

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

Centerville, Louisiana

Financial Report

Year Ended September 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

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, 2021, 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.

#### *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.

### ***Basis for Adverse Opinion on Aggregate 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 a 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 this departure from accounting principles generally accepted in the United States of America on the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the aggregate discretely presented component unit are not reasonably determinable.

### ***Adverse Opinion on Aggregate Discretely Presented Component Unit***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to previously do not present fairly the financial position of the aggregate discretely presented component unit of the Commission, as of September 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Commission as of September 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedule of employer's share of net pension liability (asset) on page 31 schedule of employer contributions on page 32 or notes to retirement system schedules on page 33 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

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

Morgan City, Louisiana  
March 10, 2022

**BASIC FINANCIAL STATEMENTS**

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

Statement of Net Position  
September 30, 2021

ASSETS

Current assets	
Cash	\$ 264,512
Investments	8,030,114
Accounts receivable, net of allowance for doubtful accounts	235,664
Prepaid expenses	<u>38,975</u>
Total current assets	<u>8,569,265</u>
Restricted assets	
Cash	8,350
Investments	<u>213,476</u>
Total restricted assets	<u>221,826</u>
Capital assets	
Land	22,155
Construction in progress	9,910
Other, net of accumulated depreciation	<u>4,855,090</u>
Total capital assets	<u>4,887,155</u>
Other assets	
Refundable deposits	210
Net pension asset	<u>95,847</u>
Total other assets	<u>96,057</u>
Total assets	13,774,303

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>105,882</u>
Total assets and deferred outflows of resources	<u>13,880,185</u>

(continued)

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

Statement of Net Position (continued)  
September 30, 2021

LIABILITIES

Current liabilities

Payable from current assets

Accounts payable	\$ 174,900
Accrued liabilities	5,079
Compensated absences payable	13,232
Retainage payable	13,095
Other liabilities	<u>21,700</u>
Total payable from current assets	228,006

Payable from restricted assets

Customer deposits payable	<u>221,826</u>
Total current liabilities	<u>449,832</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>202,832</u>
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NET POSITION

Net investment in capital assets	4,887,155
Unrestricted	<u>8,340,366</u>
Total net position	<u>\$ 13,227,521</u>

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



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

Statement of Activities  
Year Ended September 30, 2021

Operating revenues	
Water sales	\$ 1,110,100
Sewer sales	477,189
Garbage collection fees	14,195
Miscellaneous revenues	<u>21,062</u>
Total operating revenues	<u>1,622,546</u>
Operating expenses	
Personnel services and related benefits	647,283
Supplies and materials	731,839
Other services and charges	299,369
Depreciation	<u>348,381</u>
Total operating expenses	<u>2,026,872</u>
Operating loss	(404,326)
Non-operating revenues (expenses)	
Ad valorem tax revenues	847,110
Deductions from ad valorem taxes	(27,567)
Interest income	5,319
Reimbursements to Waterworks District No. 5 of the Parish of St. Mary	<u>(250,000)</u>
Net non-operating revenues	<u>574,862</u>
Change in net position	170,536
Net position, beginning	<u>13,056,985</u>
Net position, ending	<u>\$ 13,227,521</u>

*The accompanying notes 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, 2021

Cash flows from operating activities	
Cash received from customers	\$ 1,603,288
Cash paid to suppliers and others	(990,000)
Cash paid to employees	<u>(684,432)</u>
Net cash used by operating activities	<u>(71,144)</u>
Cash flows from non-capital financing activities	
Ad valorem property taxes	819,543
Proceeds from customer deposits	7,068
Payments to Waterworks District No. 5 of the Parish of St. Mary	<u>(250,000)</u>
Net cash provided by non-capital financing activities	<u>576,611</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(195,589)</u>
Cash flow from investing activities	
Net purchases of investments	(656,730)
Interest received on investments	<u>5,319</u>
Net cash used by capital and related financing activities	<u>(651,411)</u>
Net decrease in cash and equivalents	(341,533)
Cash and equivalents, beginning	<u>614,395</u>
Cash and equivalents, ending	<u>\$ 272,862</u>
Classified as:	
Current assets	\$ 264,512
Restricted assets	<u>8,350</u>
Total	<u>\$ 272,862</u>

(continued)

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

Statement of Cash Flows (continued)  
Year Ended September 30, 2021

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

Operating loss	<u>\$ (404,326)</u>
Adjustments to reconcile to net cash used by operating activities:	
Depreciation	348,381
Pension expense, net of nonemployer contributions	(41,745)
Changes in assets and liabilities --	
Accounts receivable	(14,662)
Accounts payable	55,431
Accrued liabilities	<u>(14,223)</u>
Total adjustments	<u>333,182</u>
Net cash used by operating activities	<u>\$ (71,144)</u>

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

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

Notes to Basic 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 of 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.

(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, 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 (the District).

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.

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

Notes to Basic Financial Statements (continued)

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.

**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. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

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

Notes to Basic Financial Statements (continued)

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

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.

Prepaid items

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

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

Notes to Basic Financial Statements (continued)

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 estimated fair market 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 Activities, 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 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.

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, 2021, there were no borrowings for assets under construction and no capitalized interest was recognized.

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.

Long-term debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The Commission had no long-term debt outstanding at September 30, 2021.

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

Notes to Basic Financial Statements (continued)

Deferred outflows of resources and deferred inflows of resources

The Commission reports decreases (increases) in net position that relate to future periods as deferred outflows (inflows) of resources in separate sections of its 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 or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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 included all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.



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

Notes to Basic 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 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, 2021. Accordingly, budget figures are not presented in this financial report.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, 2021, the Commission had cash and interest-bearing deposits (book balances) totaling \$272,862 as follows:

Demand deposits:	
Unrestricted	\$ 264,512
Restricted	<u>8,350</u>
	<u>\$ 272,862</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, 2021, are as follows:

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

Notes to Basic Financial Statements (continued)

Bank balances	<u>\$ 348,959</u>
At September 30, 2021, the deposits are secured as follows:	
Federal deposit insurance	250,000
Pledged securities	<u>98,959</u>
Total insured and secured	<u>\$ 348,959</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, 2021, deposits in the amount of \$98,959 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) Investments

Investments held at September 30, 2021 consist of \$8,243,590 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

Credit risk – LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk – LAMP participant's investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk – 2a7-like investment pool is excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

Foreign currency risk – not applicable to 2a7-like pools.

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

Notes to Basic Financial Statements (continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated in fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Fair Value Measurements

To the extent available, the Commission's investments are recorded at fair value as of September 30, 2021. GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Commission measures its investments using fair value guidelines established by GASB 72, which recognizes a three-tiered fair value hierarchy as follows:

- Level 1-quoted prices for identical investments in active markets
- Level 2-observable inputs other than quoted market prices
- Level 3-unobservable inputs

The Commission's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external pool is the same as the net asset value of the pool shares.

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

Notes to Basic Financial Statements (continued)

(4) Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance 10/01/20	Additions	Deletions	Balance 09/30/21
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,155	\$ -	\$ -	\$ 22,155
Construction in progress	<u>18,781</u>	<u>141,528</u>	<u>(150,399)</u>	<u>9,910</u>
Total assets not being depreciated	<u>40,936</u>	<u>141,528</u>	<u>(150,399)</u>	<u>32,065</u>
Capital assets, being depreciated:				
Sewer System	12,159,151	206,979	-	12,366,130
Water System	1,073,497	-	-	1,073,497
Buildings & Improvements	176,632	-	-	176,632
Equipment	672,962	-	-	672,962
Furniture & Fixtures	3,993	-	-	3,993
Vehicles	<u>91,608</u>	<u>-</u>	<u>-</u>	<u>91,608</u>
Total assets being depreciated	<u>14,177,843</u>	<u>206,979</u>	<u>-</u>	<u>14,384,822</u>
Less: accumulated depreciation				
Sewer System	(8,464,143)	(239,172)	-	(8,703,315)
Water System	(74,280)	(56,348)	-	(130,628)
Buildings & Improvements	(65,271)	(5,507)	-	(70,778)
Equipment	(512,066)	(39,843)	-	(551,909)
Furniture & Fixtures	(3,920)	-	-	(3,920)
Vehicles	<u>(61,671)</u>	<u>(7,511)</u>	<u>-</u>	<u>(69,182)</u>
Total accumulated depreciation	<u>(9,181,351)</u>	<u>(348,381)</u>	<u>-</u>	<u>(9,529,732)</u>
Total capital assets, net	<u>\$ 5,037,428</u>	<u>\$ 126</u>	<u>\$ (150,399)</u>	<u>\$ 4,887,155</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2021 was \$348,381.

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

Notes to Basic Financial Statements (continued)

(5) 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 \$0.65 per charge, plus a 41-cent collection fee per customer who does not receive water services. At September 30, 2021, the garbage collection charges due to the St. Mary Parish Government were \$28,509.

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, 2021, mosquito abatement fees due to the St. Mary Parish Government were \$4,213.

(6) Long Term Debt

The following is a summary of changes in long term debt for the year ended September 30, 2021:

	Balance				Balance	Due within
	10/1/2020	Additions	Reductions	9/30/2021	one year	
Compensated absences	\$ 13,232	\$ -	\$ -	\$ 13,232	\$ 13,232	

(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.

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

Notes to Basic Financial Statements (continued)

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

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

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

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

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

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

For employees hired prior to January 1, 2007:

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

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.

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

Notes to Basic Financial Statements (continued)

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

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

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

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

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

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.

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

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, 2021, the actuarially determined contribution rate was 11.11% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2021 was 12.25% for Plan A.

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, 2021, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$4,596 for its participation in PERS.

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

At September 30, 2021, the Commission reported assets in its financial statements of \$95,847 for its proportionate share of the net pension assets of PERS. The net pension assets were measured as of December 31, 2021 and the total pension asset used to calculate the net pension asset 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, 2021, the Commission's proportional share of PERS was 0.054663%, which was an increase of 0.003451% from its proportion measured as of December 31, 2019.

For the year ended September 30, 2021, the Commission recognized pension expense of \$15,147.

At September 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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

Notes to Basic Financial Statements (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 23,335	\$ 11,440
Changes of assumptions	31,358	-
Net difference between projected and actual earnings on pension plan investments	-	187,065
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,675	4,327
Employer contributions subsequent to the measurement date	<u>38,514</u>	<u>-</u>
	<u>\$ 105,882</u>	<u>\$ 202,832</u>

Deferred outflows of resources of \$38,514 related to pensions 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	
2022	(36,795)
2023	(9,973)
2024	(58,141)
2025	<u>(30,555)</u>
	<u>\$ (135,464)</u>

*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.

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

Notes to Basic Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2021 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan A
Valuation Date	December 31, 2020
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 MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants
Inflation Rate	2.30%

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

Notes to Basic Financial Statements (continued)

The discount rate used to measure the total pension asset was 6.40% for Plan A, which was a .10% decrease from the rate used as of December 31, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The investment rate of return was 6.40% for Plan A, which was a .10% decrease from the rate used as of December 31, 2019. 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% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7% for the year ended December 31, 2021.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate Of Return
Fixed Income	33%	0.86%
Equity	51%	3.36%
Alternatives	14%	0.67%
Real Assets	2%	0.11%
Totals	100%	5%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.00%

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

Notes to Basic Financial Statements (continued)

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

*Sensitivity to Changes in Discount Rate*

The following presents the net pension liability/asset of the participating employers as of December 31, 2021 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		
	2020		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	5.40%	6.40%	7.40%
Net Pension Liability (Asset)	\$ 200,963	\$ (95,847)	\$ (344,419)

*Payables to the Pension Plan*

The Commission recorded no accrued liabilities related to the pension plan for the year ended September 30, 2021.

*Pension Plan Fiduciary Net Positions*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at [www.persla.com](http://www.persla.com).

(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 Basic 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.

Glenn Blood	\$ 2,500
William Miller	2,500
Willis Dore, Jr.	2,400
Donald Hahn, Sr.	2,500
Phelo Keller	2,500
Mike Ortiz	2,300
Leonard Klutts, Jr.	<u>2,500</u>
	<u>\$ 17,200</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, 2021, the Commission's board president, H. Glenn Blood, 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.

(11) Intergovernmental / Cooperative Endeavor Agreements

St. Mary Parish Waterworks No. 5

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 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

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

Notes to Basic Financial Statements (continued)

the intergovernmental agreement discussed above. The Commission has remitted all collections for mosquito abatement service charges due to the Parish Government subsequent to the effective date of the agreement.

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 in the amount of \$15 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. At September 30, 2021, the District has remitted collections for solid waste service charges due to the Parish Government.

(12) Tax Abatements

The Commission is subject to certain property tax abatements granted by the Louisiana Board of Commerce and Industry (“LBCI”), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the Commission may be subject include those issued for property taxes under the Industrial Tax Exemption Program (“ITEP”) and the Restoration Tax Abatement Program (“RTAP”). In addition, local governments have the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program. For the year ended September 30, 2021, 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, 2021, \$184,849 of the Commission’s ad valorem tax revenues were abated by other governments through ITEP.

(13) New Accounting Pronouncements

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

GASB Statement No. 87, *Leases*

The Statement increased the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement

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

Notes to Basic Financial Statements (continued)

No. 87 are effective for fiscal years beginning after December 15, 2020. The effect of implementation on the Commission's financial statements has not yet been determined.

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 provisions of GASB Statement No. 89 are effective for fiscal years beginning after December 15, 2020. The effect of implementation on the Commission's financial statements has not yet been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. 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, 2021

Plan Year Ended Dec 31,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.046920%	\$ 12,828	254,804	5.03%	99.15%
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%

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

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

Schedule of Employer Contributions  
Year Ended September 30, 2021

Fiscal Year Ended Sept 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 36,974	\$ 36,974	\$ -	\$ 248,651	14.87%
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%

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

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

Note to Retirement System Schedules  
Year Ended September 30, 2021

Parochial Employees' Retirement System

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

Changes of assumptions –

Plan Year ended December 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2014	7.25%	7.25%	3.00%	4	5.75%
2015	7.00%	7.00%	2.50%	4	5.25%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	6.75%	6.75%	2.50%	4	5.25%
2018	6.50%	6.50%	2.40%	4	4.75%
2019	6.50%	6.50%	2.40%	4	4.75%
2020	6.40%	6.40%	2.30%	4	4.75%

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

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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. 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, 2021, 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 10, 2022. Our report expressed an adverse opinion on the aggregate discretely presented component units because the financial statements of the primary government do not include financial data for the Commission's legally separate component unit.

### 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. However, 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 2021-001.

### **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**

The Commission's response to the finding identified in our audit is included in the accompanying corrective action plan for current year findings. The Commission's response was not subjected to the 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. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

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

Morgan City, Louisiana  
March 10, 2022

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

Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2021

A. Internal Control –

2020-001 – Financial Reporting

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

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

CURRENT STATUS: See schedule of audit results and findings, item 2021-001.

B. Compliance Finding-

There were no findings reported under this section.

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

Schedule of Audit Results and Findings  
Year Ended September 30, 2021

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
Aggregate discretely presented component units	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
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Other

4. Management letter issued?	<u>      </u>	yes	<u>  ✓  </u>	no
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Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2021-001 – Financial Reporting

Year Initially Occurring: 2017

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

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

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

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

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



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

Schedule of Audit Results and Findings (continued)  
Year Ended September 30, 2021

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

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

**MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS**

**APPENDIX A**

**(There are no findings requiring corrective action.)**