

**BERWICK-BAYOU VISTA
JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA**

FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Berwick-Bayou Vista Joint Waterworks Commission
Parish of St. Mary, State of Louisiana
Berwick, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana (the Commission), a joint venture of the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2 of the State of Louisiana, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of September 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of net pension liability (asset) and the schedule of contributions on pages 23-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The summary of changes for the past five reporting periods, the schedule of certificates of deposit, and the schedule of insurance policies in force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The summary of changes for the past five reporting periods and the schedule of certificates of deposit are the responsibility of management and were derived from and relate 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 summary of changes for the past five reporting periods and the schedule of certificates of deposit are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance policies in force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

March 12, 2019

BASIC FINANCIAL STATEMENTS

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
September 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:

Due from participants	\$ 51,652
Inventory	42,382
Prepaid insurance	<u>17,920</u>
Total current assets	111,954

Noncurrent assets:

Restricted assets:

Cash	33,925
Certificates of deposit	90,089
Due from participants	6,204
Accrued interest	<u>213</u>
Total restricted assets	130,431

Deposits 1,242

Capital assets, net of accumulated depreciation 1,071,985

Net pension asset 30,710

Total noncurrent assets 1,234,368

Total assets 1,346,322

Deferred outflows of resources 24,905

Total assets and deferred
outflows of resources \$ 1,371,227

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
September 30, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

Current liabilities:

Accounts payable	\$ 29,486
Accrued payroll liabilities	4,829
Compensated absences	2,327
Retirement payable	<u>4,359</u>
Total current liabilities	41,001

Deferred inflows of resources 52,137

Net position:

Net investment in capital assets	1,071,985
Restricted	130,431
Unrestricted	<u>75,673</u>
Total net position	<u>1,278,089</u>

Total liabilities, deferred inflows
of resources and net position \$ 1,371,227

The accompanying notes are an integral part of these financial statements.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2018

Operating revenues:	
Charges for services	\$ 648,227
Repair and replacement fee	<u>76,500</u>
Total operating revenues	724,727
Operating expenses:	
Advertising	667
Chemicals	91,295
Compensated absences	2,327
Depreciation	125,730
Dues and subscriptions	1,445
Insurance	60,690
Janitorial	292
Lab fees	3,140
Legal and accounting	23,594
Mileage	6,101
Miscellaneous	1,559
Office expense	8,371
Repairs and maintenance	85,911
Retirement	18,190
Taxes-payroll	20,082
Telephone	5,947
Travel	1,287
Uniforms	2,279
Utilities	89,848
Wages	<u>245,158</u>
Total operating expenses	<u>793,913</u>
Operating loss	(69,186)
Nonoperating revenues:	
Dividend	6,145
Interest	<u>343</u>
Total nonoperating revenues	<u>6,488</u>
Change in net position	(62,698)
Net position, beginning	<u>1,340,787</u>
Net position, ending	<u>\$1,278,089</u>

The accompanying notes are an integral part of these financial statements.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows
Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 727,230
Payments to suppliers for goods and services	(465,709)
Payments to employees	<u>(246,584)</u>
Net cash provided by operating activities	14,937

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends	<u>6,488</u>
Net cash provided by investing activities	6,488

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	<u>(78,026)</u>
Net cash used by capital and related financing activities	<u>(78,026)</u>
Net decrease in cash and cash equivalents	(56,601)

Cash and certificates of deposit - October 1, 2017	<u>180,615</u>
Cash and certificates of deposit - September 30, 2018	<u>\$ 124,014</u>

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

Operating loss	\$ (69,186)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	125,730
Increase in inventory	(42,382)
Increase in prepaid expenses	(1,143)
Decrease in due from participants	2,503
Decrease in deferred outflows of resources	15,638
Decrease in accounts payable	(1,486)
Increase in payroll related liabilities	369
Decrease in retirement payable	(2,683)
Increase in compensated absences	2,327
Increase in deferred inflows of resources	44,104
Decrease in net pension liability	<u>(58,854)</u>
Total adjustments	<u>84,123</u>
Net cash provided by operating activities	<u>\$ 14,937</u>

Reconciliation of total cash:

Restricted assets - cash	\$ 33,925
Restricted assets - certificates of deposit	<u>90,089</u>
Total restricted cash and certificates of deposit	<u>\$ 124,014</u>

The accompanying notes are an integral part of these financial statements.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

INTRODUCTION

The Berwick-Bayou Vista Joint Waterworks Commission was established in 1961 as a joint venture between the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2. The Commission is composed of, and managed by, four board members. The Commission's sole responsibility and duty is to maintain, operate, administer and produce water for human consumption by utilizing the joint waterworks system.

The Commission obtains 100% of its revenues from the participants in the joint venture between the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2. This is accomplished by billing the participants monthly for the reimbursement of the Commission's prior month's total monthly operating costs. The Commission also bills the participants a repair and replacement fee on a monthly basis which is used for major repairs and capital outlay expenditures that exceed \$1,000. This fee is charged to the participants based on their water usage and is based on a rate of 20 cents per one thousand gallons until \$500,000 has been accumulated to meet emergency repairs or capital outlay needs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting principles.

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.
 - a. The ability of the reporting entity to impose its will on the organization.
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accompanying financial statements present information related only to the activities of the Commission and are not intended to present fairly the financial position and results of operations of the Town of Berwick or the St. Mary Parish Water and Sewer Commission No. 2.

Fund Accounting

The accounts of the Commission are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

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

Proprietary Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The proprietary fund is accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal ongoing operating revenue of the Commission’s Proprietary Fund is water user fees. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all cash and certificates of deposit with a maturity of less than one year, including restricted assets, to be cash or cash equivalents.

Inventory

Proprietary fund inventory consists of chemicals. Inventory is valued at lower of cost or market using the first-in, first-out method (FIFO).

Capital Assets

All capital assets are capitalized at historical cost or estimated historical cost. The Commission maintains a threshold level of \$1,000 or more for capitalizing capital assets. Contributed assets are reported at fair market value as of the date received. The costs of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. All capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Improvements	7 - 25 years
Furniture and fixtures	5 years
Equipment	5 - 15 years

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

Compensated Absences

Accumulated vacation is accrued as an expense of the period in which incurred. Employees earn from 5 to 15 days of vacation each year depending on the length of service with the Commission. Vacation time not used by the end of the calendar year does not carry over. As of September 30, 2018, earned vacation leave totaling \$2,327 has been accrued in the financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission reported deferred outflows of resources related to pensions.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Commission reported deferred inflows of resources related to pensions.

See Note 5 for additional information related to deferred outflows of resources and deferred inflows of resources related to pensions.

Equity Classifications

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

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

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

Use of Estimates

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

Subsequent Events

The Commission has evaluated subsequent events through March 12, 2019, the date the financial statements were available to be issued.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the Commission's cash and interest-bearing deposits with financial institutions at September 30, 2018 totaled \$124,014 and the bank balance was \$125,100. Federal deposit insurance covered \$125,100 of the deposits. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Louisiana R.S. 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 Commission that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 BOARD OF COMMISSIONERS

The Board of Commissioners consists of four members, two each appointed by the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2. According to the terms of the agreement, any compensation or expense reimbursement is to be paid by the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2. Act 706 of the 2014 Louisiana Legislative Session amended Louisiana R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. No payments which would require disclosures were made to the Commission's Agency Head, Herb Mashburn – Chairman, or Board of Commissioners for the year ended September 30, 2018.

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BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Balance</u> <u>9/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2018</u>
Capital assets not being depreciated:				
Construction in progress	\$ 17,003	\$ -	\$(17,003)	\$ -
Capital assets being depreciated:				
Improvements	1,657,159	40,568	-	1,697,727
Furniture and fixtures	2,119	1,080	-	3,199
Equipment	<u>314,281</u>	<u>53,381</u>	<u>-</u>	<u>367,662</u>
Total capital assets being depreciated	1,973,559	95,029	-	2,068,588
Less accumulated depreciation:				
Improvements	(670,270)	(90,776)	-	(761,046)
Furniture and fixtures	(573)	(514)	-	(1,087)
Equipment	<u>(200,030)</u>	<u>(34,440)</u>	<u>-</u>	<u>(234,470)</u>
Total accumulated depreciation	<u>(870,873)</u>	<u>(125,730)</u>	<u>-</u>	<u>(996,603)</u>
Capital assets being depreciated, net	<u>1,102,686</u>	<u>(30,701)</u>	<u>-</u>	<u>1,071,985</u>
Capital assets, net	<u>\$1,119,689</u>	<u>\$ (30,701)</u>	<u>\$(17,003)</u>	<u>\$1,071,985</u>

Depreciation charged to operating expenses was \$125,730 for the year ended September 30, 2018.

NOTE 5 PENSION PLAN

Plan Description

All full-time employees of the Commission are members of the Parochial Employees' Retirement System of Louisiana (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS is controlled and administered by a separate board of trustees and governed by Louisiana Revised Statutes, Title 11, Sections 1901-2025. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan B. PERS issues publicly available financial reports that can be obtained from its website, www.persla.org.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Benefits Provided

PERS provides retirement, survivor, Deferred Retirement Option Plan (DROP), and disability benefits. Employees hired prior to January 1, 2007 are eligible for normal retirement if they have at least 30 years of creditable service and are at least age 55, 10 years of creditable service and are at least age 60, or 7 years of creditable service and are at least age 65. Employees hired after January 1, 2007 are eligible for normal retirement if they have at least 30 years of creditable service and are at least age 55, 10 years of creditable service and are at least age 62, or 7 years of creditable service and are at least age 67.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Plan B members need 10 years of service credit to be eligible for survivor benefits. Upon the death of any member with 20 or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55. A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than 12 months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

A plan member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of the Plan shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

The Board of Trustees is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contributions for all employers are actuarially determined each year. Covered employees were required by state statute to contribute 3.00% of their salary to the plan from October 2017 to September 2018. The Commission was required by the same statute to contribute 8.00% from October 2017 to December 2017 and 7.50% from January 2018 to September 2018. The Commission's contributions paid to PERS for the year ended September 30, 2018 were \$17,302.

Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the Commission reported an asset of \$30,710 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension asset was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2017, the Commission's proportion was 0.244077%, which was an increase of 0.027427% from its proportion measured as of December 31, 2016.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

For the year ended September 30, 2018, the Commission recognized pension expense of \$21,290. The Commission recognized revenue of \$3,100 as its proportionate share of non-employer contributions for the year ended September 30, 2018.

At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,993
Net difference between projected and actual investment earnings on pension plan investments	-	36,144
Changes of assumptions	18,069	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(6,021)	-
Employer contributions subsequent to the measurement date	<u>12,857</u>	<u>-</u>
Total	<u>\$ 24,905</u>	<u>\$ 52,137</u>

The Commission's contributions subsequent to the measurement date in the amount of \$12,857 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension asset in the year ending September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,

2019	\$ (4,691)
2020	(6,994)
2021	(14,394)
2022	<u>(14,010)</u>
Total	<u>\$ (40,089)</u>

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension asset in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	6.75%, net of investment expense, including inflation
Projected salary increases	5.25% (2.75% merit, 2.50% inflation)
Inflation rate	2.50%
Mortality rates	Active Members: RP-2000 Employee Sex Distinct Table
	Healthy annuitants and beneficiaries: RP-2000 Healthy Annuitant Sex Distinct Tables
	Disabled annuitants: RP-2000 Disabled Lives Mortality Table
Expected remaining service lives	4 years
Dates of Experience Study	2010 - 2014
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternative Investments	11%	0.69%
Real Assets	<u>2%</u>	<u>0.12%</u>
Total	<u>100%</u>	5.62%
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.62%</u>

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the proportionate share of net pension liability (asset) of the Commission calculated using the current discount rate of 6.75%, as well as what the Commission's proportionate share of net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<u>Discount rate</u>	<u>Net pension liability (asset)</u>
1% decrease	5.75%	\$ 65,438
Current discount rate	6.75%	\$ (30,710)
1% increase	7.75%	\$ (111,814)

NOTE 6 TOTAL DUE FROM PARTICIPANTS

Due from participants consists of unrestricted and restricted receivables as follows:

Town of Berwick	\$ 29,355
St. Mary Parish Water and Sewer Commission No. 2	<u>28,501</u>
Total	<u>\$ 57,856</u>

NOTE 7 RESTRICTED ASSETS

These funds are set aside for major repairs and capital outlays. Any repairs or capital outlays in excess of \$1,000 are to be paid with these funds. See the introduction at the beginning of the notes to the financial statements for an explanation of how these funds are obtained.

NOTE 8 RESTRICTED NET POSITION

The Commission has reserved certain resources that can only be used for future repairs and capital outlay that exceed \$1,000. The Commission allows up to \$500,000 of restricted net position to be accumulated for these emergency repairs or capital outlay needs.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 9 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2018. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Proportionate Share of Net Pension Liability (Asset)
Year Ended September 30, 2018

Year Ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2014	0.268573%	\$ 746	\$ 222,818	0.33%	99.89%
2015	0.240325%	\$ 42,789	\$ 230,993	18.52%	93.48%
2016	0.216650%	\$ 28,144	\$ 215,822	13.04%	95.50%
2017	0.244077%	\$ (30,710)	\$ 247,516	-12.41%	104.02%

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

See independent auditor's report and accompanying notes to the required supplementary information.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Contributions
Year Ended September 30, 2018

Year Ended September 30,	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$ 22,088	\$ 22,088	\$ -	\$ 232,841	9.49%
2016	\$ 17,130	\$ 17,130	\$ -	\$ 207,983	8.24%
2017	\$ 19,111	\$ 19,111	\$ -	\$ 248,891	7.68%
2018	\$ 17,302	\$ 17,302	\$ -	\$ 226,989	7.62%

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

See independent auditor's report and accompanying notes to the required supplementary information.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Required Supplementary Information

NOTE 1 CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the year ended September 30, 2018.

NOTE 2 CHANGES OF ASSUMPTIONS

Changes of assumptions for the year ended September 30, 2018 were as follows for the valuation date December 31, 2017:

- Investment rate of return used was 6.75%, a decrease from 7.00% in 2016.

OTHER SUPPLEMENTARY INFORMATION

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Summary of Changes for the Past Five Reporting Periods
Year Ended September 30, 2018

Year Ended Sept. 30,	Berwick		Bayou Vista		Costs 1,000 Gallons
	Gallons	Amount	Gallons	Amount	
2014	236,386,000	314,507	202,282,000	269,266	133.08
2015	218,814,000	313,468	201,496,000	289,109	143.36
2016	209,820,000	287,674	211,988,000	292,406	137.52
2017	223,641,000	332,621	210,950,000	313,408	148.65
2018	202,919,000	345,003	179,580,000	303,224	169.47

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Certificates of Deposit
September 30, 2018

<u>Security</u>	<u>Maturity</u>	<u>Rate</u>	<u>Value</u>
Certificate of Deposit- MC Bank & Trust Co.	11/8/2018	0.30%	\$ 45,045
Certificate of Deposit- MC Bank & Trust Co.	11/8/2018	0.25%	<u>45,044</u>
Total Certificates of Deposit			<u>\$ 90,089</u>

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Insurance Policies in Force
(Unaudited)
September 30, 2018

<u>Type of Coverage</u>	<u>Insurer</u>	<u>Expiration Date</u>	<u>Coverage</u>
Workers' Compensation			
General aggregate limit	LA Workers'	August 30, 2019	\$ 500,000
Accident	Comp. Corp.	August 30, 2019	100,000
Each employee		August 30, 2019	100,000
Liability:			
General Liability	Travelers Insurance		
Each occurrence limit		May 16, 2019	1,000,000
General aggregate limit		May 16, 2019	3,000,000
Public Management Liability	Travelers Insurance		
Each occurrence limit		May 16, 2019	1,000,000
Commercial Umbrella	Travelers Insurance		
Auto-general aggregate limit		May 16, 2019	1,000,000

**INTERNAL CONTROL
AND
COMPLIANCE**



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

To the Board of Commissioners
Berwick-Bayou Vista Joint Waterworks Commission
Parish of St. Mary, State of Louisiana
Berwick, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana (the Commission), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 12, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified one deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 to be material weaknesses.

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.

Compliance and Other Matters

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

The Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying management's corrective action plan for current year findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

March 12, 2019

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended September 30, 2018

2017-001 Finding: Inadequate Segregation of Accounting Functions
Status: This finding is unresolved. See current year finding 2018-001.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses
Year Ended September 30, 2018

Part 1: Summary of Auditor's Reports

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana's financial statements as of and for the year ended September 30, 2018.

Deficiencies in Internal Control – Financial Reporting

Two deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 2018-001 and 2018-002 in Part 2. We consider the deficiencies to be material weaknesses.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended September 30, 2018.

MANAGEMENT LETTER

A management letter was not issued for the year ended September 30, 2018.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2018-001 Inadequate Segregation of Accounting Functions

Criteria: A strong internal control system requires the segregation of responsibilities between different individuals responsible for separate major areas of the accounting system.

Condition: Due to the small number of accounting personnel, the Commission did not have adequate segregation of functions within the accounting system.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal control led to this condition.

Effect: The likelihood that a material misstatement will not be prevented or detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses (Continued)
Year Ended September 30, 2018

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards* (Continued)

Recommendation: An analysis of the benefits that would be obtained by adequately segregating functions within the accounting system and the costs to employ additional individuals to achieve adequate segregation should be performed.

Views of Responsible Officials and Planned Corrective Actions: This information is in the separate Management's Corrective Action Plan for Current Year Findings.

2018-002 Lack of Internal Controls Related to Compensated Absences

Criteria: A strong internal control system requires documentation and oversight related to compensated absences.

Condition: The Commission did not have adequate controls and documentation over compensated absences.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal controls related to compensated absences.

Effect: The likelihood that a material misstatement will not be prevented or detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

Recommendation: Policies and procedures should be implemented by the Commission regarding oversight and documentation of compensated absences.

Views of Responsible Officials and Planned Corrective Actions: This information is in the separate Management's Corrective Action Plan for Current Year Findings.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At September 30, 2018, the Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore this section is not applicable.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan for Current Year Findings
Year Ended September 30, 2018

Response to Finding 2018-001:

Management is aware of the condition and has determined that based upon the size of the Commission and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Name and Title of Contact Person: Herb Mashburn, Chairman

Response to Finding 2018-002:

Management is aware of the condition and has implemented the use of a time clock into their daily procedures. They also plan a thorough review of their current procedures and will look into implementing additional policies and procedures.

Name and Title of Contact Person: Herb Mashburn, Chairman



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Commissioners of Berwick-Bayou Vista Joint Waterworks Commission and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Berwick-Bayou Vista Joint Waterworks Commission (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

There are no written policies and procedures that address budgeting.

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 the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

There are no written policies and procedures that address purchasing.

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

There are no written policies and procedures that address disbursements.

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

There are no written policies and procedures that address receipts/collections.

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

There are no written policies and procedures that address payroll/personnel.

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

There are no written policies and procedures that address contracting.

- 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 of statements, and (5) monitoring card usage.

There are no written policies and procedures that address credit cards.

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

There are no written policies and procedures that address travel and expense reimbursement.

- 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.

There are no written policies and procedures that address ethics.

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

There are no written policies and procedures that address debt service.

Board or Finance Committee

- 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.

No exceptions noted.

- 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.

The minutes for the entity did not contain monthly budget-to-actual comparisons on the general fund.

- 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.

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 each account selected, and observe that:
 - 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);
Bank reconciliations include no evidence that they were prepared within 2 months of the related statement closing date.
 - 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
Bank reconciliations include no evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.
 - 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.
No reconciling items that have been outstanding for more than 12 months from the statement closing date noted.

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).
Obtained listing of deposit sites and management's representation that the listing is complete.
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:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
No exceptions noted.
 - 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 individual responsible for collecting cash is also responsible for preparing/making bank deposits.
 - 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 individual responsible for collecting cash is also responsible for posting collection entries to the general ledger.

- 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 individual responsible for reconciling cash collections to the general ledger is also responsible for collecting cash.

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

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #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). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Not applicable.

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

No exceptions noted.

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

No exceptions noted.

- 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).

No exceptions noted.

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

No exceptions noted.

Non-Payroll Disbursements (excluding 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).

Listing of locations that process payments and management's representation that the listing is complete was obtained.

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.

There was no evidence that two individuals are involved in initiating a purchase, approving a purchase, and placing an order/making the purchase.

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

No exceptions noted.

- 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 individual responsible for processing payments is not prohibited from adding/modifying vendor files.

- 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.

The individual responsible for signing checks mails the payments and processes payments.

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.

No exceptions noted.

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

See exceptions for 9a, 9c, and 9d above. No other exceptions noted.

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.

The entity does not have any active credit cards, bank debit cards, fuel cards, or P-cards; therefore, this section is not applicable.

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:

- 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.]]

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

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).

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:

Listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete was obtained.

- 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).

Not applicable.

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

No exceptions noted.

- 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).

No exceptions noted.

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

There was no evidence that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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:

The entity did not have any contracts in effect during the fiscal period; therefore, this section is not applicable.

- 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.

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

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.

Listing of employees employed during the fiscal period and management's representation that the listing is complete was obtained. No authorized salaries/pay rate schedules noted.

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.)

No exceptions noted.

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

One instance was noted when an employee's attendance record was not approved.

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

Documentation of written leave records reporting hours earned, used, and balances available were not maintained.

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.

Not applicable.

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.

No exceptions noted.

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.

The entity did not maintain documentation to demonstrate that the required ethics training was completed.

- 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.

The entity does not have an ethics policy.

Debt Service

21. Obtain a listing of bonds/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.

The entity does not have any bonds/notes; therefore, this section is not applicable.

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.

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.

The entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which it is domiciled.

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.

Required notices were not posted on the entity’s premises. The entity does not have a website.

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.

Dannall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

March 14, 2019

**BERWICK – BAYOU VISTA
JOINT WATERWORKS COMMISSION
BOX 322
BERWICK, LA 70342**

**Independent Accountant's Report on Applying Agreed-Upon Procedures
Management Response**

Written Policies and Procedures

1. a) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. b) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. c) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. d) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. e) The Board plans a review and update to payroll and personnel procedures.
1. f) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. g) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. h) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. i) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. j) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.

Board or Finance Committee

2. b) Although undocumented, the board feels the procedures in place are effective.

Bank Reconciliations

3. a) The Board plans to document the date monthly reconciliations were prepared.

3. b) The Board plans to document its review of the monthly reconciliations in the 2018-2019 fiscal year.

Collections

5. b) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
5. c) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
5. d) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Non-Payroll Disbursements

9. a) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
9. c) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
9. d) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
10. b) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Travel and Travel-Related Expense Reimbursements

14. d) The Board plans a review and update to the travel and expense reimbursement procedures in order to be in compliance.

Payroll and Personnel

16. The Board plans a review and update to payroll and personnel procedures including adoption of a pay rate structure to be in compliance.
17. b) The Board plans a review and update to payroll and personnel procedures including approval of all employees' attendance and leave records.

17. c) The Board plans a review and update to the payroll and personnel procedures including maintaining written leave records to be in compliance.

Ethics

20. a) The Board plans to obtain and file all documentation to demonstrate that required ethics training was completed.
20. b) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.

Other

24. The Board plans to post the notice required by R.S. 24:523.1 on its premises.