

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

Jeanerette, Louisiana

Financial Report

Year Ended September 30, 2020

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KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 5 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2020, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of September 30, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
September 30, 2021

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position
September 30, 2020

ASSETS

Current assets:

Cash	\$ 373,833
Accounts receivable, net of allowance for doubtful accounts	12,526
Unbilled accounts receivable	15,910
Accrued interest receivable	93
Ad valorem taxes receivable	10,332
Prepaid expenses	<u>11,386</u>
Total current assets	<u>424,080</u>

Restricted assets:

Cash - customer deposits	<u>21,316</u>
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Capital assets:

Land and construction in progress	108,237
Other, net of accumulated depreciation	<u>2,081,400</u>
Net capital assets	<u>2,189,637</u>

Total assets	<u>\$ 2,635,033</u>
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ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
Jeanerette, Louisiana

Statement of Net Position (continued)
September 30, 2020

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 39,182
Accrued liabilities	23,080
Due to primary government	<u>7,231</u>
Total current liabilities	69,493
Current liabilities (payable from restricted assets):	
Customer deposits payable	<u>21,316</u>
Total liabilities	<u>90,809</u>
Net position	
Net investment in capital assets	2,189,637
Unrestricted	<u>354,587</u>
Total net position	<u>\$ 2,544,224</u>

The accompanying notes are an integral part of this statement.

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

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

Operating revenues:	
Water sales	\$ 129,196
Sewer charges	71,518
Garbage collection fees	2,983
Miscellaneous revenues	41,340
Total operating revenues	<u>245,037</u>
Operating expenses:	
Advertising and publications	1,838
Bad debts	6,178
Chemicals	42,667
Commissioner per diem	7,500
Depreciation	154,824
Fuel and oil	9,401
Insurance	64,482
Professional services	32,840
Miscellaneous	9,106
Office	12,465
Rents and leases	3,260
Repairs and maintenance	133,527
Retirement	3,262
Salaries and wages	191,646
Taxes and licenses	15,482
Telephone and utilities	44,403
Total operating revenues	<u>732,881</u>
Operating loss	<u>(487,844)</u>
Non-operating revenues/(expenses):	
Ad valorem property tax revenues	318,025
Deductions from ad valorem taxes	(11,687)
Interest income	2,677
Net non-operating revenues (expenses)	<u>309,015</u>
Change in net position	(178,829)
Net position, beginning	<u>2,723,053</u>
Net position, ending	<u>\$ 2,544,224</u>

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
Year Ended September 30, 2020

Cash flows from operating activities:	
Cash received from customers	\$ 233,906
Cash paid to suppliers and others	(382,633)
Cash paid to employees and commissioners	<u>(252,650)</u>
Net cash used by operating activities	<u>(401,377)</u>
Cash flows from non-capital financing activities:	
Ad valorem property taxes received	296,006
Proceeds from customer deposits	<u>800</u>
Net cash provided by non-capital financing activities	<u>296,806</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(23,526)</u>
Cash flow from investing activities:	
Interest received on investments	<u>2,677</u>
Net decrease in cash and equivalents	(125,420)
Cash and equivalents, beginning	<u>320,569</u>
Cash and equivalents, ending	<u>\$ 195,149</u>

(continued)

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

Statement of Cash Flows (continued)
Year Ended September 30, 2020

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

Operating loss	\$ <u>(487,844)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	154,824
Changes in assets and liabilities-	
Accounts receivable	8,881
Unbilled accounts receivable	(13,834)
Prepaid expenses	828
Accounts payable	(61,069)
Accrued liabilities	(2,993)
Due to primary government	<u>(170)</u>
Total adjustments	<u>(68,357)</u>
Net cash used by operating activities	\$ <u>(401,377)</u>

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

Cash and equivalents, beginning -	
Cash and interest-bearing deposits- unrestricted	\$ 500,053
Less: Interest bearing deposits that are not cash equivalents	(200,000)
Cash- restricted	<u>20,516</u>
Total cash and equivalents	<u>320,569</u>
Cash and equivalents, ending -	
Cash and interest-bearing deposits- unrestricted	373,833
Less: Interest bearing deposits that are not cash equivalents	(200,000)
Cash- restricted	<u>21,316</u>
Total cash and equivalents	<u>195,149</u>
Net decrease	\$ <u>(125,420)</u>

The accompanying notes are an integral part of this statement.

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

Notes to Basic Financial Statements

INTRODUCTION

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

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

This criteria includes:

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

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

Notes to Basic Financial Statements (continued)

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

B. Basis of Presentation

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

Fund Financial Statements

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

Proprietary Funds –

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

Enterprise funds

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

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

Notes to Basic Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

Basis of Accounting

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

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

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

Receivables

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

Prepaid items

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

Restricted assets

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

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

Notes to Basic Financial Statements (continued)

Capital assets

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

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

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of revenues, expenses and changes in fund net position, which accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

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

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

Capitalization of Interest

Interest costs incurred by the Commission during the construction of an asset for its own use are capitalized as part of the cost of constructing the asset. During the year ended September 30, 2020, there were no borrowings for assets under construction and no capitalized interest was recognized.

Bad Debts

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

Compensated absences

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

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

Notes to Basic Financial Statements (continued)

Equity classifications

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

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

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

E. Revenues and Expenses

Revenues

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

Expenses

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

F. Budgeting and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and accordingly, the Commission has elected to not formally adopt a budget for the year ended September 30, 2020. Accordingly, budget figures are not presented in this financial report.

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

Notes to Basic Financial Statements (continued)

G. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2020, the Commission had cash and interest-bearing deposits (book balances) totaling \$395,149 as follows:

Demand deposits:	
Unrestricted	\$ 73,833
Restricted	21,316
Time deposits:	
Unrestricted	<u>300,000</u>
	<u>\$ 395,149</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, 2020, are as follows:

Bank balances	<u>\$ 399,021</u>
At September 30, 2020, the deposits are secured as follows:	
Federal deposit insurance	325,518
Pledged securities	<u>73,503</u>
Total insured and secured	<u>\$ 399,021</u>

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

Notes to Basic Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2020, deposits in the amount of \$73,503 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not the Commission's name.

(3) Receivables

At September 30, 2020, the Commission had customer utility accounts receivable as follows:

Customer accounts receivable	\$ 80,564
Less: allowance for uncollectible accounts	<u>(69,859)</u>
Net customer accounts receivable	10,705
Utility collections due from other governments	<u>1,821</u>
Total accounts receivable	<u>\$ 12,526</u>

(4) Ad Valorem Taxes

The Commission's property tax is levied in October of each year on the assessed value of property within the Commission. Taxes are due and payable by December 31. The taxes are delinquent on January 1, at which time an enforceable lien attaches to the property. Taxes are collected on behalf of the Commission by the Sheriff and then remitted to the Commission. For the year ended September 30, 2020, taxes applicable to all taxable property within the boundaries of the Commission were levied at a rate of 9.98 mills on property with net assessed valuations totaling \$38,860,635. These taxes are to be used for the purpose of maintaining and operating the water and sewer facility. Total taxes levied for the year ended September 30, 2020 was \$387,829.

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

Notes to Basic Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 108,237	\$ -	\$ -	\$ 108,237
Capital assets being depreciated				
Equipment and furniture	134,682	23,526	(13,477)	140,736
Infrastructure	<u>5,330,623</u>	<u>-</u>	<u>-</u>	<u>5,334,618</u>
Total capital assets being depreciated	<u>5,465,305</u>	<u>23,526</u>	<u>(13,477)</u>	<u>5,475,354</u>
Less accumulated depreciation for:				
Equipment and furniture	106,792	11,097	(13,477)	104,412
Infrastructure	<u>3,145,815</u>	<u>143,727</u>	<u>-</u>	<u>3,289,542</u>
Total accumulated depreciation	<u>3,252,607</u>	<u>154,824</u>	<u>(13,477)</u>	<u>3,393,954</u>
Total capital assets, being depreciated, net	<u>2,212,698</u>	<u>(131,298)</u>	<u>-</u>	<u>2,081,400</u>
Total capital assets, net	<u>\$ 2,320,935</u>	<u>\$ (131,298)</u>	<u>\$ -</u>	<u>\$ 2,189,637</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2020 was \$154,824.

(6) Due to other Governments

St. Mary Parish Government Ordinance No. 1171 imposes a monthly collection service charge of \$15 per month for each residence from which solid waste is collected. The Commission bills the fees and remits each month all garbage service charges collected to the St. Mary Parish Government, less a collection fee of 4.33 percent. At September 30, 2020, the garbage collection charges due to the St. Mary Parish Government were \$6,261.

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, 2020, mosquito abatement fees due to the St. Mary Parish Government were \$970.

(7) Employee Retirement

The Commission has implemented a SIMPLE retirement plan for its employees. Under the plan, the Commission matches an employee's salary deferrals up to three percent of the employee's total wages. For the year ended September 30, 2020, the Commission's matching contributions totaled \$3,262.

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

Notes to Basic Financial Statements (continued)

(8) Contingencies

Sewerage Plant Operations

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

(9) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$300 per month.

Frank Matthews	\$ 1,080
Wilfred Edwards	1,020
Edward Patrick	1,080
Ulysses Dumesnil	1,140
Virginia Sutton	1,080
Wayne Caesar	1,080
Elodie Stewart	1,020
	<u>\$ 7,500</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, 2020, the Commission's chief officer, Frank Matthews received \$1,080 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 coverages, retentions, or limits during the year ended September 30, 2020. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

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

Notes to Basic Financial Statements (continued)

(11) 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, 2020, the Commission incurred abatements of ad valorem taxes through ITEP.

ITEP is authorized by Article 7, Section 21(F) of the Louisiana Constitution. Companies qualifying as manufacturers can apply to the LBCI for a property tax exemption on all new property, as defined, used in the manufacturing process. Under ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon approval by LBCI. These state-granted abatements have resulted in reductions of property taxes, which the tax entity administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement. For the year ended September 30, 2020, \$49,858 of the Commission's ad valorem tax revenues were abated by the state of Louisiana through ITEP.

(12) New Accounting Pronouncements

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

GASB Statement No. 87, *Leases*

This Statement will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating leases and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use an asset and by lessors as a receivable with both reporting by a deferred inflow of resources. The standard is effective for annual reporting periods beginning after December 15, 2019. GASBS No. 95 postponed this statement by 18 months. The effects of implementation or its applicability on the Commission's financial statements has not yet been determined.

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

Notes to Basic Financial Statements (continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The standard is effective for annual reporting periods beginning after December 15, 2019. GASBS No. 95 postponed this statement by one year. The effects of implementation or its applicability on the Commission's financial statements has not yet been determined.

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Mary Parish Water and Sewer Commission No. 5, (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2020-001, 2020-002, 2020-003, and 2020-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results and findings as items 2020-005 and 2020-006.

Commission's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
September 30, 2021

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

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

A. Internal Control –

2019-001 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: The Commission's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed its benefits. No additional response is deemed necessary.

CURRENT STATUS: This finding is unresolved and will be reiterated in the current year as item 2020-001.

2019-002 – Financial Reporting

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

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

CURRENT STATUS: This finding is unresolved and will be reiterated in the current year as item 2020-002.

2019-003 – Reconciliation of Customer Deposits

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

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

CURRENT STATUS: Management was unable to provide a listing of customer deposits to reconcile to the general ledger. Therefore, this finding is unresolved and will be reiterated in the current year as item 2020-003.

2019-004 – Bank Reconciliations

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

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

CURRENT STATUS: This finding is unresolved and will be reiterated in the current year as item 2020-004.

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

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

B. Compliance –

2019-005 – Remittance of Payroll Taxes Withheld

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

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

CURRENT STATUS: This finding has been resolved.

2019-006 – Public Bid Law

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

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

CURRENT STATUS: This finding has not been resolved and will be reiterated in the current year as item 2020-006.

C. Management Letter –

2019-ML-1 – Commissioner Per Diem

CONDITION: One board member received per diem and travel allowances in excess of the statutorily allowed limit of \$300 in one month.

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

CURRENT STATUS: This condition did not recur in 2020 and is considered resolved.

2019-ML-2 – Bond Commission Approval

CONDITION: The Commission entered into a insurance premium financing arrangement with a term in excess of ninety (90) days and did not obtain State Bond Commission approval as required by R.S. 39:1410.60.

RECOMMENDATION: The Commission should comply with state law by requesting the approval of the State Bond Commission prior to incurring debt on terms which exceed ninety (90) days.

CURRENT STATUS: This condition did not recur in 2020 and is considered resolved.

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

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

Part I. Summary of auditor's results:

Financial Statements

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

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

A. Internal Control

2020-001 - Segregation of Duties

Year Initially Occurring: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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

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

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

2020-002 - Financial Reporting

Year Initially Occurring: 2012

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

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

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

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

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

2020-003 - Reconciliation of Customer Deposits

Year Initially Occurring: 2016

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

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

CAUSE: The condition results from a failure to maintain a listing of customer deposit balances.

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

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

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

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

2020-004 – Bank Reconciliations

Year Initially Occurring: 2019

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

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

CAUSE: Bank reconciliations were not performed in a timely manner.

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

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

B. Compliance

2020-005 – Failure to Publish Minutes

Year Initially Occurring: 2020

CONDITION: The Commission did not publish minutes for six (6) of its eighteen (18) public meetings in its official journal in a timely manner.

CRITERIA: R.S. 42:20 states that all public bodies shall keep written minutes of all open meetings. It further states that the minutes shall be public records and shall be available within a reasonable time after the meetings and published in the public body's official journal.

CAUSE: Written minutes were not published in the official journal in a timely manner.

EFFECT: The failure to make written minutes available as public records within a reasonable period of time after the open meeting may be a violation of R.S. 42:20.

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

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

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

2020-006 – Public Bid Law

Year Initially Occurring: 2019

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

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

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

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

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

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

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

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

APPENDIX A

**ST. MARY PARISH WATER & SEWER
COMMISSION NO. 5
1472 HIGHWAY 318
JEANERETTE, LA 70544**

September 30, 2021

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

Dear Sirs:

In response to the findings noted in your report on the audit of the Commission's financial statements for the year ended September 30, 2020, please accept the following as the Commission's responses and planned corrective action to address the findings.

202-001 – Inadequate Segregation of Duties

The Commission retained a CPA firm to provide assistance and oversight of the Commission's clerk and assist with some of our accounting duties related to closing the year and preparing for the annual audit. We believe this will adequately segregate our accounting and financial functions.

2020-002 – Financial Reporting

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

2020-003 – Reconciliation of Customer Deposits

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

2020-004 – Bank Reconciliations

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

2020-005 – Failure to Publish Minutes

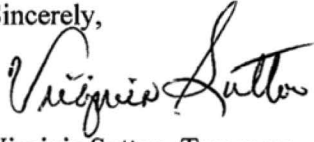
The Commission will ensure that board minutes for all public meetings will be published in the Commission's official journal within a reasonable period of time after the meeting.

2020-006 – Public Bid Law

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

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

Sincerely,

A handwritten signature in black ink that reads "Virginia Sutton". The signature is written in a cursive style with a large, looping initial "V".

Virginia Sutton, Treasurer