

TOWN OF BERNICE, LOUISIANA
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018

TOWN OF BERNICE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS

TABLE OF CONTENTS

| | Page |
|--|-------|
| Independent Auditor's Report | 1-2 |
| Required Supplemental Information (Part I): Management's Discussion and Analysis | 3-6 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 7 |
| Statement of Activities | 8 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 9 |
| Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position | 10 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 11 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 12 |
| Statement of Net Position - Proprietary Funds | 13 |
| Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds | 14 |
| Statement of Cash Flows - Proprietary Funds - Consolidated | 15-16 |
| Notes to the Financial Statements | 17-27 |
| Required Supplemental Information (Part II): | |
| Budgetary Comparison Schedule - General Fund | 28 |
| Budgetary Comparison Schedule - Sales Tax Fund | 29 |
| Note to the Required Supplemental Information | 30 |
| Supplemental Information | |
| Schedule of Compensation, Benefits and Other Payments to Agency Head | 31 |
| Other Reports Required by Government Auditing Standards | |
| 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 | 32-33 |
| Schedule of Findings and Responses | 34-35 |
| Summary Schedule of Prior Audit Findings | 36 |

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mildred Ferguson, Mayor
Members of the Board of Alderman
Town of Bernice, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bernice, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bernice as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bernice's basic financial statements. The schedule of compensation, benefits and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to the agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of the Town of Bernice'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 Town of Bernice's internal control over financial reporting and compliance.

Marcus, Robinson & Hassell

Marcus, Robinson and Hassell
June 24, 2019

REQUIRED SUPPLEMENTAL INFORMATION

PART I

TOWN OF BERNICE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

This section of the Town's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended on December 31, 2018. Please read it in conjunction with the Town's financial statements, which follows this section.

Financial Highlights

The Town's net position decreased \$151,218.

Program and general revenues amounted to \$1,193,453.

Expenses for the year amounted to \$1,344,671.

Capital Asset additions amounted to \$188,270.

Overview of the Financial Statements

This annual report consists of three parts:

- Management's discussion and analysis
- Basic financial statements
- Required Supplemental information

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail than the government-wide statements. The Town has a general fund, a sales tax fund, a railroad grant fund, and proprietary funds (water and sewer).

TOWN OF BERNICE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Financial Analysis of the Funds

A summary of the basic government-wide financial statements is as follows:

| | Net Position | | | | | |
|--|----------------------------|--------------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Assets | | | | | | |
| Current and Other Assets | \$ 249,871 | \$ 365,724 | \$ 614,766 | \$ 544,376 | \$ 864,637 | \$ 910,100 |
| Capital Assets, Net | <u>2,470,466</u> | <u>2,577,995</u> | <u>3,270,161</u> | <u>3,248,774</u> | <u>5,740,627</u> | <u>5,826,769</u> |
| Total Assets | <u>2,720,337</u> | <u>2,943,719</u> | <u>3,884,927</u> | <u>3,793,150</u> | <u>6,605,264</u> | <u>6,736,869</u> |
| Liabilities | 100,654 | 116,435 | 1,907,686 | 1,872,292 | 2,008,340 | 1,988,727 |
| Net Position | | | | | | |
| Invested in Capital Assets, net of Related Debt | 2,470,466 | 2,577,995 | 1,687,013 | 1,618,701 | 4,157,479 | 4,196,696 |
| Restricted | 0 | 0 | 177,440 | 251,507 | 177,440 | 251,507 |
| Unrestricted | <u>149,217</u> | <u>249,289</u> | <u>112,788</u> | <u>50,650</u> | <u>262,005</u> | <u>299,939</u> |
| | <u>\$2,619,683</u> | <u>\$2,827,284</u> | <u>\$1,977,241</u> | <u>\$1,920,858</u> | <u>\$4,596,924</u> | <u>\$4,748,142</u> |

The largest portion of the Town's net position (90% and 88%) are invested in capital assets. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

The restricted net position (4% and 5%) represent resources that are restricted to debt retirement.

The unrestricted net position (6% and 6%) can be used to finance the day-to-day operations of the Town without restraints.

TOWN OF BERNICE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

| | Change in Net Position | | | | | |
|--|----------------------------|--------------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 131,622 | \$ 122,732 | \$ 520,253 | \$ 524,109 | \$ 651,875 | \$ 646,841 |
| Grants and Contributions | 0 | 43,613 | 220,029 | 332,914 | 220,029 | 376,527 |
| General Revenues: | | | | | | |
| Taxes | 247,514 | 272,913 | 0 | 0 | 247,514 | 272,913 |
| Licenses | 47,632 | 49,617 | 0 | 0 | 47,632 | 49,617 |
| Other | 25,908 | 22,722 | 495 | 315 | 26,403 | 23,037 |
| Total Revenues | <u>452,676</u> | <u>511,597</u> | <u>740,777</u> | <u>857,338</u> | <u>1,193,453</u> | <u>1,368,935</u> |
| Program Expenses | | | | | | |
| General Government | 372,136 | 346,992 | 0 | 0 | 372,136 | 346,992 |
| Public Safety | 228,914 | 213,332 | 0 | 0 | 228,914 | 213,332 |
| Streets | 50,480 | 49,891 | 0 | 0 | 50,480 | 49,891 |
| Sanitation | 8,747 | 20,344 | 0 | 0 | 8,747 | 20,344 |
| Water and Sewer | 0 | 0 | 684,394 | 654,989 | 684,394 | 654,989 |
| Total Expenses | <u>660,277</u> | <u>630,559</u> | <u>684,394</u> | <u>654,989</u> | <u>1,344,671</u> | <u>1,285,548</u> |
| Increase (Decrease) in Net Position | (207,601) | (118,962) | 56,383 | 202,349 | (151,218) | 83,387 |
| Net Position, Beginning | <u>2,827,284</u> | <u>2,946,246</u> | <u>1,920,858</u> | <u>1,718,509</u> | <u>4,748,142</u> | <u>4,664,755</u> |
| Net Position, Ending | <u>\$2,619,683</u> | <u>\$2,827,284</u> | <u>\$1,977,241</u> | <u>\$1,920,858</u> | <u>\$4,596,924</u> | <u>\$4,748,142</u> |

Governmental activities decreased the Town's net position by \$207,601 for the year 2018. Key elements and highlights are:

- 1) The Town received \$0 in grants.
- 2) Depreciation of the capital assets accounted for \$107,529 of the expenses.

The proprietary funds, water and sewer had a net operating income of \$56,383 for the year 2018. Key elements and highlights are:

- 1) The Town received \$220,029 in grants.
- 2) Depreciation of the capital assets accounted for \$166,883 of the expenses.

TOWN OF BERNICE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

General Fund Budgetary Highlights

The budget is amended when it is determined that there are unexpected differences between actual and anticipated revenues and/or expenditures. The original approved budget for 2018 was amended December 15, 2018.

Capital Assets

The Town invested \$188,270 in capital assets for the year 2018.

Economic Factors and Next Year's Budget

The Town has prepared its 2019 budget for the General Fund and Special Revenue Funds on the assumption that revenues and expenditures will remain fairly constant next year.

Request Information

This financial report is designed to provide citizens, taxpayers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Town of Bernice at P.O. Box 186, Bernice, Louisiana, 71222. The phone number for the Town is (318) 285-9071.

Lana Patton
Town Clerk

GOVERNMENT WIDE FINANCIAL STATEMENTS

TOWN OF BERNICE, LOUISIANA
STATEMENTS OF NET POSITION
DECEMBER 31, 2018

| | <u>Governmental</u> <u>Activities</u> | Business Type <u>Activities</u> | <u>Total</u> |
|------------------------------------|--|---------------------------------------|--------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 181,689 | \$ 114,820 | \$ 296,509 |
| Accounts Receivable | 24,437 | 53,272 | 77,709 |
| Property Tax Receivable | 34,775 | 0 | 34,775 |
| Due From Other Funds | 0 | 264,604 | 264,604 |
| Prepaid Insurance | 8,970 | 0 | 8,970 |
| Inventory Supplies | 0 | 4,630 | 4,630 |
| Restricted Assets | | | |
| Cash | 0 | 177,440 | 177,440 |
| Capital Assets, net | <u>2,470,466</u> | <u>3,270,161</u> | <u>5,740,627</u> |
| <u>TOTAL ASSETS</u> | <u>2,720,337</u> | <u>3,884,927</u> | <u>6,605,264</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | 8,151 | 21,006 | 29,157 |
| Accrued Expenses | 4,260 | 12,358 | 16,618 |
| Due to Other Funds | 10,280 | 254,324 | 264,604 |
| Long-Term Liabilities: | | | |
| Customer Deposits Payable | 0 | 36,850 | 36,850 |
| Due Within One Year | 0 | 47,833 | 47,833 |
| Due in More Than One Year | <u>77,963</u> | <u>1,535,315</u> | <u>1,613,278</u> |
| <u>TOTAL LIABILITIES</u> | <u>100,654</u> | <u>1,907,686</u> | <u>2,008,340</u> |
| <u>NET POSITION</u> | | | |
| Invested in Capital Assets, net of | | | |
| Related Debt | 2,470,466 | 1,687,013 | 4,157,479 |
| Restricted For: | | | |
| Debt Service | 0 | 177,440 | 177,440 |
| Unrestricted | <u>149,217</u> | <u>112,788</u> | <u>262,005</u> |
| <u>TOTAL NET POSITION</u> | <u>\$2,619,683</u> | <u>\$1,977,241</u> | <u>\$4,596,924</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | | Program Revenues | | |
|--------------------------------------|-----------------------------|---|---|---------------|
| <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| <u>FUNCTIONS/PROGRAMS</u> | | | | |
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | | |
| General Government | \$ 372,136 | \$ 8,300 | \$ 0 | \$ 0 |
| Public Safety | 228,914 | 48,606 | 0 | 0 |
| Streets | 50,480 | 0 | 0 | 0 |
| Sanitation | 8,747 | 74,716 | 0 | 0 |
| <u>TOTAL GOVERNMENTAL ACTIVITIES</u> | 660,277 | 131,622 | 0 | 0 |
| <u>BUSINESS TYPE ACTIVITIES:</u> | | | | |
| Water and Sewer | 684,394 | 520,253 | 0 | 220,029 |
| <u>TOTAL PRIMARY GOVERNMENT</u> | \$1,344,671 | \$651,875 | \$ 0 | \$220,029 |

GENERAL REVENUES:

Taxes
Ad Valorem
Tobacco and Beverage
Franchise
Sales and Uses
Licenses and Permits
Interest Income
Other Income

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, BEGINNING

NET POSITION, ENDING

Net (Expenses) Revenues and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|--------------------|
| \$ (363,836) | \$ 0 | \$ (363,836) |
| (180,308) | 0 | (180,308) |
| (50,480) | 0 | (50,480) |
| <u>65,969</u> | <u>0</u> | <u>65,969</u> |
| (528,655) | 0 | (528,655) |
| <u>0</u> | <u>55,888</u> | <u>55,888</u> |
| (528,655) | 55,888 | (472,767) |
| 28,087 | 0 | 28,087 |
| 667 | 0 | 667 |
| 35,506 | 0 | 35,506 |
| 183,254 | 0 | 183,254 |
| 47,632 | 0 | 47,632 |
| 510 | 495 | 1,005 |
| <u>25,398</u> | <u>0</u> | <u>25,398</u> |
| <u>321,054</u> | <u>495</u> | <u>321,549</u> |
| (207,601) | 56,383 | (151,218) |
| <u>2,827,284</u> | <u>1,920,858</u> | <u>4,748,142</u> |
| <u>\$2,619,683</u> | <u>\$1,977,241</u> | <u>\$4,596,924</u> |

See Notes to Financial Statements

FUND FINANCIAL STATEMENTS

TOWN OF BERNICE, LOUISIANA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | <u>General Fund</u> | <u>Sales Tax Fund</u> | <u>Railroad Grant Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------|------------------------------------|---|
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$25,418 | \$129,148 | \$27,123 | \$181,689 |
| Accounts Receivable | 24,437 | 0 | 0 | 24,437 |
| Property Tax Receivable | 34,775 | 0 | 0 | 34,775 |
| Prepaid Insurance | <u>8,970</u> | <u>0</u> | <u>0</u> | <u>8,970</u> |
| <u>TOTAL ASSETS</u> | <u>\$93,600</u> | <u>\$129,148</u> | <u>\$27,123</u> | <u>\$249,871</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$8,151 | \$ 0 | \$ 0 | \$ 8,151 |
| Accrued Expenses | 4,260 | 0 | 0 | 4,260 |
| Due to Other Funds | <u>10,280</u> | <u>0</u> | <u>0</u> | <u>10,280</u> |
| <u>TOTAL LIABILITIES</u> | 22,691 | 0 | 0 | 22,691 |
| <u>FUND BALANCES</u> | | | | |
| Nonspendable | 8,970 | 0 | 0 | 8,970 |
| Assigned | 0 | 129,148 | 0 | 129,148 |
| Committed | 0 | 0 | 27,123 | 27,123 |
| Unassigned | <u>61,939</u> | <u>0</u> | <u>0</u> | <u>61,939</u> |
| <u>TOTAL FUND BALANCES</u> | <u>70,909</u> | <u>129,148</u> | <u>27,123</u> | <u>227,180</u> |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | <u>\$93,600</u> | <u>\$129,148</u> | <u>\$27,123</u> | <u>\$249,871</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | |
|--|--------------------|
| Total Fund Balances | \$ 227,180 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 2,470,466 |
| Long-Term debt and notes payable are not due and payable in the current period and, therefore, are not reported in the governmental funds | <u>(77,963)</u> |
| Net Position-Governmental Activities | <u>\$2,619,683</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>General</u> <u>Fund</u> | <u>Sales</u> <u>Tax</u> <u>Fund</u> | <u>Railroad</u> <u>Grant</u> <u>Fund</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|-------------------------------|---|--|---|
| <u>REVENUES</u> | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 28,087 | \$ 0 | \$ 0 | \$ 28,087 |
| Tobacco and Beverage | 667 | 0 | 0 | 667 |
| Franchise | 35,506 | 0 | 0 | 35,506 |
| Sales & Use | 0 | 183,254 | 0 | 183,254 |
| Licenses and Permits | 47,632 | 0 | 0 | 47,632 |
| Fines | 48,606 | 0 | 0 | 48,606 |
| Charges for Services | 74,716 | 0 | 0 | 74,716 |
| Interest Income | 0 | 510 | 0 | 510 |
| Grant Income | 0 | 0 | 0 | 0 |
| Other Revenues | 33,698 | 0 | 0 | 33,698 |
| <u>TOTAL REVENUES</u> | <u>268,912</u> | <u>183,764</u> | <u>0</u> | <u>452,676</u> |
| <u>EXPENDITURES</u> | | | | |
| General Government | 299,819 | 0 | 0 | 299,819 |
| Public Safety | 212,461 | 4,800 | 0 | 217,261 |
| Streets | 32,583 | 0 | 0 | 32,583 |
| Sanitation | 8,747 | 0 | 0 | 8,747 |
| Capital Outlay | 0 | 0 | 0 | 0 |
| <u>TOTAL EXPENDITURES</u> | <u>553,610</u> | <u>4,800</u> | <u>0</u> | <u>558,410</u> |
| <u>EXCESS OF REVENUES OVER</u> <u>(UNDER) EXPENDITURES</u> | (284,698) | 178,964 | 0 | (105,734) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating Transfers In | 295,000 | 0 | 0 | 295,000 |
| Operating Transfers Out | 0 | (295,000) | 0 | (295,000) |
| <u>TOTAL OTHER FINANCING SOURCES</u> <u>(USES)</u> | <u>295,000</u> | <u>(295,000)</u> | <u>0</u> | <u>0</u> |
| <u>EXCESS OF REVENUES AND OTHER</u> <u>SOURCES OVER (UNDER)</u> <u>EXPENDITURES</u> | 10,302 | (116,036) | 0 | (105,734) |
| <u>FUND BALANCE - BEGINNING</u> | <u>60,607</u> | <u>245,184</u> | <u>27,123</u> | <u>332,914</u> |
| <u>FUND BALANCE - ENDING</u> | <u>\$ 70,909</u> | <u>\$129,148</u> | <u>\$27,123</u> | <u>\$227,180</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUND STATEMENTS OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES TO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | |
|---|--------------------|
| Net Change in Fund Balances - Governmental Funds | \$ (105,734) |
| Amounts reported for governmental activities in the Statements of Activities are different because: | |
| Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their useful lives as depreciation expense. | |
| Expenditures for Capital Outlay - Capitalized | 0 |
| Less: Current Year Depreciation | (107,529) |
| Payment on Long-Term Debt Charged to Operations | <u>5,662</u> |
| Change in Net Position - Governmental Activities | <u>\$(207,601)</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Consolidated Water and Sewer Funds</u> |
|---|------------------------|------------------------|---|
| <u>ASSETS</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | \$ 36,544 | \$ 78,276 | \$ 114,820 |
| Accounts Receivable | 53,272 | 0 | 53,272 |
| Due from Other Funds | 10,280 | 254,324 | 264,604 |
| Inventory Supplies | <u>4,630</u> | <u>0</u> | <u>4,630</u> |
| <u>TOTAL CURRENT ASSETS</u> | <u>104,726</u> | <u>332,600</u> | <u>437,326</u> |
| <u>Non-Current Assets</u> | | | |
| Restricted Cash | 75,840 | 101,600 | 177,440 |
| Capital Assets, Net | <u>965,945</u> | <u>2,304,216</u> | <u>3,270,161</u> |
| <u>TOTAL NON-CURRENT ASSETS</u> | <u>1,041,785</u> | <u>2,405,816</u> | <u>3,447,601</u> |
| <u>TOTAL ASSETS</u> | <u>\$1,146,511</u> | <u>\$2,738,416</u> | <u>\$3,884,927</u> |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts Payable | \$ 13,647 | \$ 7,359 | \$ 21,006 |
| Accrued Expenses | 8,650 | 3,708 | 12,358 |
| Due to Other Funds | 254,324 | 0 | 254,324 |
| Notes Payable - La Dept of H & H - Current | 6,000 | 0 | 6,000 |
| Notes Payable FMHA - Current | <u>25,203</u> | <u>16,630</u> | <u>41,833</u> |
| <u>TOTAL CURRENT LIABILITIES</u> | <u>307,824</u> | <u>27,697</u> | <u>335,521</u> |
| <u>NON-CURRENT LIABILITIES</u> | | | |
| Customer Deposits Payable | 36,850 | 0 | 36,850 |
| Notes Payable - La Dept of H & H | 128,000 | 0 | 128,000 |
| Notes Payable FMHA | <u>360,664</u> | <u>1,046,651</u> | <u>1,407,315</u> |
| <u>TOTAL NON-CURRENT LIABILITIES</u> | <u>525,514</u> | <u>1,046,651</u> | <u>1,572,165</u> |
| <u>TOTAL LIABILITIES</u> | <u>833,338</u> | <u>1,074,348</u> | <u>1,907,686</u> |
| <u>NET POSITION</u> | | | |
| Invested in Capital Assets, net of related debt | 446,078 | 1,240,935 | 1,687,013 |
| Restricted for: | | | |
| Debt Service | 75,840 | 101,600 | 177,440 |
| Unrestricted | <u>(208,745)</u> | <u>321,533</u> | <u>112,788</u> |
| <u>TOTAL NET POSITION</u> | <u>\$ 313,173</u> | <u>\$1,664,068</u> | <u>\$1,977,241</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Consolidated Water and Sewer Funds</u> |
|---------------------------------|-----------------------|-----------------------|---|
| <u>OPERATING REVENUES</u> | | | |
| Water Revenue | \$241,192 | \$ 0 | \$ 241,192 |
| Sewer Revenue | 0 | 249,597 | 249,597 |
| State Grants | 0 | 220,029 | 220,029 |
| Reconnect and Water Tap Fees | 5,025 | 0 | 5,025 |
| Late Fees and Miscellaneous | <u>21,600</u> | <u>2,839</u> | <u>24,439</u> |
| <u>TOTAL OPERATING REVENUES</u> | <u>267,817</u> | <u>472,465</u> | <u>740,282</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Audit Expense | 7,000 | 0 | 7,000 |
| Billing Department | 8,236 | 0 | 8,236 |
| Depreciation | 102,773 | 64,110 | 166,883 |
| Insurance | 8,929 | 46 | 8,975 |
| Interest | 29,194 | 40,171 | 69,365 |
| Miscellaneous | 3,402 | 0 | 3,402 |
| Repairs | 29,615 | 10,052 | 39,667 |
| Retirement | 671 | 1,208 | 1,879 |
| Salaries | 179,044 | 70,933 | 249,977 |
| Sewer Tests | 0 | 4,829 | 4,829 |
| Supplies | 27,561 | 21,336 | 48,897 |
| Taxes - Payroll | 13,697 | 5,426 | 19,123 |
| Utilities | 23,839 | 22,572 | 46,411 |
| Vehicle | <u>9,750</u> | <u>0</u> | <u>9,750</u> |
| <u>TOTAL OPERATING EXPENSES</u> | <u>443,711</u> | <u>240,683</u> | <u>684,394</u> |
| <u>OPERATING INCOME</u> | (175,894) | 231,782 | 55,888 |
| <u>NON-OPERATING REVENUES</u> | | | |
| Interest Income | <u>276</u> | <u>219</u> | <u>495</u> |
| <u>CHANGE IN NET POSITION</u> | (175,618) | 232,001 | 56,383 |
| <u>NET POSITION, BEGINNING</u> | <u>488,791</u> | <u>1,432,067</u> | <u>1,920,858</u> |
| <u>NET POSITION, ENDING</u> | <u>\$313,173</u> | <u>\$1,664,068</u> | <u>\$1,977,241</u> |

See Notes to Financial Statements

THE TOWN OF BERNICE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Water and Sewer Fund</u> |
|---|---------------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Cash Received from Customers | \$ 510,769 |
| Cash Payments to Suppliers for Goods and Services | (249,405) |
| Cash Payments to Employees for Services | (269,100) |
| Other Receipts (Payments) | <u>209,162</u> |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | 201,426 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | |
| Purchase of Capital Assets | (188,270) |
| Principal Paid on Note Payable - FMHA | (40,925) |
| Principal Paid on Note Payable - La Dept. Of Health & Hospitals | <u>(6,000)</u> |
| <u>NET USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</u> | (235,195) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Interest Income | <u>495</u> |
| <u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u> | <u>495</u> |
| <u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u> | (33,274) |
| <u>CASH AND CASH EQUIVALENTS - BEGINNING</u> | <u>325,534</u> |
| <u>CASH AND CASH EQUIVALENTS - ENDING</u> | <u>\$ 292,260</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Water and Sewer Fund</u> |
|---|---------------------------------|
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS</u> | |
| <u>PROVIDED BY OPERATING ACTIVITIES</u> | |
| Operating Income | \$55,888 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation | 166,883 |
| Change in Assets and Liabilities: | |
| Increase in Receivables | (9,484) |
| Decrease in Inventory | 475 |
| Decrease in Accounts Payable | (23,265) |
| Increase in Accrued Expenses | 301 |
| Increase in Meter Deposits | 4,474 |
| Increase in Due from Other Funds, net | <u>6,154</u> |
| <u>NET CASH PROVIDED (FROM) BY OPERATING ACTIVITIES</u> | <u>\$201,426</u> |

See Notes to Financial Statements

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

The Town of Bernice is located in Union Parish. The Town was incorporated under the provisions of the Lawrason Act.

The Town operates under a Mayor-Board of Alderman form of government. The Board of Alderman of the Town of Bernice is comprised of five alderman, elected for four year terms, who are compensated as shown in this report. The Town serves approximately 2000 citizens by providing police protection, fire protection, water/sewer services, sanitation services, street maintenance and various administrative functions such as legislation of town ordinances and the enforcement of same. The Town employs approximately twenty persons to serve the needs of the citizens of the Town of Bernice.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bernice, Louisiana, have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Bernice is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which 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.

Component Units

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Bernice 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. These criteria include:

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

As required by generally accepted accounting principles, these financial statements present the Town of Bernice (the primary government). The Town of Bernice has no component units.

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statements of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten per cent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five per cent (5%) of the corresponding total for all government and enterprise funds combined.
- c. The Town's management believes that the fund is particularly important to the financial statement users.

The funds are grouped into two fund types as described below:

Governmental Funds: Governmental funds account for all or most of the Town of Bernice's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The following are the Town's governmental funds:

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. General fund - to account for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Funds: Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the Town of Bernice is an:

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

Water and Sewer Funds - Accounts for provision of water and sewerage services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; whereas, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of account relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. As a general guideline, the Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are ad valorem taxes, sales taxes, interest income, intergovernmental revenues, and charges for services. All other governmental fund revenues are recognized when received.

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

D. Budget Information

The Town of Bernice prepared operating budgets for the year ended December 31, 2018. The proposed budgets were published in the official journal and made available for public inspection. A public hearing for the proposed budgets was held on December 12, 2017, and the budgets were adopted by the mayor and council members. The budgets presented anticipated revenues and expenditures on a basis consistent with generally accepted accounting principles. The budgets were amended December 15, 2018. Appropriations lapse at year-end and must be reappropriated for the following year to be expended.

E. Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits, interest-bearing demand deposits, and short-term time deposits with original maturities of three months or less from date of acquisition.

Under state law, the Town of Bernice may invest funds in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consistently solely of government backed securities.

F. Capital Assets

Capital Assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. 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 donation. The Town maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulate depreciation reflected in the statement of net position. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------------------|-------------------------------|
| Buildings and Improvements | 40 |
| Water and Sewer System | 25-40 |
| Improvements Other than Buildings | 15-40 |
| Machinery and Equipment | 3-15 |
| Vehicles | 5-15 |
| Infrastructure | 40 |

G. Compensated Absences

All unpaid vacation must be taken during the current year or they lapse at December 31. Therefore, there is no accrual of unpaid vacation. Unused sick pay shall be rolled over from year to year with the maximum accumulation of 30 days. There is no accrual for unpaid sick pay.

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

H. Equity Classifications - Government-wide Statements

Net position represent the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Town reports three categories of net position, as follows:

- **Net investment in capital assets** - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
- **Restricted net position** - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- **Unrestricted net position** - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Town.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The Town's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

I. Fund Equity of Fund Financial Statements

Accounting standards require governmental fund balance to be reported in as many as five classifications as listed below:

Nonspendable - represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - represents balances where constraints have been established by parties outside the Town's office or imposed by law through constitutional provisions or enabling legislation.

Committed - represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority.

Assigned - represents balances that are constrained by the government's intent to be used for specific purposes, but are not restricted nor committed.

Unassigned - represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the Town's office reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned and unassigned amounts are available, the Town's office reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

J. Estimates

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

K. Bad Debts

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles. Management feels the receivables recorded are collectible and no bad debt allowance is necessary.

NOTE 2 - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in October or November and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Union Parish.

For the year ended December 31, 2018, taxes were levied on property with assessed valuations totaling \$5,134,771 and were dedicated as follows:

| | |
|---------------------------|------------|
| General corporate purpose | 5.47 mills |
|---------------------------|------------|

Total taxes levied were \$28,087. Taxes receivable at December 31, 2018 consisted of the following:

| | |
|------------------|-----------------|
| Taxes Receivable | <u>\$34,775</u> |
|------------------|-----------------|

NOTE 3 - CASH AND CASH EQUIVALENTS

At December 31, 2018, the Town of Bernice has cash and cash equivalents (book balances) totaling \$296,509 unrestricted and \$177,440 restricted as follows:

| | |
|-----------------|------------------|
| Demand Deposits | \$303,780 |
| Petty Cash | 100 |
| Time Deposits | <u>170,069</u> |
| Total | <u>\$473,949</u> |

These deposits are stated at cost, which approximates market. The Town does not have a policy for custodial credit risk, however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 - CASH AND CASH EQUIVALENTS - continued

deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2018, the Town of Bernice has \$488,592 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$238,592 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town of Bernice that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - RECEIVABLES

| | <u>General Fund</u> | <u>Proprietary Fund</u> | <u>Total</u> |
|-----------------|-------------------------|-----------------------------|------------------|
| Advalorem Taxes | \$34,775 | \$ 0 | \$34,775 |
| Fines | 24,437 | 0 | 24,437 |
| Fees | <u>0</u> | <u>53,272</u> | <u>53,272</u> |
| Total | <u>\$59,212</u> | <u>\$ 53,272</u> | <u>\$112,484</u> |

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------|----------------------------------|-------------------------------|
| General Fund | \$ 0 | \$ 10,280 |
| Water Fund | 10,280 | 254,324 |
| Sewer Fund | <u>254,324</u> | <u>0</u> |
| | <u>\$264,604</u> | <u>\$264,604</u> |

NOTE 6 - RESTRICTED ASSETS - PROPRIETARY FUND

Restricted assets of the proprietary funds were comprised of the following at December 31, 2018:

| | |
|-----------------------|------------------|
| Cash for Debt Service | <u>\$177,440</u> |
|-----------------------|------------------|

NOTE 7 - CAPITAL ASSETS

| | <u>Balance December 31, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance December 31, 2018</u> |
|-----------------------------------|--|------------------|------------------|--|
| <u>Government Activities</u> | | | | |
| Land | \$ 259,385 | \$ 0 | \$0 | \$ 259,385 |
| Building and Improvements | 931,475 | 0 | 0 | 931,475 |
| Improvements Other Than Buildings | 2,306,156 | 0 | 0 | 2,306,156 |
| Infrastructure | 715,888 | 0 | 0 | 715,888 |
| Machinery and Equipment | 117,008 | 0 | 0 | 117,008 |
| Vehicles | <u>356,289</u> | <u>0</u> | <u>0</u> | <u>356,289</u> |
| Total | 4,686,201 | 0 | 0 | 4,686,201 |

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 - CAPITAL ASSETS - continued

| | Balance December 31, <u>2017</u> | Additions | Deletions | Balance December 31, <u>2018</u> |
|--|--|------------------|------------|--|
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | 456,116 | 22,201 | 0 | 478,317 |
| Improvements Other than Buildings | 925,137 | 62,414 | 0 | 987,551 |
| Infrastructure | 263,690 | 17,897 | 0 | 281,587 |
| Machinery and Equipment | 117,008 | 0 | 0 | 117,008 |
| Vehicles | <u>346,255</u> | <u>5,017</u> | <u>0</u> | <u>351,272</u> |
| Total | <u>2,108,206</u> | <u>107,529</u> | <u>0</u> | <u>2,215,735</u> |
| Governmental Activities, Capital Assets, net | <u>\$2,577,995</u> | <u>\$107,529</u> | <u>\$0</u> | <u>\$2,470,466</u> |
| <u>Business Type Activities:</u> | | | | |
| Land | \$ 13,162 | \$ 0 | \$0 | \$ 13,162 |
| Water and Sewer System | 3,585,318 | 0 | 0 | 3,585,318 |
| Computer Equipment | 7,998 | 0 | 0 | 7,998 |
| Machinery and Equipment | 505,837 | 0 | 0 | 505,837 |
| Sewer Rehab | <u>2,454,611</u> | <u>188,270</u> | <u>0</u> | <u>2,642,881</u> |
| Total | 6,566,926 | 188,270 | 0 | 6,755,196 |
| Less: Accumulated Depreciation | | | | |
| Water and Sewer System | 2,698,454 | 77,187 | 0 | 2,775,641 |
| Computer Equipment | 7,998 | 0 | 0 | 7,998 |
| Machinery and Equipment | 337,145 | 25,586 | 0 | 362,731 |
| Sewer Rehab | <u>274,555</u> | <u>64,110</u> | <u>0</u> | <u>338,665</u> |
| Total | <u>3,318,152</u> | <u>166,883</u> | <u>0</u> | <u>3,485,035</u> |
| Business Type Activities Capital Assets, Net | <u>\$3,248,774</u> | <u>\$ 21,387</u> | <u>\$0</u> | <u>\$3,270,161</u> |

Depreciation expense reported by the various functions is presented as follows:

Governmental Activities

| | |
|--|------------------|
| General Government | \$ 77,979 |
| Public Safety | 11,653 |
| Streets | <u>17,897</u> |
| Total Depreciation - Governmental Activities | <u>\$107,529</u> |

Business Type Activities

| | |
|---|------------------|
| Water and Sewer | <u>\$188,270</u> |
| Total Depreciation - Business type Activities | <u>\$188,270</u> |

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 - INVENTORIES

Inventories are valued at cost primarily by using first in, first out (FIFO) method. Inventories of the Enterprise Fund consists of repair materials, spare parts and consumable supplies. These inventories are accounted for using the consumption method.

NOTE 9 - RETIREMENT PLANS

All employees of the Town of Bernice, Louisiana, are members of the Social Security System. The Town contributed \$36,491 as the employer's portion. Employees have the option of participating in a SIMPLE retirement plan. The Town will match employee contributions up to 3% of gross salaries. The Town's matching contributions for 2018 totaled \$3,150.

NOTE 10 - POST RETIREMENT BENEFITS

The Town provides no post retirement benefits for its employees.

NOTE 11 - LONG-TERM DEBT - PROPRIETARY FUND

Water Revenue Bond:

Water System Construction. Interest rate is 6%. Payment of interest only was due on October 23, 1990 and 1991. Principal and interest is due October 23, 1992 to 2029. The original bond issuance is for 735,600.

| | |
|--------------------------------|------------------|
| Debt Payable January 1, 2018 | \$410,771 |
| Debt Issued | 0 |
| Debt Retired | <u>24,904</u> |
| Debt Payable December 31, 2018 | 385,867 |
| Less: Current Maturities | <u>25,203</u> |
| Long-term Debt | <u>\$360,664</u> |

YEAR ENDING
DECEMBER 31,

| | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|-----------|------------------|------------------|------------------|
| 2019 | \$ 25,203 | \$ 24,338 | \$ 49,541 |
| 2020 | 27,900 | 21,641 | 49,541 |
| 2021 | 29,575 | 19,966 | 49,541 |
| 2022 | 31,350 | 18,191 | 49,541 |
| 2023 | 33,231 | 16,310 | 49,541 |
| 2024-2029 | <u>238,608</u> | <u>58,998</u> | <u>297,606</u> |
| | <u>\$385,867</u> | <u>\$159,444</u> | <u>\$545,311</u> |

Sewer Revenue Bond

Sewer improvement construction dated December 14, 2011, interest rate 3.75%, original bond issuance \$1,151,000. Bond is payable over a forty (40) year period, with a payment falling due on December 14, 2012, and with amortized payments of principal and interest in the amount of \$4,685.00 each beginning on January 14, 2013 and continuing on the fourteenth (14th) day of each month thereafter.

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11 - LONG-TERM DEBT - PROPRIETARY FUND - continued

| | |
|--------------------------------|--------------------|
| Debt Payable January 1, 2018 | \$1,079,302 |
| Debt Issued | 0 |
| Debt Retired | <u>16,021</u> |
| Debt Payable December 31, 2018 | 1,063,281 |
| Less: Current Maturities | <u>16,630</u> |
| Long-Term Debt | <u>\$1,046,651</u> |

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|--------------------|------------------|--------------------|
| 2019 | \$ 16,630 | \$ 39,590 | \$ 56,220 |
| 2020 | 17,265 | 38,955 | 56,220 |
| 2021 | 17,993 | 38,227 | 56,220 |
| 2022 | 18,668 | 37,552 | 56,220 |
| 2023 | 19,368 | 36,852 | 56,220 |
| 2024-2051 | <u>973,357</u> | <u>599,975</u> | <u>1,573,332</u> |
| | <u>\$1,063,281</u> | <u>\$791,151</u> | <u>\$1,854,432</u> |

Water Tank Renovation Bond

The Town received financing from the Louisiana Department of Health and Hospitals for the renovation of the water system water tank. The renovation was completed in 2016. The amount financed was \$217,221 with \$65,166 of the debt forgiven leaving a balance due of \$152,055. This amount will be repaid with the issuance of revenue bonds series 2015. Interest at 2.95% and administration fees at .5% are due twice a year. Principal payment are due annually.

| | |
|--------------------------------|------------------|
| Debt Payable January 1, 2018 | \$140,000 |
| Debt Issued | 0 |
| Debt Retired | <u>6,000</u> |
| Debt Payable December 31, 2018 | 134,000 |
| Less Current Maturities | <u>6,000</u> |
| Long-Term Debt | <u>\$128,000</u> |

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest Adm. Fee</u> | <u>Total</u> |
|--------------------------------|------------------|--------------------------|------------------|
| 2019 | \$ 6,000 | \$ 4,623 | \$ 10,623 |
| 2020 | 7,000 | 4,416 | 11,416 |
| 2021 | 7,000 | 4,175 | 11,175 |
| 2022 | 7,000 | 3,933 | 10,933 |
| 2023 | 7,000 | 3,157 | 10,157 |
| 2024-2034 | <u>100,000</u> | <u>26,076</u> | <u>126,076</u> |
| | <u>\$134,000</u> | <u>\$46,380</u> | <u>\$180,380</u> |

NOTE 12 - GENERAL FUND LONG - TERM DEBT

The general long-term debt is a loan from the State of Louisiana for Utility Relocation Assistance Funds as promulgated in accordance with R.S. 48:381. The funds were advanced for payment of the Town's portion of the cost of State Project No. 023-11-0035 and Project No. 023-11-0034, Route U.S. 167.

TOWN OF BERNICE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

The loan is non-interest bearing and has no timetable for repayment nor has a repayment schedule been established. The Town is to repay the loan as funds become available.

NOTE 13 - DEDICATION OF PROCEEDS AND FLOW OF FUNDS - 1% Sales and Use Tax -

The 1% sales tax was increased to 2% effective October 1, 1988.

The proceeds of this tax to be dedicated and used for the purpose of acquiring, constructing, improving, maintaining, and operating fire protection facilities, purchasing fire trucks, ambulance, rescue vehicles, or other fire fighting, ambulance and/or rescue equipment: or for one or more of said purposes including the supplementing of the general revenues, said tax to be subject to funding into funds by the Town for the purpose of making capital improvement to the extent and in the manner permitted by the laws of Louisiana should such become necessary.

NOTE 14 - PENDING LITIGATION AND CONTINGENT LIABILITIES

The Town was involved in litigation as of December 31, 2018. Plaintiff claimed illegal arrest, search, excessive use of force, 1983 action, physical and mental damages against the arresting officer, Mayor, Chief of Police, Aldermen and the Town and its insurer. According to legal council on October 9, 2018, judgement granted motion to dismiss claims against Town of Bernice Police Department. Motion to dismiss for failure to state a claim of action and insufficient service of process and plaintiffs 1983 claim against, Mayor, Chief of Police, Town of Bernice and Motion to dismiss claim against Bernice Alderman. Basically all Federal claims against Town and Town officials were dismissed. Only state claims against Town remain for actions of employees, policeman. Nothing has been heard from Plaintiffs attorney since October, 2018.

Legal Council has not been advised by the Town of Bernice nor have they obtained any independent information from other sources, nor are aware of any fact giving rise to any possible unasserted claims or assessments, which are probable of assertion.

NOTE 15 - TOWN OF BERNICE, LOUISIANA, ELECTED OFFICIALS

| <u>NAME</u> | <u>POSITION</u> | <u>SALARY</u> | <u>EXPIRES</u> |
|---------------------|-----------------------|-----------------|----------------|
| Bill Mitcham | Mayor | \$22,086 | 12/31/18 |
| Ricky Albritton | Chief-of Police | 31,301 | 12/31/18 |
| Oliver Gene Terrall | Alderman District 1 | 3,100 | 12/31/18 |
| John Levingston | Alderman District 2 | 2,400 | 12/31/18 |
| Dennis Franklin | Alderman District 3 | 1,600 | 12/31/18 |
| Bessie Franklin | Alderman District 3 | 600 | 12/31/18 |
| Mildred Ferguson | Alderman District 4 | 2,400 | 12/31/18 |
| Amy Pesnell | Alderman District 5 | 2,400 | 12/31/18 |
| | <u>TOTAL SALARIES</u> | <u>\$65,887</u> | |

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 24, 2019, the date that the financial statements were available to be issued, and determined that no events occurred that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION
(PART II)

TOWN OF BERNICE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|----------------------------|-------------------------|------------------|--|
| <u>REVENUES</u> | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 23,000 | \$ 23,000 | \$ 28,087 | \$ 5,087 |
| Tobacco and Beverage | 0 | 0 | 667 | 667 |
| Franchise | 34,000 | 34,000 | 35,506 | 1,506 |
| Licenses and Permits | 57,000 | 46,175 | 47,632 | 1,457 |
| Fines | 50,000 | 40,000 | 48,606 | 8,606 |
| Charges for Services | 75,000 | 60,000 | 74,716 | 14,716 |
| Grant Income | 0 | 0 | 0 | 0 |
| Other Revenues | <u>22,000</u> | <u>16,800</u> | <u>33,698</u> | <u>16,898</u> |
| <u>TOTAL REVENUES</u> | <u>261,000</u> | <u>219,975</u> | <u>268,912</u> | <u>48,937</u> |
| <u>EXPENDITURES</u> | | | | |
| General Government | 216,830 | 298,856 | 299,819 | (963) |
| Public Safety | 172,000 | 195,000 | 212,461 | (17,461) |
| Streets | 32,000 | 31,825 | 32,583 | (758) |
| Sanitation | 28,553 | 12,026 | 8,747 | 3,279 |
| Capital Outlay | 0 | 0 | 0 | 0 |
| <u>TOTAL EXPENDITURES</u> | <u>449,383</u> | <u>537,707</u> | <u>553,610</u> | <u>(15,903)</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | (188,383) | (317,732) | (284,698) | 33,034 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Operating Transfers In | 225,000 | 335,000 | 295,000 | (40,000) |
| Operating Transfers Out | 0 | 0 | 0 | 0 |
| <u>TOTAL OTHER FINANCING SOURCES</u> | <u>225,000</u> | <u>335,000</u> | <u>295,000</u> | <u>(40,000)</u> |
| <u>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</u> | 36,617 | 17,268 | 10,302 | (6,966) |
| <u>FUND BALANCE - BEGINNING</u> | <u>60,607</u> | <u>60,607</u> | <u>60,607</u> | <u>0</u> |
| <u>FUND BALANCE - ENDING</u> | <u>\$ 97,224</u> | <u>\$ 77,875</u> | <u>\$ 70,909</u> | <u>\$(6,966)</u> |

See Independent Auditor's Report

TOWN OF BERNICE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE - SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|---|
| <u>REVENUES</u> | | | | |
| Taxes | | | | |
| Sales & Use | \$210,000 | \$185,000 | \$183,254 | \$(1,746) |
| Interest Income | <u>300</u> | <u>120</u> | <u>510</u> | <u>390</u> |
| <u>TOTAL REVENUES</u> | 210,300 | 185,120 | 183,764 | (1,356) |
| <u>EXPENDITURES</u> | | | | |
| General Government | 0 | 0 | 0 | 0 |
| Public Safety | <u>4,800</u> | <u>4,800</u> | <u>4,800</u> | <u>0</u> |
| <u>TOTAL EXPENDITURES</u> | <u>4,800</u> | <u>4,800</u> | <u>4,800</u> | <u>0</u> |
| <u>EXCESS OF REVENUES OVER EXPENDITURES</u> | 205,500 | 180,320 | 178,964 | (1,356) |
| <u>OTHER FINANCING USES</u> | | | | |
| Operating Transfers Out | <u>(225,000)</u> | <u>(300,000)</u> | <u>(295,000)</u> | <u>5,000</u> |
| <u>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</u> | (19,500) | (119,680) | (116,036) | 3,644 |
| <u>FUND BALANCE, BEGINNING</u> | <u>245,184</u> | <u>245,184</u> | <u>245,184</u> | <u>0</u> |
| <u>FUND BALANCE, ENDING</u> | <u>\$225,684</u> | <u>\$125,504</u> | <u>\$129,148</u> | <u>\$ 3,644</u> |

See Independent Auditor's Report

TOWN OF BERNICE, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2018

BUDGETARY COMPARISON SCHEDULES

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

2. Budget Amendments and Revisions

The budget is adopted by the Board of Aldermen. Amendments can be made on the approval of the Board of Aldermen. A budgetary comparison is presented for all major funds consistent with accounting principles generally accepted in the United States of America.

See Independent Auditor's Report

SUPPLEMENTAL INFORMATION

TOWN OF BERNICE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

AGENCY HEAD - MAYOR - BILL MITCHAM

| | |
|-----------------------|-----------------|
| Salary | \$22,086 |
| Benefits - Retirement | 663 |
| Benefits - Insurance | 0 |
| Car Allowance | 4,800 |
| Reimbursements | 0 |
| Travel | 0 |
| | <u>\$27,549</u> |

See Independent Auditor's Report

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

MARCUS, ROBINSON, and HASSELL

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Bill Mitcham, Mayor
Members of the Board of Aldermen
Town of Bernice
Bernice, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Bernice as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Bernice's basic financial statements and have issued our report thereon dated June 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2018-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bernice's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

The Town of Bernice's Response to Findings

The Town of Bernice's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management of the Town of Bernice and the Legislative Auditor of Louisiana and is not intended to be, and should not be used by anyone other than the specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Marcus, Robinson and Hassell
June 24, 2019

TOWN OF BERNICE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

We have audited the financial statements of the governmental activities and each major fund of the Town of Bernice , as of and for the year ended December 31, 2018, which collectively comprise the basic financial statements and have issued our report thereon dated June 24, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2018 resulted in an unmodified opinion.

Section I - Summary of the Auditor's Results

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiency Yes No

Compliance

Compliance Material to Financial Statements Yes No

B. Federal Awards N/A

Internal Control

Material Weaknesses Yes No Significant Deficiency Yes No

Type of Opinion on Compliance Unmodified Modified
For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?

No

C. Identification of Major Programs N/A

Dollar threshold used to distinguish between Type A and Type B Programs N/A.

Is the auditee a "low-risk" auditee as defined by OMB Circular 133 Yes No N/A

TOWN OF BERNICE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Section II - Financial Statement Findings

2018-1 - Management does not have sufficient capable expertise to prepare financial statements and related footnote disclosures.

Recommendation: No action is recommended.

Management's Response and Planned Corrective Action: We concur in the finding, but it is not economically feasible for corrective action to be taken.

Section III - Federal Award Findings and Questioned Costs

N/A

TOWN OF BERNICE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Internal Control and Compliance Material to Financial Statements

| <u>Findings</u> | <u>Response</u> |
|--|---------------------------------|
| 2017-1 - Management does not have sufficient capable expertise to prepare financial statements and related footnote disclosures. | Unresolved - See Finding 2018-1 |

Section II - Management Letter

No management letter was issued.

Town of Bernice
Bernice, Louisiana

Independent Accountant's Report
On Applying Agreed-Upon procedures

Year Ended December 31, 2018

MARCUS, ROBINSON, and HASSELL

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mildred Ferguson
Mayor, Town of Bernice
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Bernice and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) area identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

There were no exceptions noted as a result of applying this procedure.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with public bid law; and (5) documentation required to be maintained for all bids and price quotes.

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

- d) **Receipts**, including receiving, recording, and preparing deposits.

There were no exceptions noted as a result of applying this procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

There were no exceptions noted as a result of applying this procedure.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standards terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

There were no exceptions noted as a result of applying this procedure.

- g) **Credit cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

There were no exceptions noted as a result of applying this procedure.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

There were no exceptions noted as a result of applying this procedure.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

There were no exceptions noted as a result of applying this procedure.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

There were no exceptions noted as a result of applying this procedure.

Board (or Finance Committee, if applicable)

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

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of this procedure.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not Applicable, no negative fund balances.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained listing of client bank accounts and management's representation that listing is complete. Test Month - November 2018

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

There were no exceptions noted as a result of applying this procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

There were no exceptions noted as a result of applying this procedure.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

The general fund had checks outstanding more than 12 months. No evidence of items researched or documentation.

Management's Response

Future bank reconciliations with items outstanding more than 12 months will be researched.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

The only deposit site is the Town Clerk's office.

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

Collection locations:

Asst clerk's window

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

N/A - No cash drawers/registers to share.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The Town Clerk is responsible for recording the related transactions and preparing the deposits. She will collect cash on occasion if the Assistant Clerk is away from her window or absent.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The Town Clerk is responsible for recording the related transactions and preparing the deposits. She will collect cash on occasion if the Assistant Clerk is away from her window or absent.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The Town Clerk is responsible for recording the related transactions and preparing the deposits. She will collect cash on occasion if the Assistant Clerk is away from her window or absent.

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

Examined bond policy in audit procedures. No exception noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedures #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day. Obtain supporting documentation for each of the 10 deposits and:

Only two bank accounts receive cash with deposits. I selected five deposits dates for each account.

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

There were no exceptions noted as a result of applying this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

There were no exceptions noted as a result of applying this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

There were no exceptions noted as a result of applying this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

There were no exceptions noted as a result of applying this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

There were no exceptions noted as a result of applying this procedure.

Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The Town Clerk's office is the only location that process payments.

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

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

Purchase orders are not used. However, any employee making a purchase request must sign off on the request and get approval from the Town Clerk.

- b) At least two employees are involved in processing and approving payments to vendors.

All payments to vendors are approved by the Town Council and Mayor prior to any disbursements being processed.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The Town Clerk is responsible for processing payments and can also add a vendor file occasionally, however, the disbursement must be approved prior to processing.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Two signatures are required on each disbursement. The Mayor, Mayor pro-term or the Town Clerk. The Town Clerk processes and mails the disbursements.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

There were no exceptions noted as a result of applying this procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

There were no exceptions noted as a result of applying this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

There were no exceptions noted as a result of applying this procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

There are four credit cards being used and one fuel card.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. (Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported).

There were no exceptions noted as a result of applying this procedure.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no exceptions noted as a result of applying this procedure.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no exceptions noted as a result of applying this procedure.

Meal Charges - Not Applicable There were none.

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

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

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

There were no exceptions noted as a result of applying this procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

The only contract during the fiscal period was the completion of a construction contract.

There were no exceptions noted as a result of applying this procedure.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

There were no exceptions noted as a result of applying this procedure.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

There were no exceptions noted as a result of applying this procedure.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

There were no exceptions noted as a result of applying this procedure.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

There were no exceptions noted as a result of applying this procedure.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning

leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee officials' authorized pay rates in the employee/officials' personnel files.

There were no exceptions noted as a result of applying this procedure.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no exceptions noted as a result of applying this procedure.

Ethics

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

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

There were no exceptions noted as a result of applying this procedure.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There were no exceptions noted as a result of applying this procedure.

Debt Service

21. Obtain a listing of bond/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each

bond/note issued.

N/A - No bonds or notes issued during the fiscal period.

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

There were no exceptions noted as a result of applying this procedure.

Other

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

N/A - No misappropriations of public funds or assets.

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

There were no exceptions noted as a result of applying this procedure.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Marcus, Robinson & Hassell

Marcus, Robinson and Hassell, CPAs
Monroe, Louisiana
June 24, 2019