

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

Jeanerette, Louisiana

Financial Report

Year Ended September 30, 2013

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# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## OFFICES

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Penny Angelle Scruggins, CPA  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA

Stephen J. Anderson, CPA  
Cheryl L. Bartley, CPA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Allen J. LaBry, CPA  
Albert R. Leger, CPA,PFS,CSA\*  
Marshall W. Guidry, CPA  
Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC®  
James R. Roy, CPA  
Robert J. Metz, CPA  
Alan M. Taylor, CPA  
Kelly M. Doucet, CPA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr., CPA  
Kristin B. Dauzat, CPA  
Jane R. Hebert, CPA  
W. Jeffrey Lowry, CPA  
Brad E. Kolder, CPA, JD  
Casey L. Ardoin, CPA  
Deidre L. Stock, CPA  
Karen V. Fontenot, CPA

\* A Professional Accounting Corporation

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

434 East Main Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

133 East Waddil St.  
Marksville LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

1428 Metro Drive  
Alexandria, LA 71301  
Phone (318) 442-4421  
Fax (318) 442-9833

WEB SITE  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

Retired:  
Conrad O. Chapman, CPA\* 2008

## INDEPENDENT AUDITORS' REPORT

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 the business-type activities 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, 2013, 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.

### *Auditors' 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 auditors' 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 District'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 District'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 previously present fairly, in all material respects, the financial position of the business-type activities of the Commission, as of September 30, 2013, 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.

***Emphasis of Matter***

As described in Note 13 to the financial statements, the Commission implemented the provisions of the Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

***Other Matters***

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 required 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Commission's basic financial statements. The comparative financial statements and other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative financial statements on pages 21 – 25 and other supplementary schedules on pages 26 – 33 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance that information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, 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 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 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, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 25, 2014

## **BASIC FINANCIAL STATEMENTS**

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

Statement of Net Position  
September 30, 2013

ASSETS

	<u>Business-type activities</u>
Current assets:	
Cash	\$ 675,162
Accounts receivable, net of allowance for doubtful accounts	16,679
Unbilled accounts receivable	6,480
Accrued interest receivable	98
Prepaid expenses	<u>10,991</u>
Total current assets	<u>709,410</u>
Restricted assets:	
Depreciation reserve fund	46,192
Water system depreciation and contingency fund	37,308
Customer deposits	<u>7,850</u>
Total restricted assets	<u>91,350</u>
Capital assets:	
Not being depreciated	104,237
Net of accumulated depreciation	<u>1,599,599</u>
Net capital assets	<u>1,703,836</u>
Other assets:	
Loan issue costs, net of amortization	<u>4,542</u>
Total assets	<u>2,509,138</u>

(continued)

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

Statement of Net Position (continued)  
September 30, 2013

LIABILITIES AND NET POSITION

	<u>Business-type activities</u>
Current liabilities:	
Accounts payable	\$ 30,411
Accrued and withheld payroll taxes	3,540
Accrued wages	15,945
Due to State of Louisiana	1,218
Due to St. Mary Parish Government	<u>12,040</u>
Total current liabilities	<u>63,154</u>
Current liabilities (payable from restricted assets):	
Rural development loans payable	15,518
Customer deposits payable	<u>7,850</u>
Total current liabilities (payable from restricted assets)	<u>23,368</u>
Non-current liabilities:	
Rural development loans payable, net of current portion	<u>176,990</u>
Total liabilities	<u>263,512</u>
Net position	
Investment in capital assets, net of related debt	1,511,328
Restricted	67,982
Unrestricted	<u>666,316</u>
Total net position	<u>\$ 2,245,626</u>

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

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

Statement of Activities  
Year Ended September 30, 2013

	Business-type activities
Operating revenues:	
Water sales	\$ 135,409
Sewer sales	74,557
Garbage collection fees	9,534
Miscellaneous revenues	15,505
Total operating revenues	235,005
 Operating expenses	 562,809
Operating loss	(327,804)
 Non-operating revenues/(expenses):	
Ad valorem property tax revenues	358,409
Interest income	3,275
Interest expense	(9,573)
Total net non-operating revenues	352,111
Change in net position	24,307
 Net position, beginning of year	 2,221,319
 Net position, end of year	 \$ 2,245,626

*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, 2013

	<u>Business-type activities</u>
Cash flows from operating activities:	
Cash received from customers	\$ 237,044
Cash paid to suppliers and others	(287,295)
Cash paid to employees and commissioners	(134,185)
Net cash used by operating activities	<u>(184,436)</u>
Cash flows from non-capital financing activities:	
Ad valorem property taxes	358,409
Proceeds from customer deposits	1,550
Net cash provided by non-capital financing activities	<u>359,959</u>
Cash flows from capital and related financing activities:	
Acquisition/Construction of capital assets	(15,950)
Principal paid on revenue bond obligations	(20,475)
Interest paid on revenue bond obligations	(11,608)
Net cash used by capital and related financing activities	<u>(48,033)</u>
Cash flow from investing activities:	
Interest received on investments	<u>3,291</u>
Net increase in cash and equivalents	130,781
Cash and equivalents, beginning of year	<u>635,731</u>
Cash and equivalents, end of year	<u>\$ 766,512</u>
Classified as:	
Current assets	\$ 675,162
Restricted assets	91,350
Total	<u>\$ 766,512</u>

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

Statement of Cash Flows (continued)  
Year Ended September 30, 2013

	Business-type activities
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (327,804)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	125,481
Amortization of bond issue costs	398
Decrease in accounts receivable	764
Decrease in unbilled accounts receivable	1,275
Increase in prepaid expenses	(109)
Increase in accounts payable	1,031
Increase in accrued and withheld taxes	463
Increase in accrued wages	8,960
Increase in due to St. Mary Parish Government	4,243
Increase in due to State of Louisiana	862
Total adjustments	143,368
Net cash used by operating activities	\$ (184,436)

*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*, 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. 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 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 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, 2013, 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.

Long-term debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists of loans payable to the United States Department of Agriculture.

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

Notes to Basic Financial Statements (continued)

Bond issue costs

Bond issue costs are amortized by the straight-line method over the life of the related bond issue.

Equity classifications

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

- a. Invested in capital assets, net of related debt – 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 net position – 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 net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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, 2013. 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, 2013, the Commission had cash and interest-bearing deposits (book balances) totaling \$766,512 as follows:

Demand deposits:	
Unrestricted	\$ 75,162
Restricted	91,350
Time deposits:	
Unrestricted	<u>600,000</u>
	<u>\$ 766,512</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. At September 30, 2013, the Commission had \$810,984 in deposits (collected bank balances). The federal deposit insurance of \$250,000 and securities pledged by the fiscal agent bank of \$688,140 were adequate to secure the collective bank balances.

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 will not be able to recover collateral securities that are in the possession of an outside party. Since the Commission's total bank balances were not fully insured or secured, the deposits were exposed to custodial credit risk.



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

Notes to Basic Financial Statements (continued)

(3) Receivables

At September 30, 2013, the Commission had customer utility accounts receivable as follows:

Customer accounts receivable	\$ 55,001
Less: allowance for uncollectible accounts	<u>(42,845)</u>
Net customer accounts receivable	12,156
Utility collections due from other governments	<u>4,523</u>
Total accounts receivable	<u>\$ 16,679</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. The tax rate for the year ended September 30, 2013 was 9.98 mills on the assessed valuation of all taxable property within the boundaries of the Commission. 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, 2013 was \$358,326.

(5) Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions (Deletions)	Ending Balance
Capital assets not being depreciated			
Land	\$ 104,237	\$ -	\$ 104,237
Capital assets being depreciated			
Water supply facility	716,621	-	716,621
Water treatment and storage facility	519,899	-	519,899
Water distribution facility	653,415	-	653,415
Sewer system facility	2,165,682	-	2,165,682
Transportation equipment	48,171	15,950	64,121
Equipment	60,963	-	60,963
Office equipment	<u>5,534</u>	<u>-</u>	<u>5,534</u>
	4,274,522	15,950	4,290,472
Less: accumulated depreciation	<u>(2,461,155)</u>	<u>(125,481)</u>	<u>(2,586,636)</u>
Total	<u>\$ 1,813,367</u>	<u>\$ (109,531)</u>	<u>\$ 1,703,836</u>

Depreciation expense charged to the Commission's business-type activities for the years ended September 30, 2013 was \$125,481.

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

Notes to Basic Financial Statements (continued)

(6) Loan Issue Costs

As described in Note 7, the Commission has loans payable to the United States Department of Agriculture Office of Rural Development. Expenses, primarily legal fees, were incurred in connection with the borrowings. Generally accepted accounting principles require such costs to be reported as deferred charges on the balance sheet and amortized from the date of the loan until the maturity of the obligation.

At September 30, 2013, the Commission has unamortized deferred loan issuance costs as follows:

	Loan dated		Total
	April 1, 1980	November 5, 1997	
Loan issuance costs	\$ 10,855	\$ 4,483	\$ 15,338
Less: amortization recognized	(9,012)	(1,784)	(10,796)
	\$ 1,843	\$ 2,699	\$ 4,542

(7) Long-Term Debt

The following is a summary of long-term debt transactions of the Commission for the year ended September 30, 2013:

Loans payable, September 30, 2012	\$212,983
Principal paid	(20,475)
Loans payable, September 30, 2013	\$ 192,508

Loans payable at September 30, 2013 is comprised of the following individual issues:

\$300,000 Rural Development Loan issued by the United States Department of Agriculture dated April 1, 1980; due in annual installments of \$17,787, including principal and interest through April 1, 2020; interest at 5%	\$ 95,095
\$120,000 Rural Development Loan issued by the United States Department of Agriculture dated November 5, 1997; due in monthly installments of \$574 including principal and interest beginning on December 5, 1998 through November 5, 2037; interest at 4.875%	97,413
	\$ 192,508

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

Notes to Basic Financial Statements (continued)

The future maturities of the loans payable are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 15,518	\$ 9,153	24,671
2015	16,309	8,362	24,671
2016	17,140	7,530	24,670
2017	18,014	6,657	24,671
2018	18,932	5,738	24,670
2019-2023	36,614	19,747	56,361
2024-2028	19,610	14,806	34,416
2029-2033	25,010	9,406	34,416
2034-2038	25,361	2,543	27,904
	<u>\$ 192,508</u>	<u>\$ 83,942</u>	<u>\$276,450</u>

(8) 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, 2013, the garbage collection charges due to the St. Mary Parish Government were \$10,843.

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, 2013, mosquito abatement fees due to the St. Mary Parish Government were \$1,197.

(9) Flow of Funds: Restriction on Use of Revenues

Under the terms of the loan agreements of the outstanding Rural Development loans dated April 1, 1980 and November 5, 1997, all income and revenue (hereinafter referred to as revenues) of every nature, earned or derived from the operation of the commission, are pledged and dedicated to the retirement of said loans, and are to be set aside into the following funds:

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

Notes to Basic Financial Statements (continued)

Depreciation Reserve Fund

Funds in the amount of \$180 will be set aside each month into a "Depreciation Reserve Fund" until there shall have been accumulated in the fund an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit and which there would otherwise be a default.

Depreciation and Contingency Fund

Funds in the amount of \$104 will also be set aside each month into a "Depreciation and Contingency Fund". Money in this fund may be used to care for extensions, additions, improvements, renewals and replacement necessary to properly operate the commission. Money in this fund may also be used to pay the principal of and interest on the bonds falling due any time there is not sufficient money for payment in the other bond funds.

All revenues received in any fiscal year and not required to be paid during such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

(10) 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, 2013, the Commission's matching contributions totaled \$3,201.

(11) 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.

(12) 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, 2013. 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)

(13) New Accounting Pronouncements

During the year ended September 30, 2013, the Commission implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as applicable.

In April 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections- 2012*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of GASB Statement Nos. 65 and 66 must be implemented by the Commission for the year ending September 30, 2014. The effect of implementation of these statements on the Commission's financial statements has not yet been determined.

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by GASB Statement No. 67. The provisions of GASB Statement No. 68 must be implemented by the Commission for the year ended June 30, 2015. The effect of implementation of this statement on the Commission's financial statements has not yet been determined.

**SUPPLEMENTARY INFORMATION**

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

Statement of Net Position  
September 30, 2013  
With Comparative Totals as of September 30, 2012

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 675,162	\$ 540,638
Accounts receivable	16,679	17,443
Unbilled accounts receivable	6,480	7,755
Accrued interest receivable	98	114
Prepaid expenses	10,991	10,882
Total current assets	709,410	576,832
Restricted assets:		
Revenue fund	-	8,894
Depreciation reserve fund	46,192	43,908
Water system depreciation and contingency fund	37,308	35,991
Customer deposits	7,850	6,300
Total restricted assets	91,350	95,093
Capital assets:		
Not being depreciated	104,237	104,237
Net of accumulated depreciation	1,599,599	1,709,130
Net capital assets	1,703,836	1,813,367
Other assets:		
Loan issue costs, net of amortization	4,542	4,940
Total assets	2,509,138	2,490,232

(continued)

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

Statement of Net Position (continued)  
September 30, 2013  
With Comparative Totals as of September 30, 2012

	2013	2012
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 30,411	\$ 29,380
Accrued and withheld payroll taxes	3,540	3,077
Accrued wages	15,945	6,985
Due to State of Louisiana	1,218	356
Due to St. Mary Parish Government	12,040	7,797
Total current liabilities	63,154	47,595
Current liabilities (payable from restricted assets):		
Rural development loans payable	15,518	14,250
Accrued interest payable	-	2,035
Customer deposits payable	7,850	6,300
Total current liabilities (payable from restricted assets)	23,368	22,585
Non-current liabilities:		
Rural development loans payable, net of current portion	176,990	198,733
Total liabilities	263,512	268,913
Net position		
Investment in capital assets, net of related debt	1,511,328	1,600,384
Restricted	67,982	74,543
Unrestricted	666,316	546,392
Total net position	\$ 2,245,626	\$ 2,221,319



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

Statement of Activities  
Year Ended September 30, 2013  
With Comparative Totals for the Year Ended September 30, 2012

	2013	2012
Operating revenues:		
Water sales	\$ 135,409	\$ 131,607
Sewer sales	74,557	71,249
Garbage collection fees	9,534	9,423
Miscellaneous revenues	15,505	10,051
Total operating revenues	235,005	222,330
Operating expenses	562,809	522,919
Operating loss	(327,804)	(300,589)
Non-operating revenues/(expenses):		
Ad valorem property tax revenues	358,409	330,288
Interest income	3,275	3,659
Interest expense	(9,573)	(11,174)
Total non-operating revenues	352,111	322,773
Change in net position	24,307	22,184
Net position, beginning of year	2,221,319	2,199,135
Net position, end of year	\$ 2,245,626	\$ 2,221,319

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

Statement of Cash Flows  
Year Ended September 30, 2013  
With Comparative Totals for the Year Ended September 30, 2012

	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 237,044	\$ 221,103
Cash paid to suppliers and others	(287,295)	(279,673)
Cash paid to employees and commissioners	(134,185)	(116,526)
Net cash used by operating activities	(184,436)	(175,096)
Cash flows from non-capital financing activities:		
Ad valorem property taxes	358,409	330,288
Proceeds from customer deposits	1,550	1,400
Net cash provided by non-capital financing activities	359,959	331,688
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(15,950)	-
Principal paid on revenue bond obligations	(20,475)	(12,371)
Interest paid on revenue bond obligations	(11,608)	(12,299)
Net cash used by capital and related financing activities	(48,033)	(24,670)
Cash flows from investing activities:		
Interest received on investments	3,291	3,653
Net increase in cash and equivalents	130,781	135,575
Cash and equivalents, beginning of year	635,731	500,156
Cash and equivalents, end of year	\$ 766,512	\$ 635,731
Classified as:		
Current assets	\$ 675,162	\$ 540,638
Restricted assets	91,350	95,093
Total	\$ 766,512	\$ 635,731

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

Statement of Cash Flows (continued)  
Year Ended September 30, 2013  
With Comparative Totals for the Year Ended September 30, 2012

	2013	2012
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (327,804)	\$ (300,589)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	125,481	132,218
Amortization of bond issue costs	398	399
(Increase) decrease in accounts receivable	764	821
(Increase) decrease in unbilled accounts receivable	1,275	(3,478)
(Increase) in prepaid expenses	(109)	(352)
Increase (decrease) in accounts payable	1,031	(6,760)
Increase in accrued and withheld taxes	463	1,345
Increase in accrued wages	8,960	1,468
Increase (decrease) in due to St. Mary Parish Government	4,243	(524)
Increase in due to State of Louisiana	862	356
Total adjustments	143,368	125,493
Net cash used by operating activities	\$ (184,436)	\$ (175,096)

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

Schedule of Changes in Assets Restricted for Debt Service  
Year Ended September 30, 2013

	Depreciation Reserve Fund	Water System Depreciation and Contingency Fund	Total
Cash, September 30, 2012	\$ 43,908	\$ 35,991	\$ 79,899
Cash receipts	<u>2,284</u>	<u>1,317</u>	<u>3,601</u>
Cash, September 30, 2013	<u>\$ 46,192</u>	<u>\$ 37,308</u>	<u>\$ 83,500</u>

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

Schedule of Operating Expenses  
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Advertising	\$ 1,034	\$ 764
Amortization	399	399
Bad debt expense	-	(1,437)
Bank charges	54	46
Cash over and short	(74)	171
Chemicals	17,844	25,275
Commissioners per diem	5,280	5,220
Continuing education	1,486	1,702
Depreciation	125,481	132,218
Employee pension	3,201	2,769
Insurance	51,143	37,096
Inspection fees	3,430	3,360
Professional fees	52,736	50,405
Office expense	11,604	8,287
Payroll taxes	8,330	7,667
Postage	4,083	3,823
Repairs and maintenance	96,500	91,075
Supplies	1,034	-
Taxes and licenses	867	2,455
Telephone	7,119	7,520
Truck	14,532	8,478
Utilities	39,352	34,753
Wages	<u>117,374</u>	<u>100,873</u>
 Total	 <u>\$562,809</u>	 <u>\$522,919</u>

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

Schedule of Revenues and Expenses (by Department)  
Year Ended September 30, 2013

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Operating revenues:			
Water sales	\$ 135,409	\$ -	\$ 135,409
Sewer sales	-	74,557	74,557
Garbage collection fees	9,534	-	9,534
Miscellaneous	15,505	-	15,505
Total operating revenues	<u>160,448</u>	<u>74,557</u>	<u>235,005</u>
Operating expenses:			
Advertising	1,034	-	1,034
Amortization	399	-	399
Bank charges	54	-	54
Cash over and short	(74)	-	(74)
Chemicals	18,299	(455)	17,844
Commissioners per diem	2,640	2,640	5,280
Continuing education	1,486	-	1,486
Depreciation	62,239	63,242	125,481
Employee pension	1,675	1,526	3,201
Insurance	33,587	17,556	51,143
Inspection fees	1,615	1,815	3,430
Professional fees	47,113	5,623	52,736
Office expense	11,604		11,604
Payroll taxes	5,322	3,008	8,330
Postage	4,083	-	4,083
Repairs and maintenance	50,370	46,130	96,500
Supplies	1,034	-	1,034
Taxes and licenses	867	-	867
Telephone	5,950	1,168	7,119
Truck expense	14,532		14,532
Utilities	19,042	20,310	39,352
Wages	70,363	47,011	117,374
Total operating expenses	<u>353,235</u>	<u>209,574</u>	<u>562,809</u>
Operating loss	<u>(192,787)</u>	<u>(135,017)</u>	<u>(327,804)</u>
Non-operating revenues (expenses):			
Ad valorem property taxes	358,409	-	358,409
Interest income	3,275	-	3,275
Interest expense	(9,573)	-	(9,573)
Total non-operating revenues (expenses)	<u>352,111</u>	<u>-</u>	<u>352,111</u>
Change in net position	<u>\$ 159,324</u>	<u>\$ (135,017)</u>	<u>\$ 24,307</u>

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

Schedule of Revenues and Expenses (by Department)  
Year Ended September 30, 2012

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
Operating revenues:			
Water sales	\$ 131,607	\$ -	\$ 131,607
Sewer sales	-	71,249	71,249
Garbage collection fees	9,423	-	9,423
Miscellaneous	10,051	-	10,051
Total operating revenues	<u>151,081</u>	<u>71,249</u>	<u>222,330</u>
Operating expenses:			
Advertising	764	-	764
Amortization	399	-	399
Bad debt expense	(575)	(862)	(1,437)
Bank charges	46	-	46
Cash over and short	171	-	171
Chemicals	12,748	12,527	25,275
Commissioners per diem	2,610	2,610	5,220
Continuing education	734	968	1,702
Depreciation	59,771	72,447	132,218
Employee pension	1,406	1,363	2,769
Insurance	24,731	12,365	37,096
Inspection fees	1,500	1,860	3,360
Professional fees	44,538	5,867	50,405
Office expense	8,287	-	8,287
Payroll taxes	5,811	1,856	7,667
Postage	3,823	-	3,823
Repairs and maintenance	44,272	46,803	91,075
Taxes and licenses	2,455	-	2,455
Telephone	6,464	1,056	7,520
Truck expense	8,478	-	8,478
Utilities	16,402	18,351	34,753
Wages	68,181	32,692	100,873
Total operating expenses	<u>313,016</u>	<u>209,903</u>	<u>522,919</u>
Operating loss	<u>(161,935)</u>	<u>(138,654)</u>	<u>(300,589)</u>
Non-operating revenues (expenses):			
Ad valorem property taxes	330,288	-	330,288
Interest income	3,659	-	3,659
Interest expense	(11,174)	-	(11,174)
Total non-operating revenues (expenses)	<u>322,773</u>	<u>-</u>	<u>322,773</u>
Change in net position	<u>\$ 160,838</u>	<u>\$ (138,654)</u>	<u>\$ 22,184</u>

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

Schedule of Board Members and Compensation Received  
Year Ended September 30, 2013

<u>Name</u>	<u>Position</u>	<u>Mettings Attended</u>	<u>Compensation</u>
Frank Matthews	President	13	\$ 780
Wilfred Edwards	Secretary	13	780
Edward Patrick	Board Member	13	780
Ulysses Dumesnil	Board Member	12	720
Virginia Sutton	Board Member	13	780
William Caesar	Board Member	13	780
Rene Junca	Board Member	11	<u>660</u>
			<u>\$ 5,280</u>



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

Schedule of Insurance  
Year Ended September 30, 2013

Name of Insurer	Insurance	Amount of Insurance	Expiration Date
LWCC	Workmen's Compensation		4/8/2014
	Each accident	\$ 1,000,000	
	Policy limit	\$ 1,000,000	
	Each employee	\$ 1,000,000	
General Star Indemnity Company	Directors & Officers Liability	\$ 1,000,000	6/11/2014
	Each Occurrence/ Aggregate	\$ 1,000	
Arch Insurance Company	General Liability		1/22/2014
	Each occurrence	\$ 1,000,000	
	Aggregate	\$ 3,000,000	
	Auto Liability	\$ 1,000,000	
	Property		
	1572 Cypremort Road	\$ 300,975	Building
	1572 Cypremort Road	\$ 169,050	Building
	1572 Cypremort Road	\$ 16,800	Building
		\$ 27,615	Lift Station
	Sewer Treatment -		
	672 Cypremort Road	\$ 160,000	Building
		\$ 14,000	Contents
	672 Cypremort Road	\$ 64,500	Building
	150 Chapel Lane Four Corn.	\$ 36,252	Water System
	150 Chapel Lane Four Corn.	\$ 8,216	Lift Station

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

Schedule of Water Rates and Number of Customers  
Year Ended September 30, 2013

Water Rates by User Group:

Meter Size	Usage	Charge
Residential		
3/4"	0 - 2,000 gallons	\$ 11.00 minimum
	2,001 - 5,000 gallons	3.00 per thousand
	5,001 - 10,000 gallons	3.00 per thousand
	over 10,000 gallons	3.00 per thousand
Large Commercial		
1" to 2"	0 - 10,000 gallons	\$ 30.00 minimum
	over 10,000 gallons	1.25 per thousand

Number of Customers:

At September 30, 2013, there were 514 metered water customers of the St. Mary Parish Water and Sewer Commission No. 5, compared to 518 metered customers at September 30, 2012. At September 30, 2013, metered customers consisted of 18 commercial customers and 496 residential customers.

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

Schedule of Aged Customer Accounts Receivable  
September 30, 2013

<u>Aging</u>	<u>Amount</u>
Current	\$ 14,168
31-60 days past due	2,046
61-90 days past due	(429)
91-120 days past due	970
Over 120 days past due	<u>38,246</u>
Total customer accounts receivable	<u>\$ 55,001</u>

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## OFFICES

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Penny Angelle Scruggins, CPA  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA

Stephen J. Anderson, CPA  
Cheryl L. Bartley, CPA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Allen J. LaBry, CPA  
Albert R. Leger, CPA, PFS, CSA\*  
Marshall W. Guidry, CPA  
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®\*  
James R. Roy, CPA  
Robert J. Metz, CPA  
Alan M. Taylor, CPA  
Kelly M. Doucet, CPA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr., CPA  
Kristin B. Dauzat, CPA  
Jane R. Hebert, CPA  
W. Jeffrey Lowry, CPA  
Brad E. Kolder, CPA, JD  
Casey L. Ardoin, CPA  
Deidre L. Stock, CPA  
Karen V. Fontenot, CPA

\* A Professional Accounting Corporation

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

434 East Main Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

133 East Waddil St.  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

1428 Metro Drive  
Alexandria, LA 71301  
Phone (318) 442-4421  
Fax (318) 442-9833

WEB SITE  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

Retired:  
Conrad O. Chapman, CPA\* 2008

## INDEPENDENT AUDITORS' 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*

To 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 the business-type activities of the 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, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 25, 2014.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 2013-1 and 2013-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Commission's Response to Findings**

The Commission's responses to the findings identified in our audit are included in the accompanying corrective action plan for current year 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, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 25, 2014

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

Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2013

A. Internal Control –

2012-1 – 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. It will be reiterated in the current year as item 2013-1.

2012-2 – 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. It will be reiterated in the current year as item 2013-2.

B. Compliance Finding-

2012-3 – Security of Deposits

CONDITION: The security requirements for deposits in excess of insured limits were not satisfied in accounts maintained with First National Bank of Jeanerette.

RECOMMENDATION: We recommend that the Commission comply with security requirements of state statutes.

CURRENT STATUS: This finding has been resolved.

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

Schedule of Audit Results and Findings  
Year Ended September 30, 2013

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission's business-type activities.

Two deficiencies in internal control were disclosed by the audit of the financial statements and both are considered to be material weaknesses.

There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

A management letter was not issued.

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

A. Internal Control

2013-1 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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 Auditor's Results and Findings (continued)  
Year Ended September 30, 2013

2013-2 - Financial Reporting

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

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

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

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

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

B. Compliance

No compliance issues are reported.

Part III. Findings and questioned costs for Federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the Commission.

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

Management's Corrective Action Plan for Current Audit Findings  
Year Ended September 30, 2013

2013-1 – Inadequate Segregation of Duties

We concur with this recommendation. However, the Commission is not able to fully correct this weakness due to the limited number of Commission personnel. Therefore, the Commission has contracted an independent bookkeeper to reconcile bank accounts, provide billing services, and to compile monthly financial statements. The Commission has also contracted with a local convenience store to collect customer payments and deposit them in the Commission's bank account.

2013-2 – Financial Reporting

We concur with the recommendation. The Commission has determined that it is not economically feasible to incur the costs necessary to employ personnel with the required expertise and/or experience in the preparation of financial statements and related notes in compliance with generally accepted accounting principles. Therefore, the Commission has outsourced its financial statement preparation process to its independent auditors and has appointed an individual associated with the Commission to oversee these procedures.