.

(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, 2025, the Commission had cash and interest-bearing deposits (book balances) totaling \$8,338,742 as follows:

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

Notes to Financial Statements (continued)

| | | |
|------------------|--|---------------------|
| Demand deposits: | | |
| Unrestricted | | \$ 8,085,102 |
| Restricted | | <u>253,640</u> |
| Total | | <u>\$ 8,338,742</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, 2025, are as follows:

| | | |
|---|--|---------------------|
| Bank balances | | <u>\$ 8,359,778</u> |
| At September 30, 2025, the deposits are secured as follows: | | |
| Federal deposit insurance | | 250,000 |
| Pledged securities | | <u>8,109,778</u> |
| Total federal deposit insurance and pledged securities | | <u>\$ 8,359,778</u> |

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2025, deposits in the amount of \$8,109,778 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Commission's name.

(3) Due from other Governmental Units

Amounts due from other governmental units at September 30, 2025, consist of the following:

| | | |
|--------------------|--|------------|
| State of Louisiana | | \$ 481,923 |
|--------------------|--|------------|

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September or October and are billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The property taxes are billed, collected, and remitted to the Commission by the St. Mary Parish Sheriff using the assessed values determined by the tax assessor of St. Mary Parish.

For the year ended September 30, 2025, taxes of 9.08 mills were levied on property with assessed valuations totaling \$134,698,569 and were dedicated to operation and maintenance. Total taxes assessed were \$ 1,223,056.

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

Notes to Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

| | Balance 10/01/24 | Additions | Deletions | Balance 09/30/25 |
|---------------------------------------|---------------------|-------------------|---------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 22,155 | \$ - | \$ - | \$ 22,155 |
| Construction in progress | <u>1,006,519</u> | <u>407,763</u> | <u>(894,151)</u> | <u>520,131</u> |
| Total assets not being depreciated | <u>1,028,674</u> | <u>407,763</u> | <u>(894,151)</u> | <u>542,286</u> |
| Capital assets being depreciated: | | | | |
| Sewer System | 12,858,107 | 56,848 | - | 12,914,955 |
| Water System | 1,433,962 | 885,591 | - | 2,319,553 |
| Buildings and Improvements | 333,496 | - | - | 333,496 |
| Equipment | 765,579 | 30,315 | - | 795,894 |
| Furniture and Fixtures | 3,993 | - | - | 3,993 |
| Vehicles | <u>176,069</u> | <u>-</u> | <u>-</u> | <u>176,069</u> |
| Total assets being depreciated | <u>15,571,206</u> | <u>972,754</u> | <u>-</u> | <u>16,543,960</u> |
| Less: accumulated depreciation | | | | |
| Sewer System | (9,451,769) | (261,291) | - | (9,713,060) |
| Water System | (319,298) | (114,787) | - | (434,085) |
| Buildings and Improvements | (146,643) | (30,705) | - | (177,348) |
| Equipment | (631,679) | (29,099) | - | (660,778) |
| Furniture and Fixtures | (3,920) | - | - | (3,920) |
| Vehicles | <u>(115,548)</u> | <u>(17,368)</u> | <u>-</u> | <u>(132,916)</u> |
| Total accumulated depreciation | <u>(10,668,857)</u> | <u>(453,250)</u> | <u>-</u> | <u>(11,122,107)</u> |
| Total capital assets, net | <u>\$ 5,931,023</u> | <u>\$ 927,267</u> | <u>\$ (894,151)</u> | <u>\$ 5,964,139</u> |

Depreciation expense for the year ended September 30, 2025 totaled \$453,250.

During the year ended September 30, 2025, the Commission awarded and executed one construction contract for approximately \$290,341 for a waterline project. Costs incurred on this project at September 30, 2025 are included as construction in progress in the schedule above. As of September 30, 2025, the Commission is committed to \$44,497 (including \$27,317 retainage) for the above mentioned construction contract.

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

Notes to Financial Statements (continued)

(6) Due to other Governments

St. Mary Parish Government Ordinance No. 1171 imposes a monthly collection service charge of \$22.80 per month for each residence from which solid waste is collected. The Commission bills the fees and remits each month all garbage service charges collected to the St. Mary Parish Government, less a collection fee of \$0.65 per charge, plus a \$0.41 collection fee per customer who does not receive water services. At September 30, 2025, the garbage collection charges due to the St. Mary Parish Government were \$49,305.

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, 2025, mosquito abatement fees due to the St. Mary Parish Government were \$4,866.

(7) Pension Plan

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

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

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

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

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

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

Eligibility Requirements: All permanent parish government employees (except those employed by Orleans, Lafourche, and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Retirement Benefits: Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to 3% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits: Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the State or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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

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

In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 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, 2024, the actuarially determined contribution rate was 7.34% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2024 was 11.50% for Plan A.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended September 30, 2025, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$6,787 for its participation in PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2025, the Commission reported assets in its financial statements of \$65,360 for its proportionate share of the net pension assets of PERS. The net pension assets were measured as of December 31, 2024 and the total pension asset used to calculate the net pension benefit was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension asset 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, 2024, the Commission's proportional share of PERS was 0.064994%, which was a decrease of 0.000120% from its proportion measured as of December 31, 2023.

For the year ended September 30, 2025, the Commission recognized pension expense of \$56,639.

At September 30, 2025, 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 | \$ 39,886 | \$ 5,682 |
| Changes of assumptions | - | 7,192 |
| Net difference between projected and actual earnings on pension plan investments | - | 43,039 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 55 | 699 |
| Employer contributions subsequent to the measurement date | <u>45,625</u> | <u>-</u> |
| | <u>\$ 85,566</u> | <u>\$ 56,612</u> |

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

Notes to Financial Statements (continued)

Deferred outflows of resources of \$45,625 resulting from the Commission's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

| Year | |
|------|-------------|
| 2026 | 23,804 |
| 2027 | 58,272 |
| 2028 | (66,266) |
| 2029 | (32,481) |
| | \$ (16,671) |

Actuarial Assumptions

The net pension asset 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 asset as of September 30, 2025 are as follows:

| | Parochial Employees' Retirement System of Louisiana Plan A |
|----------------------------------|---|
| Valuation Date | December 31, 2024 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Investment Rate of Return | 6.40%, net of investment expense, including inflation |
| Projected Salary Increases | 4.75% |
| Expected Remaining Service Lives | 4 years |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees. |
| Mortality Rates | Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2021 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 MP2021 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2021 scale for disabled annuitants. |
| Inflation Rate | 2.30% |

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

The discount rate used to measure the total pension asset was 6.40% for Plan A, which was unchanged from the rate used as of December 31, 2023. 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 asset.

The investment rate of return was 6.40% for Plan A, which was unchanged from the rate used as of December 31, 2023. The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.4% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.13% for the year ended December 31, 2024.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2024 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate Of Return |
|------------------------------------|----------------------------|--|
| Fixed Income | 37% | 1.08% |
| Equity | 47% | 2.82% |
| Alternatives | 15% | 0.76% |
| Real Assets | <u>1%</u> | <u>0.07%</u> |
| Totals | <u>100%</u> | <u>4.73%</u> |
| Inflation | | <u>2.40%</u> |
| Expected Arithmetic Nominal Return | | <u>7.13%</u> |

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2018 through December 31, 2022. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2021 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2021 scale. For Disabled annuitants, mortality was set equal to the Pub-2010 Public Retirement Plan Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2021 scale.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability/asset of the participating employers as of December 31, 2024 calculated using the discount rate of 6.40%, 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 5.40% or one percentage point higher 7.40% than the current rate.

| | Changes in Discount Rate | | |
|-------------------------------|--------------------------|-----------------------------------|-------------------------|
| | 1% Decrease 5.40% | Current Discount Rate 6.40% | 1% Increase 7.40% |
| Net Pension Liability (Asset) | \$ 333,552 | \$ (65,360) | \$ (400,200) |

Payables to the Pension Plan

The Commission has no balance due to PERS as of September 30, 2025.

Retirement System Audit Report

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

(8) Contingencies

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

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

Notes to Financial Statements (continued)

(9) Compensation Paid to Board Members

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 34 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$300 per month.

Compensation paid to board members for the year ended September 30, 2025 is as follows:

| | |
|---------------------|------------------|
| Mike Ortiz | \$ 2,500 |
| William Miller | 2,500 |
| Willis Dore, Jr. | 2,500 |
| Phelo Keller | 2,500 |
| Leonard Klutts, Jr. | 2,500 |
| Brandon LeJeune | 2,500 |
| Glynn Pellerin | <u>2,400</u> |
| | <u>\$ 17,400</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, 2025, the Commission's board president, Mike Ortiz, received \$2,500 in per diem payments.

(10) Risk Management

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

The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended September 30, 2025. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

(11) Intergovernmental / Cooperative Endeavor Agreements

Waterworks District No. 5 of the Parish of St. Mary

In September 2016, the Commission entered into cooperative endeavor agreements with Waterworks District No. 5 of the Parish of St. Mary outlining the Commission's responsibilities for the operation and maintenance of the District's system and improvements to same and providing for the joint use of funds, facilities, personnel, and property.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

St. Mary Parish Government

In September 2002, Waterworks District No. 5 of the Parish of St. Mary entered a cooperative endeavor with the St. Mary Parish Government whereby the District will bill and collect mosquito abatement fees in the amount of \$2 per month per water service customer on behalf of the Parish Government and remit all sums collected to the Parish Government. At January 1, 2017, the Commission was granted jurisdiction over the District's operations, including billing and collections by the intergovernmental agreement discussed above.

In August 2006, Waterworks District No. 5 of the Parish of St. Mary entered into an intergovernmental agreement with the St. Mary Parish Government whereby the District agreed to collect on behalf of the Parish Government a monthly service charge from each residence within the territorial limits of the District from which solid waste is collected and remit to the Parish Government, on a monthly basis, all solid waste service charges collected, less a collection fee.

(12) Joint Venture

In June 2001, Waterworks District No. 5 of the Parish of St. Mary, St. Mary Parish Sewerage District No. 5, and St. Mary Fire Protection District No. 2 entered into a cooperative endeavor whereby the Districts will plan, construct, and utilize a Multi-purpose Building. Waterworks District No. 5 of the Parish of St. Mary and St. Mary Parish Sewerage District No. 5, among other entities, were consolidated to form the Commission as discussed in Note 1.

The Multi-purpose Building was constructed in a previous year and is used for public purposes. The administrative operations of the Commission are housed in the separately designed portion of the jointly owned building. Certain common areas, including the meeting room of the Commissioners, are shared. The payment of utilities and other related costs attributable to the Multi-purpose Building shall be the responsibility of each District.

(13) 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, 2025, 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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 3
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Notes to Financial Statements (continued)

local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement. For the year ended September 30, 2025, \$380,706 of the Commission's ad valorem tax revenues were abated by other governments through ITEP.

(14) Subsequent Events

Subsequent to the year ended September 30, 2025, the Commission awarded a construction contract in the amount of approximately \$1,032,384 for a water line project.

(15) New Accounting Pronouncements

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

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This standard is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The effect of implementation on the Commission's financial statements has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This standard is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The effect of implementation on the Commission's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended September 30, 2025

| Plan Year Ended Dec 31, | Employer Proportion of the Net Pension Liability (Asset) | Employer Proportionate Share of the Net Pension Liability (Asset) (a) | 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 |
|----------------------------------|---|---|---------------------------|---|--|
| 2015 | 0.044886% | \$ 118,153 | \$ 248,651 | 47.52% | 92.23% |
| 2016 | 0.042857% | \$ 88,265 | \$ 255,269 | 34.58% | 94.15% |
| 2017 | 0.048356% | \$ (35,892) | \$ 297,883 | -12.05% | 101.98% |
| 2018 | 0.045057% | \$ 199,979 | \$ 276,994 | 72.20% | 88.86% |
| 2019 | 0.051212% | \$ 2,410 | \$ 324,719 | 0.74% | 99.89% |
| 2020 | 0.054663% | \$ (95,847) | \$ 365,095 | -26.25% | 104.00% |
| 2021 | 0.062722% | \$ (295,448) | \$ 420,827 | -70.21% | 110.46% |
| 2022 | 0.064605% | \$ 248,651 | \$ 438,273 | 56.73% | 91.74% |
| 2023 | 0.065114% | \$ 62,036 | \$ 471,934 | 13.15% | 98.03% |
| 2024 | 0.064994% | \$ (65,360) | \$ 502,728 | -13.00% | 101.97% |

See independent auditor's report and note to retirement system schedules.

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

Schedule of Employer Pension Contributions
Year Ended September 30, 2025

| Fiscal Year Ended Sept 30, | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a % of Covered Employee Payroll |
|-------------------------------------|---|--|--|--------------------|--|
| 2016 | \$ 34,542 | \$ 34,542 | \$ - | \$ 257,621 | 13.41% |
| 2017 | \$ 35,388 | \$ 35,388 | \$ - | \$ 280,382 | 12.62% |
| 2018 | \$ 33,248 | \$ 33,248 | \$ - | \$ 281,668 | 11.80% |
| 2019 | \$ 36,584 | \$ 36,584 | \$ - | \$ 318,126 | 11.50% |
| 2020 | \$ 41,003 | \$ 41,003 | \$ - | \$ 340,072 | 12.06% |
| 2021 | \$ 52,297 | \$ 52,297 | \$ - | \$ 426,909 | 12.25% |
| 2022 | \$ 50,272 | \$ 50,272 | \$ - | \$ 430,207 | 11.69% |
| 2023 | \$ 52,262 | \$ 52,262 | \$ - | \$ 454,454 | 11.50% |
| 2024 | \$ 57,469 | \$ 57,469 | \$ - | \$ 499,730 | 11.50% |
| 2025 | \$ 61,147 | \$ 61,147 | \$ - | \$ 549,748 | 11.12% |

See independent auditor's report and note to retirement system schedules.

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

Note to Retirement System Schedules
Year Ended September 30, 2025

Parochial Employees' Retirement System

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

Changes of assumptions –

| Plan Year ended December 31, | Discount Rate | Investment Rate of Return | Inflation Rate | Expected Remaining Service Lives | Projected Salary Increase |
|------------------------------------|------------------|---------------------------------|-------------------|--|---------------------------------|
| 2015 | 7.00% | 7.00% | 2.50% | 4 | 5.25% |
| 2016 | 7.00% | 7.00% | 2.50% | 4 | 5.25% |
| 2017 | 6.75% | 6.75% | 2.50% | 4 | 5.25% |
| 2018 | 6.50% | 6.50% | 2.40% | 4 | 4.75% |
| 2019 | 6.50% | 6.50% | 2.40% | 4 | 4.75% |
| 2020 | 6.40% | 6.40% | 2.30% | 4 | 4.75% |
| 2021 | 6.40% | 6.40% | 2.30% | 4 | 4.75% |
| 2022 | 6.40% | 6.40% | 2.30% | 4 | 4.75% |
| 2023 | 6.40% | 6.40% | 2.30% | 4 | 4.75% |
| 2024 | 6.40% | 6.40% | 2.30% | 4 | 4.75% |

SUPPLEMENTARY INFORMATION

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

Louisiana Community Development Block Grant Schedule
Year Ended September 30, 2025

| | |
|--------------------------|-------------------|
| Assets: | |
| Grant revenue receivable | <u>\$ 481,922</u> |
| Liabilities: | |
| Due to the Commission | <u>\$ 481,922</u> |
| Revenues: | |
| Local revenue | <u>\$ 7,419</u> |
| Expenditures: | |
| Administration | \$ 105 |
| Engineering | <u>7,314</u> |
| Total expenditures | <u>\$ 7,419</u> |

See independent auditor's report.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Mary Parish Water and Sewer Commission No. 3, (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Commission's primary government and have issued our report thereon dated March 18, 2026. Our report expressed an adverse opinion on the discretely presented component unit because the financial statements of the primary government do not include financial data for the Commission's legally separate component unit.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control that we consider to be a material weakness and which is described in the accompanying schedule of audit results and findings as item 2025-001.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying schedule of audit results and findings. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. In accordance with Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 18, 2026

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

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2025

A. Internal Control

2024-001 – Financial Reporting (Application of Generally Accepted Accounting Principles)

CONDITION: The Commission lacks adequate staff and the expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP), as applicable to governmental entities.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: See schedule of audit results and findings item 2025-001.

B. Compliance

There were no findings reported under this section.

C. Uniform Guidance

Not applicable in the prior year.

D. Management Letter

Not issued in the prior year.

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

Schedule of Audit Results and Findings
Year Ended September 30, 2025

Part I. Summary of auditor's results:

Financial Statements

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

| Opinion Unit | Type of Opinion |
|-------------------------------------|--------------------|
| Enterprise Fund | Unmodified |
| Discretely presented component unit | Adverse |

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 |
|--|---------------|-----|--------------|----|

Other

| | | | | |
|------------------------------|---------------|-----|--------------|----|
| 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

2025-001 – Financial Reporting (Application of Generally Accepted Accounting Principles)

Year Initially Occurring: 2017

CONDITION: The Commission lacks adequate staff and the expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP), as applicable to governmental entities.

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 and to apply GAAP in the preparation of those financial statements and related disclosures.

CAUSE: The condition results from the relatively small size of the Commission and the increased costs of hiring personnel to prepare GAAP-based financial statements.

EFFECT: GAAP-based financial statements, as applicable to governmental entities, are not prepared by the Commission.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

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

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2025

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. 3
Centerville, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2025

2025-001 – Financial Reporting (Application of Generally Accepted Accounting Principles)

CONDITION: The Commission lacks adequate staff to properly prepare financial statements in accordance with U.S. GAAP, as applicable to governmental entities.

MANAGEMENT’S RESPONSE: The Board of Commissioners continues to evaluate the cost-benefit of outsourcing the preparation of the Commission’s financial statements to its independent auditors rather than incur the costs to employ someone to prepare GAAP-based financial statements and have determined that it would be more cost effective to outsource the preparation of the Commission’s financial statements. We will review the financial statements, notes, and any supplementary information prior to accepting responsibility for their presentation and content.

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

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2024 through September 30, 2025

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. 3 and
Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2024 through September 30, 2025. The management of the St. Mary Water and Sewer Commission No. 3 (hereinafter "Commission") is responsible for those control and compliance areas identified in the SAUPs.

An agreed-upon procedures engagement involves the performing of specific procedures that the Commission has agreed to and acknowledged to be appropriate on those control and compliance areas identified in the LLA's SAUPs for the fiscal period October 1, 2024 through September 30, 2025 and report on exceptions based upon the procedures performed. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. However, this report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated exceptions, if any, are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***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.
 - iii. ***Disbursements***, including processing, reviewing, and approving.

- iv. **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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology 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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

2) **Board or Finance Committee**

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. 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
 - i. 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.
 - ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds.

- iii. 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.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

3) Bank Reconciliations

- A. Obtain a listing of entity 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 each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

4) Collections (excluding electronic funds transfers)

- A. 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).
- B. 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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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:
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also 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; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. 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 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

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

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. 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).
- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. 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;
 - iv. 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; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A 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
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, 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.
- B. 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
 - i. Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B 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 (e.g., each card should have 10 transactions subject to inspection). 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. 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 and 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

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. 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 Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) *Contracts*

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. 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. 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
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. 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.

9) *Payroll and Personnel*

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

10) Ethics

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

Obtained management's representation that there were no bonds/notes and other debt instruments issued during the fiscal period or outstanding at the end of the fiscal period. Therefore, the procedures below are not applicable.

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. 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).

12) Fraud Notice

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. 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 as required by R.S. 24:523.
- B. 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.

13) Information Technology Disaster Recovery/Business Continuity

Category excluded from procedures in the current period as per criteria of the LLA's Statewide Agreed Upon Procedures, Version 7.

- A. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
- B. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are a) hired before June 9, 2020 – completed training; and b) hired on or after June 9, 2020 – completed training within 30 days of initial service or employment.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Exceptions

Exceptions found as a result of applying the procedures listed above are as follows:

Written Policies and Procedures

1. The Commission does not have written policies and procedures for the following categories: Disbursements, Receipts/Collections, Contracting, Ethics, Debt Service, and Information Technology/Business Continuity. However, debt service is not applicable to the Commission's operations.
2. Written policies and procedures for purchasing do not address (2) how vendors are added to the vendor list.
3. Written policies and procedures for travel and expense reimbursement do not address (2) the dollar threshold by categories of expense. However, the Commission's policy states that travel and expense reimbursements shall not exceed limits established by the funding source, and mileage reimbursements are based on IRS regulations.
4. Written policies and procedures for sexual harassment do not address (3) annual reporting.

Bank Reconciliations

5. One (1) of the four (4) accounts selected had no evidence of researching items that have been outstanding for more than twelve months.

Collections

6. Employee(s) responsible for collecting cash share a cash register/drawer.

Prevention of Sexual Harassment

7. The Commission's sexual harassment policy and complaint procedures is not posted on the premises.

Management's Response

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

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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 is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose. In accordance with 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
March 18, 2026