

TOWN OF BERWICK, LOUISIANA

Financial Report

Year Ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Honorable Duval Arthur, Jr., Mayor
and Members of the Town Council
Town of Berwick, 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 Berwick, Louisiana, (hereinafter "Town") as of and for the year ended September 30, 2019, 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 Town'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 Town'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 as of September 30, 2019, 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison schedules on pages 61-66, schedule of changes in total OPEB liability and related ratios on page 67, schedule of employer's share of net pension liability on page 68, schedule of employer contributions on page 69, or notes to required supplementary information on pages 70-72 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town 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 opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining nonmajor fund financial statements on pages 74-75 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 4, 2020

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF BERWICK, LOUISIANA

Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,041,304	\$ 365,769	\$ 4,407,073
Receivables, net	504,936	116,743	621,679
Due from other governments	555,278	-	555,278
Prepaid expense	106,048	2,278	108,326
Investment in Berwick-Bayou Vista Joint Waterworks Plant	-	650,087	650,087
Capital assets:			
Land and construction in progress	1,904,527	15,000	1,919,527
Other, net of accumulated depreciation	<u>8,389,500</u>	<u>1,051,306</u>	<u>9,440,806</u>
 Total assets	 <u>15,501,593</u>	 <u>2,201,183</u>	 <u>17,702,776</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	<u>568,435</u>	<u>91,350</u>	<u>659,785</u>
LIABILITIES			
Accounts and other payables	364,888	77,836	442,724
Unearned revenues	457,851	-	457,851
Long-term liabilities:			
Due in more than one year:			
Accrued liabilities	75,729	15,500	91,229
Net OPEB obligation	414,066	-	414,066
Net pension liability	<u>3,325,434</u>	<u>576,835</u>	<u>3,902,269</u>
 Total liabilities	 <u>4,637,968</u>	 <u>670,171</u>	 <u>5,308,139</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	<u>245,650</u>	<u>34,429</u>	<u>280,079</u>
NET POSITION			
Net investment in capital assets	10,294,027	1,716,393	12,010,420
Restricted	2,977,956	-	2,977,956
Unrestricted (deficit)	<u>(2,085,573)</u>	<u>(128,460)</u>	<u>(2,214,033)</u>
 Total net position	 <u>\$ 11,186,410</u>	 <u>\$ 1,587,933</u>	 <u>\$ 12,774,343</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Activities
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Fees, Commissions, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,148,035	\$ 337,321	\$ 33,942	\$ -
Public safety:				
Fire	227,420	-	90,013	-
Police	1,166,857	84,953	39,798	-
Public works:				
Streets	508,965	-	2,424	375,000
Drainage	133,811	-	1,538	269,976
Cemetery	30,143	26,200	-	-
Culture and recreation	463,355	12,265	3,685	-
Sanitation	1,206,602	903,971	17,611	9,101
Supporting services	10,943	48,519	-	-
Total governmental activities	<u>4,896,131</u>	<u>1,413,229</u>	<u>189,011</u>	<u>654,077</u>
Business-type activities:				
Gas	287,064	376,747	-	-
Water	<u>860,264</u>	<u>861,702</u>	-	-
Total business-type activities	<u>1,147,328</u>	<u>1,238,449</u>	-	-
Total government	<u>\$ 6,043,459</u>	<u>\$ 2,651,678</u>	<u>\$ 189,011</u>	<u>\$ 654,077</u>
General Revenues:				
Taxes:				
Ad valorem taxes				
Drainage				
Franchise				
Sales				
Other				
Intergovernmental				
Interest and investment earnings				
Miscellaneous				
Transfers -- internal activity				
Total general revenues and transfers				
Change in net position				
Net Position-- beginning				
Net Position--ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (776,772)	\$ -	\$ (776,772)
(137,407)	-	(137,407)
(1,042,106)	-	(1,042,106)
(131,541)	-	(131,541)
137,703	-	137,703
(3,943)	-	(3,943)
(447,405)	-	(447,405)
(275,919)	-	(275,919)
37,576	-	37,576
<u>(2,639,814)</u>	<u>-</u>	<u>(2,639,814)</u>
-	89,683	89,683
-	1,438	1,438
-	91,121	91,121
<u>(2,639,814)</u>	<u>91,121</u>	<u>(2,548,693)</u>
656,606	-	656,606
76,452	-	76,452
215,201	-	215,201
1,602,866	-	1,602,866
2,203	-	2,203
162,943	-	162,943
13,498	-	13,498
143,614	-	143,614
(4,540)	4,540	-
<u>2,868,843</u>	<u>4,540</u>	<u>2,873,383</u>
229,029	95,661	324,690
<u>10,957,381</u>	<u>1,492,272</u>	<u>12,449,653</u>
<u>\$ 11,186,410</u>	<u>\$ 1,587,933</u>	<u>\$ 12,774,343</u>

FUND FINANCIAL STATEMENTS

TOWN OF BERWICK, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2019

ASSETS	General	1% Sales Tax	3/4% Sales Tax Liquid and Solid Waste
Cash	\$ 1,361,224	\$ 1,182,563	\$ 962,150
Receivables:			
Taxes	125,615	105,781	97,420
Accounts	57,061	-	118,468
Due from other funds	3,605	-	-
Due from other governments	105,278	-	-
Prepaid expenditures	<u>103,383</u>	<u>-</u>	<u>2,665</u>
Total assets	<u>\$ 1,756,166</u>	<u>\$ 1,288,344</u>	<u>\$ 1,180,703</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 260,392	\$ -	\$ 90,407
Due to other funds	-	-	3,605
Accrued liabilities	13,048	-	1,041
Unearned revenues	<u>7,851</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>281,291</u>	<u>-</u>	<u>95,053</u>
Deferred inflows of resources:			
Unavailable revenues	<u>32,572</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	103,383	-	-
Restricted	68,019	1,288,344	1,085,650
Assigned	244,362	-	-
Unassigned	<u>1,026,539</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,442,303</u>	<u>1,288,344</u>	<u>1,085,650</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,756,166</u>	<u>\$ 1,288,344</u>	<u>\$ 1,180,703</u>

<u>Street & Road Improvement Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 9,435	\$ 525,932	\$ 4,041,304
-	591	329,407
-	-	175,529
-	-	3,605
450,000	-	555,278
<u>-</u>	<u>-</u>	<u>106,048</u>
<u>\$ 459,435</u>	<u>\$ 526,523</u>	<u>\$ 5,211,171</u>

\$ -	\$ -	\$ 350,799
-	-	3,605
-	-	14,089
450,000	-	457,851
<u>450,000</u>	<u>-</u>	<u>826,344</u>

<u>-</u>	<u>-</u>	<u>32,572</u>
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-	52,235	155,618
9,435	474,273	2,925,721
-	15	244,377
<u>-</u>	<u>-</u>	<u>1,026,539</u>
<u>9,435</u>	<u>526,523</u>	<u>4,352,255</u>

<u>\$ 459,435</u>	<u>\$ 526,523</u>	<u>\$ 5,211,171</u>
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(continued)

TOWN OF BERWICK, LOUISIANA

Balance Sheet (continued)
 Governmental Funds
 September 30, 2019

Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position:

Total fund balances for governmental funds at September 30, 2019		\$ 4,352,255
Cost of capital assets:		
Land	1,077,103	
Construction in progress	827,424	
Capital assets, net of accumulated depreciation	<u>8,389,500</u>	10,294,027
Deferred outflows of resources related to net pension liability		568,435
Receivables from reimbursement grants are not available to pay for current year expenditures and are deferred in the fund financial statements.		32,572
Long-term liabilities:		
Compensated Absences		(75,729)
Net OPEB obligation		(414,066)
Net pension liability		(3,325,434)
Deferred inflows of resources related to net pension liability		<u>(245,650)</u>
Net position at September 30, 2019		<u>\$ 11,186,410</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2019

	General	1% Sales Tax	3/4% Sales Tax Liquid and Solid Waste
Revenues:			
Taxes	\$ 1,133,788	\$ 618,361	\$ 583,608
Licenses and permits	225,381	-	-
Intergovernmental	260,627	-	78,154
Fees, commissions, and charges for services	224,362	-	903,971
Fines and forfeits	53,215	-	-
Interest income	4,672	3,444	2,835
Miscellaneous	143,859	-	-
Total revenues	<u>2,045,904</u>	<u>621,805</u>	<u>1,568,568</u>
Expenditures:			
Current -			
General government:			
Administrative	1,058,000	-	-
Public safety:			
Fire	169,505	-	-
Police	970,440	-	-
Public works:			
Streets	358,373	-	-
Drainage	120,144	-	-
Cemetery	30,143	-	-
Culture and recreation	325,098	-	-
Sanitation	-	-	1,070,026
Supporting services	10,943	-	-
Capital outlay	<u>736,683</u>	<u>-</u>	<u>31,366</u>
Total expenditures	<u>3,779,329</u>	<u>-</u>	<u>1,101,392</u>
Excess (deficiency) of revenues over expenditures	<u>(1,733,425)</u>	<u>621,805</u>	<u>467,176</u>
Other financing sources (uses):			
Transfers in	1,531,559	-	3,251
Transfers out	<u>(12,694)</u>	<u>(600,000)</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>1,518,865</u>	<u>(600,000)</u>	<u>(196,749)</u>
Net change in fund balances	(214,560)	21,805	270,427
Fund balances, beginning	<u>1,656,863</u>	<u>1,266,539</u>	<u>815,223</u>
Fund balances, ending	<u>\$ 1,442,303</u>	<u>\$ 1,288,344</u>	<u>\$ 1,085,650</u>

Street & Road Improvement Construction	Other Governmental	Total Governmental Funds
\$ -	\$ 219,399	\$ 2,555,156
-	-	225,381
375,000	-	713,781
-	-	1,128,333
-	-	53,215
440	-	11,391
-	284	144,143
<u>375,440</u>	<u>219,683</u>	<u>4,831,400</u>
-	-	1,058,000
-	-	169,505
-	-	970,440
-	-	358,373
-	-	120,144
-	-	30,143
-	-	325,098
-	-	1,070,026
-	-	10,943
-	-	768,049
<u>-</u>	<u>-</u>	<u>4,880,721</u>
<u>375,440</u>	<u>219,683</u>	<u>(49,321)</u>
-	4,903	1,539,713
<u>(516,559)</u>	<u>(215,000)</u>	<u>(1,544,253)</u>
<u>(516,559)</u>	<u>(210,097)</u>	<u>(4,540)</u>
(141,119)	9,586	(53,861)
<u>150,554</u>	<u>516,937</u>	<u>4,406,116</u>
<u>\$ 9,435</u>	<u>\$ 526,523</u>	<u>\$ 4,352,255</u>

(continued)

TOWN OF BERWICK, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Governmental Funds
 Year Ended September 30, 2019

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Total net change in fund balances for the year ended September 30, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (53,861)
Revenues reported in the governmental funds were reported as revenues in the statement of activities in a prior year	(69,053)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	32,572
Net change in compensated absences	(75,729)
Cost of capital assets	768,049
Depreciation expense	(479,705)
Contributions of capital assets are not reported in governmental funds, since such contributions do not result in transfers of financial resources.	269,976
Net change in OPEB obligation	(47,030)
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability.	
Increase in pension expense	(180,996)
Nonemployer pension contribution revenue	<u>64,806</u>
Total change in net position for the year ended September 30, 2019 per Statement of Activities	<u>\$ 229,029</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Net Position
 Proprietary Funds
 September 30, 2019

	<u>Gas</u>	<u>Water</u>	<u>Total Enterprise Funds</u>
ASSETS			
Current assets:			
Cash	\$ 115,754	\$ 250,015	\$ 365,769
Receivables, net	26,662	90,081	116,743
Prepaid expenses	<u>1,367</u>	<u>911</u>	<u>2,278</u>
Total current assets	<u>143,783</u>	<u>341,007</u>	<u>484,790</u>
Investment in Berwick-Bayou Vista Joint Waterworks Plant	<u>-</u>	<u>650,087</u>	<u>650,087</u>
Capital assets:			
Land	-	15,000	15,000
Other, net of accumulated depreciation	<u>240,832</u>	<u>810,474</u>	<u>1,051,306</u>
Total capital assets	<u>240,832</u>	<u>825,474</u>	<u>1,066,306</u>
Total assets	<u>384,615</u>	<u>1,816,568</u>	<u>2,201,183</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to net pension liability	<u>46,589</u>	<u>44,761</u>	<u>91,350</u>
LIABILITIES			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 27,991	\$ 47,339	\$ 75,330
Accrued liabilities	<u>9,420</u>	<u>8,586</u>	<u>18,006</u>
Total current liabilities (payable from current assets)	37,411	55,925	93,336
Noncurrent liabilities:			
Net pension liability	<u>294,186</u>	<u>282,649</u>	<u>576,835</u>
Total liabilities	<u>331,597</u>	<u>338,574</u>	<u>670,171</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to net pension liability	<u>17,559</u>	<u>16,870</u>	<u>34,429</u>
NET POSITION			
Net investment in capital assets	240,832	1,475,561	1,716,393
Unrestricted (deficit)	<u>(158,784)</u>	<u>30,324</u>	<u>(128,460)</u>
Total net position	<u>\$ 82,048</u>	<u>\$ 1,505,885</u>	<u>\$ 1,587,933</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 Year Ended September 30, 2019

	<u>Gas</u>	<u>Water</u>	<u>Total Enterprise Fund</u>
Operating revenues:			
Charges for services	\$ 358,751	\$ 840,893	\$ 1,199,644
Delinquent charges	12,683	16,469	29,152
Miscellaneous	<u>5,313</u>	<u>4,341</u>	<u>9,654</u>
Total operating revenues	<u>376,747</u>	<u>861,703</u>	<u>1,238,450</u>
Operating expenses:			
Gas and water purchases	96,625	399,031	495,656
Salaries	98,251	145,778	244,029
Retirement	539	63,299	63,838
Group insurance	23,898	16,687	40,585
Other insurance	1,860	5,043	6,903
Maintenance and operations	42,525	94,268	136,793
Depreciation	15,334	80,791	96,125
Administration expenses	7,999	21,925	29,924
Miscellaneous	<u>33</u>	<u>2,093</u>	<u>2,126</u>
Total operating expense	<u>287,064</u>	<u>828,915</u>	<u>1,115,979</u>
Operating income	<u>89,683</u>	<u>32,788</u>	<u>122,471</u>
Nonoperating expenses:			
Decrease in equity of Berwick-Bayou Vista Joint Waterworks Plant	<u>-</u>	<u>(31,349)</u>	<u>(31,349)</u>
Income before transfers	89,683	1,439	91,122
Transfers in	<u>2,421</u>	<u>2,119</u>	<u>4,540</u>
Change in net position	92,104	3,558	95,662
Net position, beginning	<u>(10,056)</u>	<u>1,502,327</u>	<u>1,492,271</u>
Net position, ending	<u>\$ 82,048</u>	<u>\$ 1,505,885</u>	<u>\$ 1,587,933</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 Year Ended September 30, 2019

	<u>Gas</u>	<u>Water</u>	<u>Total Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 389,785	\$ 866,343	\$ 1,256,128
Payments to suppliers for goods and services	(132,343)	(513,461)	(645,804)
Payments to employees	<u>(135,652)</u>	<u>(185,956)</u>	<u>(321,608)</u>
Net cash provided by operating activities	121,790	166,926	288,716
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from other funds	2,421	2,119	4,540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(39,711)	-	(39,711)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment in equity of Berwick-Bayou Vista Joint Waterworks Plant	<u>-</u>	<u>(11,043)</u>	<u>(11,043)</u>
Net increase in cash and cash equivalents	84,500	158,002	242,502
Cash and cash equivalents, beginning	<u>31,254</u>	<u>92,013</u>	<u>123,267</u>
Cash and cash equivalents, ending	<u>\$ 115,754</u>	<u>\$ 250,015</u>	<u>\$ 365,769</u>

(continued)

TOWN OF BERWICK, LOUISIANA

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended September 30, 2019

	<u>Gas</u>	<u>Water</u>	<u>Total Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 89,683</u>	<u>\$ 32,788</u>	<u>\$ 122,471</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	15,334	80,791	96,125
Pension expense, net of nonemployer contributions	(23,987)	27,574	3,587
Changes in assets and liabilities:			
Accounts receivable	17,556	7,309	24,865
Due from other governments	-	1,672	1,672
Prepaid expenses	1,628	625	2,253
Accounts payable	13,211	8,274	21,485
Accrued liabilities	<u>8,365</u>	<u>7,893</u>	<u>16,258</u>
Total adjustments	<u>32,107</u>	<u>134,138</u>	<u>166,245</u>
Net cash provided by operating activities	<u>\$ 121,790</u>	<u>\$ 166,926</u>	<u>\$ 288,716</u>
Non-cash investing activities			
Change in equity of Berwick-Bayou Vista Joint Waterworks Plant	<u>\$ -</u>	<u>\$ (20,306)</u>	<u>\$ (20,306)</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Fiduciary Net Position
 Fiduciary Funds
 September 30, 2019

	<u>Agency Funds</u>		<u>Total</u>
	<u>Payroll</u>	<u>Gas and Water Meter</u>	<u>Agency Funds</u>
ASSETS			
Current assets:			
Cash	\$ 38,220	\$ -	\$ 38,220
Accounts receivable	<u>9,184</u>	<u>-</u>	<u>9,184</u>
Total current assets	<u>47,404</u>	<u>-</u>	<u>47,404</u>
Restricted assets:			
Customers' deposits -			
Cash	-	103,813	103,813
Accounts receivable	<u>-</u>	<u>4,765</u>	<u>4,765</u>
Total restricted assets	<u>-</u>	<u>108,578</u>	<u>108,578</u>
Total assets	<u>\$ 47,404</u>	<u>\$ 108,578</u>	<u>\$ 155,982</u>
LIABILITIES			
Current liabilities:			
Payable from current assets-			
Accrued liabilities	\$ 47,404	\$ -	\$ 47,404
Payable from restricted assets-			
Customers' deposits	<u>-</u>	<u>108,578</u>	<u>108,578</u>
Total liabilities	<u>\$ 47,404</u>	<u>\$ 108,578</u>	<u>\$ 155,982</u>

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Town of Berwick ("Town") was incorporated August 1907, under the provisions of the Lawrason Act. The Town operated under a Mayor-Board of Aldermen form of government until January 20, 1992, at which time the Town adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The Town's operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general and administration services. The Town owns and operates enterprise funds which provide gas and water services.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the *Louisiana Governmental Audit Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Town to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent upon the Town.
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 or significance of the relationship.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Component Unit –

Based on the previous criteria, the Town has one component unit, Berwick Development District (District), since the District is governed by a five-member board appointed by the mayor of the Town and the Town is entitled to funds received by the District from the sale of properties after the deduction of expenses (financial benefits).

The Town has chosen to issue financial statements of the primary government only; however, the financial statements of the District are not included in and are not material to the accompanying financial statements. Complete financial statements issued by the District can be obtained directly from the District's administrative offices at P. O. Box 128, Berwick, LA, 70342.

Related Organizations –

A related organization is an entity for which the primary government is not financially accountable even though the primary government may provide facilities and some financing or appoint a voting majority of the organization's governing board. Based on the foregoing criteria, certain governmental organizations are not part of the Town and are thus excluded from the accompanying financial statements. These organizations are the Berwick Volunteer Fire Department, the Housing Authority of the Town of Berwick and the Berwick Historical Society.

Joint Ventures –

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Town has entered into joint venture arrangements with other governmental entities for the operation of the Berwick/Bayou Vista Joint Waterworks Commission and the Wards 5 and 8 Joint Sewer Commission. See note 18 for further discussion of the Town's relationship with these organizations.

B. Basis of Presentation

Government-wide Financial Statements –

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, 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 statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the statement of fiduciary net position at the fund financial statement level.

Fund Financial Statements –

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major governmental funds of the Town are described below:

General Fund – primary operating fund of the Town. The general fund is always classified as a major fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds:

1% Sales Tax Fund— accounts for the receipt and use of the Town's prorata portion of the St. Mary Parish 1% sales and use tax. These taxes may be used for any lawful corporate purpose.

¾% Sales Tax Liquid and Solid Waste Fund— accounts for the receipt and use of proceeds of the Town's prorata portion of the St. Mary Parish ¾% sales and use tax. These taxes are dedicated to the construction, maintenance, and operations of sewerage or solid waste disposal systems, and police and fire protection.

Capital Project Funds:

Street & Road Improvement Construction Fund— accounts for financial resources to be used for street and road improvements.

Proprietary Funds:

Gas Enterprise Fund—accounts for the provision of gas services to 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.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Water Enterprise Fund—accounts for the provision of water service to 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.

Additionally, the Town reports the following fiduciary fund types:

Agency Funds

Fiduciary fund reporting focuses on net position and changes in net position. The only funds accounted for in this category by the Town are agency funds. Agency funds are used to account for assets held by the Town as an agent for individuals and other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the accrual basis of accounting.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting 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 funds 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 in 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 water and gas 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, 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. Sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. The Town considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Licenses, permits, and fines are recognized when they are received because they are not objectively measurable.

D. Cash and Interest-Bearing Deposits

Cash and interest-bearing deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits. Deposits are stated at cost, which approximates market.

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

E. Investments

Under state law, the Town may deposit funds with a fiscal agent 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 Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

G. Receivables

All receivables are shown net of an allowance account, as applicable.

H. Prepaid Items

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

I. Capital Assets

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20 - 30 years
Improvements	10 - 40 years
Infrastructure	20 - 50 years
Machinery and equipment	4 - 20 years
Autos and trucks	5 years

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

J. Restricted Assets

The "customers' deposits" is used to segregate those refundable resources received from customers currently on the system.

L. Deferred Outflows of Resources and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until then. The Town reports deferred outflows of resources related to its net pension liability on its government-wide and proprietary funds statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows arising from unavailable revenues. Unavailable revenue occurs under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The Town also reports deferred inflows related to its net pension liability on its government-wide and proprietary funds statements of net position.

M. Equity Classifications

Government-wide Financial Statements –

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 – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements –

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified as fund balance. Fund balance for the Town’s governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

externally imposed by creditors, grantors, contributors, or the laws or regulations of other government.

- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be expressed by the Town Council.
- e. Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the council has provided otherwise in its commitment or assignment actions.

N. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses –

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Expenditures/Expenses –

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the governmental funds' financial statements, expenditures are classified by character. In the proprietary funds', as operating or nonoperating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

O. Interfund Transfers

Permanent reallocation of resources between funds is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

P. Compensated Absences

Full time employees of the Town earn vacation leave. Vacation leave earned varies with the length of service, and employees may accumulate up to two years of unused vacation time. Unused vacation leave, at the termination of employment either by retirement or separation, shall be paid in accordance with the Town's policy.

Compensated absences are measured at the present value.

Q. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. For the year ended September 30, 2019, no capitalized interest expense was recorded.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System, the Municipal Police Retirement System, and the Firefighters' Retirement System, and additions to/deductions from the retirement system's net positions have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

S. Use of Estimates

The Town's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Town 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 Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2019, the Town has cash and interest-bearing deposits (book balances) totaling \$4,549,106 as follows:

	Governmental Activites	Business-type Activities	Agency Funds	Total
Demand deposits	\$ 4,041,154	\$ 365,769	\$ 142,033	\$ 4,548,956
Petty cash	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Total	<u>\$ 4,041,304</u>	<u>\$ 365,769</u>	<u>\$ 142,033</u>	<u>\$ 4,549,106</u>

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

These deposits are stated at cost, which approximates market. 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 deposit with the fiscal agent bank. 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. Deposit balances (bank balances) at September 30, 2019 are as follows:

Bank balances	<u>\$ 4,615,210</u>
Federal deposit insurance	\$ 250,000
Pledged securities	<u>4,365,210</u>
Total	<u>\$ 4,615,210</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The Town has not formally adopted policies that limit allowable deposits or investments and address the specific type of risk to which the Town is exposed, nor a policy monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2019, deposits in the amount of \$4,365,210 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not the Town's name.

(3) 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 September or October and are billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish.

Town property tax revenues are budgeted in the year billed.

For the year ended September 30, 2019, taxes of 18.12 mills were levied on property with assessed valuations totaling \$36,270,782 and were dedicated as follows:

General governmental services	12.12 mills
Maintenance	6.00 mills

For the year ended September 30, 2019, drainage taxes were also assessed and dedicated as follows:

General governmental services	\$25 per acre
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Total taxes levied for the year ended September 30, 2019 were \$733,775.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(4) Receivables

Receivables at September 30, 2019 of \$635,628 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Agency Fund</u>	<u>Total</u>
Accounts	\$ 181,329	\$ 121,289	\$ 13,949	\$ 316,567
Taxes	<u>351,743</u>	<u>-</u>	<u>-</u>	<u>351,743</u>
	533,072	121,289	13,949	668,310
Less: allowance for uncollectible	<u>(28,136)</u>	<u>(4,546)</u>	<u>-</u>	<u>(32,682)</u>
Net receivables	<u>\$ 504,936</u>	<u>\$ 116,743</u>	<u>\$ 13,949</u>	<u>\$ 635,628</u>

(5) Due from other Governments

Amounts due from other governments at September 30, 2019 consisted of the following:

Governmental Activities:

State of Louisiana - Sales Tax Dedications	\$ 9,018
State of Louisiana - Video Poker	15,060
St. Mary Parish Government - Public Safety Grants	73,349
St. Mary Parish Government - Street & Road Grant	450,000
St. Mary Parish Sheriff - Prisoner Maintenance	3,094
St. Mary Parish Water and Sewer Commission No. 2	<u>4,757</u>
Total Governmental Activities	<u>\$ 555,278</u>

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(6) Changes in Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/18	Additions	Deletions	Balance 09/30/19
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,077,103	\$ -	\$ -	\$ 1,077,103
Construction in progress	2,258,574	438,320	(1,869,470)	827,424
Total capital assets not being depreciated	<u>3,335,677</u>	<u>438,320</u>	<u>(1,869,470)</u>	<u>1,904,527</u>
Capital assets being depreciated:				
Buildings	3,856,270	-	-	3,856,270
Improvements	6,024,755	2,395,520	-	8,420,275
Equipment	2,197,088	66,070	-	2,263,158
Infrastructure	33,250	-	-	33,250
Autos and trucks	1,207,730	7,585	-	1,215,315
Total capital assets being depreciated	<u>13,319,093</u>	<u>2,469,175</u>	<u>-</u>	<u>15,788,268</u>
Less accumulated depreciation for:				
Buildings	(2,768,198)	(94,295)	-	(2,862,493)
Improvements	(1,504,671)	(263,663)	-	(1,768,334)
Equipment	(1,701,018)	(72,255)	-	(1,773,273)
Infrastructure	(5,236)	(748)	-	(5,984)
Autos and trucks	(939,940)	(48,744)	-	(988,684)
Total accumulated depreciation	<u>(6,919,063)</u>	<u>(479,705)</u>	<u>-</u>	<u>(7,398,768)</u>
Total capital assets, being depreciated, net	<u>6,400,030</u>	<u>1,989,470</u>	<u>-</u>	<u>8,389,500</u>
Governmental activities capital assets, net	<u>\$ 9,735,707</u>	<u>\$ 2,427,790</u>	<u>\$(1,869,470)</u>	<u>\$ 10,294,027</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital assets being depreciated:				
Gas utility system	922,465	39,711	-	962,176
Water utility system	3,278,394	-	-	3,278,394
Total capital assets being depreciated	<u>4,200,859</u>	<u>39,711</u>	<u>-</u>	<u>4,240,570</u>
Less accumulated depreciation for:				
Gas utility system	(706,010)	(15,334)	-	(721,344)
Water utility system	(2,387,129)	(80,791)	-	(2,467,920)
Total accumulated depreciation	<u>(3,093,139)</u>	<u>(96,125)</u>	<u>-</u>	<u>(3,189,264)</u>
Total capital assets, being depreciated, net	<u>1,107,720</u>	<u>(56,414)</u>	<u>-</u>	<u>1,051,306</u>
Business-type activities capital assets, net	<u>\$ 1,122,720</u>	<u>\$ (56,414)</u>	<u>\$ -</u>	<u>\$ 1,066,306</u>

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Depreciation expense was charged as direct expense to functions as follows:

Governmental activities:

General government and administration	\$ 28,184
Public safety:	
Police	36,010
Fire	42,909
Public works:	
Streets	137,330
Drainage	7,312
Culture and recreation	121,803
Sanitation	<u>106,157</u>
Total depreciation expense, governmental activities	<u>\$ 479,705</u>

Business-type activities:

Gas	\$ 15,334
Water	<u>80,791</u>
Total depreciation expense, business-type activities	<u>\$ 96,125</u>

At September 30, 2019, the Town has outstanding construction commitments totaling \$252,558.

(7) Long-Term Liabilities

During the year ended September 30, 2019, the following changes occurred in long-term liabilities:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ -	\$ 75,729	\$ -	\$ 75,729	\$ -
Business- type activities:					
Compensated absences	\$ -	\$ 15,500	\$ -	\$ 15,500	\$ -

Compensated absences have historically been liquidated by the fund in which the liability was incurred.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(8) Restricted Net position

At September 30, 2019, the government-wide statement of net position reports the following restricted net position:

	<u>Governmental Activities</u>
Restricted by enabling legislation	\$ 2,877,682
Net position otherwise restricted for:	
Perpetual care:	
Expendable	38,604
Nonexpendable	52,235
Street & road improvements	<u>9,435</u>
Total restricted net position	<u>\$ 2,977,956</u>

(9) Net Position/Fund Balance

Net position is classified as net investment in capital assets, restricted and/or unrestricted. The amount of unrestricted net position presented in the government-wide statement of net position and the statement of net position for proprietary funds is significantly affected by the recognition of net pension liability in accordance with GASB 68. At September 30, 2019, the Town reported liabilities in its government-wide financial statements of \$3,325,434 and \$576,835 in its governmental activities and its business-type activities, respectively, for its proportionate share of the net pension liabilities. The recordation of net pension liability on the Town's government-wide financial statements resulted in a deficit of unrestricted net position of \$2,085,573 and \$128,460 in its governmental activities and its business-type activities, respectively.

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

	General	1% Sales Tax	3/4% Sales Tax Liquid and Solid Waste	Street & Road Improvement Construction	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable -						
Permanent fund principal	\$ -	\$ -	\$ -	\$ -	\$ 52,235	\$ 52,235
Prepaid items	103,383	-	-	-	-	103,383
Total fund balances - nonspendable	103,383	-	-	-	52,235	155,618
Restricted for -						
Ad valorem tax restrictions	-	-	-	-	435,669	435,669
Street & road improvement	-	-	-	9,435	-	9,435
Perpetual care	-	-	-	-	38,604	38,604
Sales and use tax restrictions	68,019	1,288,344	1,085,650	-	-	2,442,013
Total fund balances - restricted	68,019	1,288,344	1,085,650	9,435	474,273	2,925,721
Assigned to -						
Fire improvements	170,699	-	-	-	-	170,699
Law enforcement	11,724	-	-	-	-	11,724
Civic Center	61,939	-	-	-	15	61,954
Total fund balances - assigned	244,362	-	-	-	15	244,377
Unassigned	1,026,539	-	-	-	-	1,026,539
Total fund balances	\$ 1,442,303	\$ 1,288,344	\$ 1,085,650	\$ 9,435	\$ 526,523	\$ 4,352,255

(10) Contingencies

Threatened/Pending Litigation

There are several lawsuits presently threatened or pending against the Town of Berwick as of September 30, 2019. In suits pending, legal counsel and management are of the opinion that any unfavorable outcome in these cases would be within the limits of the Town's insurance coverage.

Risk Management

The Town 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 Town has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Town is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended September 30, 2019. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(11) Interfund Transfers

	Transfers in					Total
	General	3/4% Sales Tax	Other Governmental	Gas Enterprise	Water Enterprise	
Transfers out:						
General	\$ -	\$ 3,251	\$ 4,903	2,421	2,119	12,694
1% Sales Tax	600,000	-	-	-	-	600,000
3/4% Sales Tax Liquid and Solid Waste	200,000	-	-	-	-	200,000
Street & Road Improvement Construction	516,559	-	-	-	-	516,559
Nonmajor Governmental	215,000	-	-	-	-	215,000
Total	<u>\$1,531,559</u>	<u>\$ 3,251</u>	<u>\$ 4,903</u>	<u>\$ 2,421</u>	<u>\$ 2,119</u>	<u>\$1,544,253</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(12) Dedication of Proceeds and Flow of Fund-Sales and Use Tax

The Town collects sales taxes under four sales tax levies as follows:

Proceeds of a 1% parish wide sales and use tax levied in 1966 (2019 collections \$618,361). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/4 of 1% sales and use tax levied in 1974 (2019 collections \$583,608). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement, fire and police protection; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. The tax was reapproved for levy in 1987. At the time of reauthorization, voters approved a provision authorizing that the proceeds could also be used for law enforcement and fire protection costs.

Proceeds of a 3/10 of 1% sales and use tax levied in 1982 (2019 collections \$206,406). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are dedicated to the following purposes: operating and maintaining the police department, including the acquisition and maintenance of equipment and supplies; paying or supplementing the salaries of municipal employees; and purchasing, constructing, acquiring, extending and/or improving all or any portion

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

of public works or capital improvements, including but not limited to the construction, improvement and maintenance of drainage, water, and flood control extensions and improvements and the acquisition, construction, improvement, maintenance and repair of streets, roads, and bridges.

Proceeds of a ½ of 1% sales and use tax levied in 2001 (2019 collections \$194,491). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are to be used for increased salaries for police departments and also for operating and maintaining the police department.

(13) Employee Retirement

Eligible employees of the Town participate in one of three cost-sharing, multiple-employer defined benefit public employee retirement systems (PERS), which are controlled and administered by a separate board of trustees. These retirement systems provide retirement disability and death benefits to plan members and their beneficiaries. Pertinent information relative to each plan follows:

A. Municipal Employees' Retirement System of Louisiana (MERS)

Plan Description: The Municipal Employees' Retirement System of Louisiana (MERS), a cost-sharing multiple-employer defined benefit pension plan, was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the state, which did not have their own retirement system and which elected to become members of the System. The Town participates in Plan A of MERS.

Eligibility Requirements: Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in MERS with exceptions as outlined in the statutes.

Any person eligible for membership whose first employment making him eligible for membership in MERS occurred on or after January 1, 2013 shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2 of the system as a condition of employment.

Retirement Benefits: Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with twenty (20) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal.

Any member of Plan A Tier 2 can retire providing he meets one of the following:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings.

Survivor Benefits: Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death and who leaves a surviving spouse, will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to 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. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

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 any other method of payment if approved by the Board of Trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits: For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, 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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

of Plan A shall be paid a disability benefit equal to the lesser of (1) an amount equal to three percent of his final compensation multiplied by his years of credible service, but not less than forty-five percent of his final compensation, or (2) an amount equal to what the member's normal retirement 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 and using those retirement benefit computation factors which would be applicable to the member's normal retirement.

Cost of Living Increases: MERS is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. 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. State law allows MERS to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits: Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Employer Contributions: Contributions for all members are established by statute. Member contributions are at 9.50% of earnable compensation for Plan A. The contributions are deducted from the member's salary and remitted by the participating municipality

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2019, the actual employer contribution rate was 26.00% for Plan A.

Non-Employer Contributions: According to state statute, MERS also receives one-fourth (1/4) of 1% of ad valorem taxes within the respective parishes except for Orleans. MERS also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2019, The Town reported liabilities in its government-wide financial statements of \$1,730,506 and \$576,835 in its governmental activities and its business-type activities, respectively, for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2019 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportional share of MERS was 0.552172%, which was a decrease of 0.002014% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the Town recognized pension expense of \$260,559 and \$63,838 in its governmental activities and business-type activities, respectively, related to its participation in MERS.

At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 42,222	\$ -	\$ 14,074
Changes in Assumption	43,732	-	14,577	-
Net difference between projected and actual earnings on pension plan investments	171,629	-	57,210	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	61,066	-	20,355
Employer contributions subsequent to the measurement date	58,690	-	19,563	-
	<u>\$ 274,051</u>	<u>\$ 103,288</u>	<u>\$ 91,350</u>	<u>\$ 34,429</u>

Deferred outflows of resources of \$78,253 related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Governmental Activities	Business-Type Activities	Total
2020	\$ 37,450	\$ 12,483	\$ 49,933
2021	38,297	12,766	51,063
2022	21,918	7,306	29,224
2023	14,408	4,803	19,211
	<u>\$ 112,073</u>	<u>\$ 37,358</u>	<u>\$ 149,431</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2019 valuation was based on the results of an experience study, for the period July 1, 2013 through June 30, 2018.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

	Municipal Employees' Retirement System (MERS) Plan A
Valuation Date	June 30, 2019
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Inflation rate	2.5%
Projected salary increases, including inflation and merit increases:	
-1 to 4 years of service	6.4%
-More than 4 years of service	4.5%
Annuity and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

The investment rate of return was 7.0%, which was a .275 decrease from the rate used as of June 30, 2018. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.15%
Public fixed income	35%	1.51%
Alternatives	<u>15%</u>	<u>0.64%</u>
Totals	<u>100%</u>	<u>4.30%</u>
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

The discount rate used to measure the total pension liability was 7.00%, which was a .275% decrease from the rate used as of June 30, 2018. 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 will be made at the actuarially determined 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 liability.

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability 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 as of June 30, 2019:

	Changes in Discount Rate:		
	MERS - Plan A		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	<u>\$ 3,008,359</u>	<u>\$ 2,307,341</u>	<u>\$ 1,714,651</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2019, the Town recognized revenue as a result of support received from the non-employer contributing entities of \$35,434 for its participation in MERS.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Payables to the Pension Plan: The Town recorded accrued liabilities to MERS for the year ended September 30, 2019 primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in the fiduciary fund statement liabilities under the amounts reported as accrued liabilities. The balance due to MERS as of September 30, 2019 is \$23,264.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MERS available at www.mersla.com.

B. Municipal and State Police Retirement System of Louisiana (MPERS)

Plan Description: The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

The Municipal Police Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the audit report can be found on the System's website: www.lampers.org or on the Louisiana Legislative Auditor's website, www.la.state.la.us.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of MPERS and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

after he has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are 3% (generally) and 2.50%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under conditions outlined in state statute, benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of the member's average final compensation or \$200 per month, whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments (COLA): The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

Deferred Retirement Option Plan (DROP): A member is eligible to enter DROP when he is eligible for regular retirement based on the member's sub plan participation. Upon filing the application for the program, the employee's active membership in the system is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited in to the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership in the system shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the system's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the system's investment portfolio return or a money market investment return. This could result in negative earnings rate being applied to the account.

If the member elects the money market investment return option, the funds are transferred to a government money market account and earn interest at the money market rate.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Initial Benefit Option Plan: In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Employer Contributions: Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2019, the employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.25% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than poverty guidelines issued by the United States Department of Health and Human Services were 34.75% and 7.5%, respectively.

Non-Employer Contributions: MPERS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2019, and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2019, The Town reported liabilities in its government-wide financial statements of \$1,491,938 in its governmental activities for its proportionate share of the net pension liabilities of MPERS. The net pension liabilities were measured as of June 30, 2019, and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportional share of MPERS was 0.164280%, which was a decrease of 0.014537% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the Town recognized a pension expense of \$301,243 in its governmental activities related to its participation in MPERS.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,130	\$ 45,900
Changes in Assumption	83,605	-
Net difference between projected and actual earnings on pension plan	96,929	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,140	86,025
Employer contributions subsequent to the measurement date	<u>47,808</u>	<u>-</u>
	<u>\$ 273,612</u>	<u>\$131,925</u>

Deferred outflows of resources of \$47,808 related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2020	\$ 75,944
2021	(13,931)
2022	7,668
2023	<u>24,198</u>
	<u>\$ 93,879</u>

Actuarial Methods and Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The actuarial assumptions used in the June 30, 2019 valuation were based on the assumptions used in the June 30, 2019 actuarial funding valuation and were based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on the estimates of future experience.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

	Municipal Police Employees' Retirement System (MPERS)	
Valuation Date	June 30, 2019	
Actuarial cost method	Entry Age Normal	
Actuarial cost assumptions:		
Expected emaining service lives	4 years	
Investment rate of return	7.125%, net of investment expense	
Inflation rate	2.50%	
Projected salary increases	Yrs of Service	Salary Growth
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants RP-2000 Employee Table set back 4 years for males and 3 years for females for active members	
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.	

The investment rate of return was 7.125%, which was a .075% decrease from the rate used as of June 30, 2018.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternative	18.00%	1.06%
Other	<u>0.00%</u>	<u>0.00%</u>
Totals	<u>100.00%</u>	<u>5.14%</u>
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>7.89%</u>

The discount rate used to measure the total pension liability was 7.125%, which was a .075% decrease from the rate used as of June 30, 2018. 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 will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. 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 liability.

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.125%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.125% or one percentage point higher 8.125% than the current rate:

	Changes in Discount Rate:		
	MPERS		
	1% Decrease	Current Discount Rate	1% Increase
	6.125%	7.125%	8.125%
Net Pension Liability	<u>\$2,078,761</u>	<u>\$1,491,938</u>	<u>\$ 999,652</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2019, the Town recognized revenue as a result of support received from the non-employer contributing entities of \$33,821 for its participation in MPERS.

Payables to the Pension Plan: The Town recorded accrued liabilities to MPERS for the year ended September 30, 2019 primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in the fiduciary fund statement liabilities under the amounts reported as accrued liabilities. The

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

balance due to MPERS as of September 30, 2019 is \$14,189.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MPERS available at www.lampers.org.

C. Firefighters' Retirement System (FFRS)

Plan Description: The Firefighters' Retirement System (FFRS) is a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 to provide retirement, disability and survivor benefits to firefighters in Louisiana.

Eligibility Requirements: Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Members in FFRS consist of full-time firefighters, eligible employees of the retirement system, or any person in a position as defined in the municipal fire and police civil service system that earns at least \$375 per month, excluding state supplemental pay, and is employed by a fire department of any municipality, parish, or fire district of the state of Louisiana, except for Orleans Parish and the City of Baton Rouge.

No person who has attained age 50 or over shall become a member of FFRS unless the person becomes a member by reason of merger or unless FFRS received an application for membership before the applicant attained the age of 50. No person who has not attained the age of 18 shall become a member of FFRS.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of FFRS, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with FFRS, or for any other purpose in order to attain eligibility or increase the amount of service credit in FFRS.

Retirement Benefits: Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions.

Benefits are payable over the retirees' lives in the form of a monthly annuity. A member may elect an unreduced benefit or any of seven options at retirement.

See R.S. 11 :2256(A) for additional details on retirement benefits.

Disability Benefits: A member who acquires a disability, and who files for disability benefits while in service, and who upon medical examination and certification as provided for in Title 11, is found to have a total disability solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member in active service, shall be entitled to disability benefits under the provisions of R.S. 11 :2258(B).

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Death Benefits: Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11 :2256(B) & (C).

Deferred Retirement Option Plan (DROP): After completing 20 years of creditable service and attaining the age of 50 years, or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in DROP, employer and employee contributions to FFRS cease. The monthly retirement benefit that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to FFRS. No withdrawals may be made from the DROP account until the participant retires.

Initial Benefit Option Plan: Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Cost of Living Adjustments (COLAs): Under the provisions of R.S. 11:246 and 11 :2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% increase in their original benefit. In order for the board to grant either of these increases, FFRS must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to R.S. 11:241, the board may also grant an increase based on a formula equal to up to \$1 times the total number of years of credited service accrued at retirement or at death of the member or retiree plus the number of years since retirement or since death of the member or retiree to the system's fiscal year end preceding the payment of the benefit increase. If there are not sufficient funds to fund the benefit at the rate of one dollar per year for such total number of years, then the rate shall be reduced in proportion to the amount of funds that are available to fund the cost-of living adjustment.

Contributions: Contribution requirements for employers, non-employer contributing entities, and employees are established and may be amended in accordance with Title 11 and Title 22 of the Louisiana Revised Statutes.

Employer Contributions: According to state statute, employer contributions are actuarially-determined each year. For the year ended June 30, 2019, employer and employee contribution rates for members above the poverty line were 26.50% and 10.00%, respectively. The employer and employee contribution rates for those members below the poverty line were 28.50% and 8.00%, respectively.

Non-Employer Contributions: According to state statute, FFRS receives insurance premium assessments from the state of Louisiana. The assessment is considered support from a non-employer contribution entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2019 and were excluded from pension expense.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2019, The Town reported liabilities in its government-wide financial statements of \$102,990 in its governmental activities for its proportionate share of the net pension liabilities of FFRS. The net pension liabilities were measured as of June 30, 2019 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportional share of FFRS was 0.016447%, which was an increase of 0.000066% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the Town recognized a pension expense of \$20,224 in its governmental activities related to its participation in FFRS.

At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 7,429
Changes in Assumption	9,370	7
Net difference between projected and actual earnings on pension plan investments	6,926	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,465	3,001
Employer contributions subsequent to the measurement date	<u>3,011</u>	<u>-</u>
	<u>\$ 20,772</u>	<u>\$ 10,437</u>

Deferred outflows of resources of \$3,011 related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

<u>Year</u>	
2020	\$ 3,981
2021	(979)
2022	1,860
2023	1,623
2024	438
2025	<u>401</u>
	<u>\$ 7,324</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

In February of 2017, the Board of Trustees adopted a recommendation to reduce the long-term rate of return assumption. The recommendation was formed after an analysis of the System's portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the System's investment consultants, New England Pension Consultants. Based on this analysis and after discussions with the Board, a plan was

approved to reduce the 7.50% valuation interest rate in effect for the fiscal year 2016 actuarial valuation to 7.00% over the coming five actuarial valuations with reductions of 0.10% each year.

The fiscal year 2019 actuarial valuation was scheduled to be run at a 7.20% valuation interest rate. However, prior to the completion of this valuation, a review of the valuation interest rate for fiscal year 2019 was performed based upon an update to the G. S. Curran & Company Consultant Average Capital Market Assumptions for 2019 and an update to the actuary's reasonable range for the assumed rate of return. To determine the reasonable range, the actuary computed an expected long-term portfolio return and standard deviation based upon the system's target asset allocation and a thirty-year time horizon. Based upon the results of this study, ten thousand stochastic trials were run to determine a reasonable range around the plan's expected long-term portfolio rate of return. The review found that the scheduled rate of 7.20% was no longer inside the reasonable range. Therefore, the assumed rate of return for the fiscal year 2019 valuation was further reduced to 7.15%, which was found to lie within the actuary's reasonable range.

The System's reductions in the valuation interest have been in part based upon a reduction in the expected long-term inflation rate. Therefore, the assumed long-term inflation rate has also been reduced over the same period. For fiscal year 2019, an assumed rate of inflation of 2.50% was implicit in the assumed rate of return. After reviewing the cumulative reductions in the valuation interest rate over the past three years (i.e. 0.35%) and considering the recommendation that the fiscal year 2019 actuarial valuation be run at a valuation interest rate lower than the Board's original reduction schedule, a decision was made to perform an interim review of the plan's salary scale assumption. Based upon this review, it was determined that it would be appropriate to reduce the plan's salary scale by 0.25% at each duration until a complete review is performed in the System's next experience study scheduled for the upcoming fiscal year. The remaining actuarial assumptions utilized for this report are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, unless otherwise specified in this report. Additional details are given in the actuary's complete Experience Report for fiscal years 2010 through 2014.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Firefighters' Retirement System

Valuation Date	June 30, 2019
Actuarial cost method	Entry Age Normal
Actuarial cost assumptions:	
Expected remaining service lives	7 years
Investment rate of return	7.15% per annum (net of fees)
Inflation rate	2.500% per annum
Projected salary increases	Vary from 14.75% in the first two years of service to 4.50% with 25 or more year of service; includes inflation and merit increases
Cost of Living Adjustments (COLAs)	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

The investment rate of return was 7.15%, which was a .15% decrease from the rate used as of June 30, 2018.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009, through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables, projected to 2031 using Scale AA, were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges 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 ranges 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, 2.75%. The resulting long term expected arithmetic nominal rate of return was 7.94% as of June 30, 2019. Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019, are summarized in the following table:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rates of Return</u>
Equity:		
U.S. Equity	21.50%	5.98%
Non-U.S. Equity	17.50%	7.52%
Global Equity	10.00%	6.59%
Fixed Income	31.00%	2.17%
Alternatives:		
Real Estate	6.00%	4.14%
Private Equity	4.00%	10.52%
Multi-Asset Strategies:		
Global Tactical Asset Allocation	5.00%	4.37%
Risk Parity	<u>5.00%</u>	4.67%
	<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.15%, which was a .15% decrease from the rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes 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 rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these 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 liability.

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.15%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.15% or one percentage point higher 8.15% than the current rate as of June 30, 2019.

	Changes in Discount Rate:		
	<u>Firefighters' Retirement System</u>		
	1%	Current	1%
	Decrease	Discount	Increase
	6.15%	7.15%	8.15%
Net Pension Liability	<u>\$ 149,136</u>	<u>\$ 102,990</u>	<u>\$ 64,258</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2019, the Town recognized revenue as a result of support received from the non-employer contributing entities of \$4,409 for its participation in FFRS.

Payables to the Pension Plan: The Town recorded accrued liabilities to FFRS for the year ended September 30, 2019 primarily due to the accrual for payroll at the end of the fiscal year. The amounts due

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

are included in the fiduciary fund statement liabilities under the amounts reported as accrued liabilities. The balance due to FFRS as of September 30, 2018 is \$860.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at www.lafirefightersret.com.

D. Aggregate Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Pension Expense

As detailed above, the Town participates in three separate defined benefit pension plans. The aggregate amounts for the Town's participation in Municipal Employees' Retirement System of Louisiana (MERS), Municipal and State Police Retirement System of Louisiana (MPERS), and Firefighters' Retirement System (FFRS) are as follows:

Employer's Proportionate Share of Net Pension Liability:

	<u>MERS</u>	<u>MPERS</u>	<u>FFRS</u>	<u>Aggregate</u>
Governmental Activities	\$ 1,730,506	\$ 1,491,938	\$ 102,990	\$ 3,325,434
Business-Type Activities	576,835	-	-	576,835
Total	<u>\$ 2,307,341</u>	<u>\$ 1,491,938</u>	<u>\$ 102,990</u>	<u>\$ 3,902,269</u>

Deferred Outflows of Resources:

	<u>MERS</u>	<u>MPERS</u>	<u>FFRS</u>	<u>Aggregate</u>
Governmental Activities	\$ 274,051	\$ 273,612	\$ 20,772	\$ 568,435
Business-Type Activities	91,350	-	-	91,350
Total	<u>\$ 365,401</u>	<u>\$ 273,612</u>	<u>\$ 20,772</u>	<u>\$ 659,785</u>

Deferred Inflows of Resources:

	<u>MERS</u>	<u>MPERS</u>	<u>FFRS</u>	<u>Aggregate</u>
Governmental Activities	\$ 103,288	\$ 131,925	\$ 10,437	\$ 245,650
Business-Type Activities	34,429	-	-	34,429
Total	<u>\$ 137,717</u>	<u>\$ 131,925</u>	<u>\$ 10,437</u>	<u>\$ 280,079</u>

Pension Expense:

	<u>MERS</u>	<u>MPERS</u>	<u>FFRS</u>	<u>Aggregate</u>
Governmental Activities	\$ 260,559	\$ 301,243	\$ 20,224	\$ 582,026
Business-Type Activities	63,838	-	-	63,838
Total	<u>\$ 324,397</u>	<u>\$ 301,243</u>	<u>\$ 20,224</u>	<u>\$ 645,864</u>

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(14) Post-Employment Benefits

Effective with the fiscal year beginning October 1, 2017, the Town implemented Government Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 75).

Plan description

The Town participates in a single-employer defined benefit plan, administered by the Town, and has elected to make available health benefits to all eligible retirees who retire from the Town on or after December 31, 1997. Retirees are considered eligible if they meet the retirement eligibility requirements of the Municipal Retirement System of Louisiana.

Benefits provided

Under the post-employment benefit package, retirees may continue group health insurance coverage through the Town's group policy at the retiree's own expense. Once the retiree becomes eligible to obtain Medicare supplement insurance, the Town will pay the premium for the Medicare supplement insurance policy up to a maximum of \$150 per month. Any Medicare supplement premium costs above \$150 must be paid by the retiree. The premium rates are established and may be amended by the group health insurance carrier with the Town determining the contribution requirements of the retirees. The Town will provide benefits to the retiree only and no coverage will be provided to dependents of the retiree. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms

At September 30, 2019, there were a total of 44 employees covered by the benefit terms. Of these 44 employees, 38 were active employees, 4 were inactive (retired) employees currently receiving benefits payments and 2 were inactive (retired) employees who are not currently receiving benefits.

The Town's total OPEB liability of \$414,066 was measured as of September 30, 2019 and was determined by the alternative measurement method. Small employers with less than 100 total plan participants are eligible to use the alternative measurement method.

Key Assumptions and Other Inputs

The total OPEB liability as of September 30, 2019 was determine using the following key assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases, including inflation:	3.00%
Discount Rate:	2.75%
Health Care Cost Trend Rates:	
Medicare Supplement:	Initially 4.6%, increasing 0.1% in year 2 and year 3, then remaining unchanged through year 6, then decreasing 0.1% in year 7 and remaining at 4.70% through year 10

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

The discount rate was based on the September 30, 2019 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RP2000 Mortality Table for males or females, as appropriate.

The cost trend numbers used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection which provide for the change in assumptions/inputs identified below.

Changes in Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 9/30/2018	<u>\$ 367,036</u>
Charges for the year:	
Service cost	15,255
Interest	14,505
Effect of economic/demographic gains/loses	(23,508)
Changes in assumptions/inputs	47,978
Benefit payments	<u>(7,200)</u>
Net changes	<u>47,030</u>
Balance at 9/30/2019	<u>\$ 414,066</u>

During the year ended September 30, 2019, the Town incurred costs totaling \$7,200, related to providing OPEB benefits, which is expensed as incurred. OPEB expense recognized by the Town for the fiscal year ended September 30, 2019 is \$54,230.

Sensitivity to the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current discount rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB Liability	<u>\$ 467,812</u>	<u>\$ 414,066</u>	<u>\$ 369,337</u>

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Sensitivity to the total OPEB liability to changes in the healthcare cost trends

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 384,359</u>	<u>\$ 414,066</u>	<u>\$ 445,753</u>

(15) Related Party Transactions

During the fiscal year ended September 30, 2019, the Town of Berwick received \$26,833 from the Berwick Housing Authority in lieu of taxes.

(16) Long-Term Contract

The Town entered into a water storage tanks maintenance contract for two water towers in 2002, and the contract remains effective through the year 2062 unless terminated. The annual fee is adjusted every subsequent three years to reflect current cost of services by the company subject to adjustments, either up or down, to be limited to a maximum of 5% annually.

(17) Compensation of Town Officials

A detail of compensation paid to the Mayor and Town Council for the year ended September 30, 2019 follows:

Mayor:	
Louis Ratcliff (term expired December 31, 2018)	\$ 9,000
Duval Arthur, Jr. (term began January 1, 2019)	26,505
Council (terms expired December 31, 2018):	
Jacki Ackel	1,500
Duval Arthur, Jr.	1,500
Troy Lombardo	1,500
Damon Robison	1,500
Greg Roussel	1,500
Council (terms began January 1, 2019):	
Colleen Askew	4,500
Kevin Hebert	4,500
Lud Henry	4,500
Raymond Price	4,500
James Richard	<u>4,500</u>
	<u>\$ 65,505</u>

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to a political subdivision head. For the year ended September 30, 2019, payments made to Mayor Louis Ratcliff and Mayor Arthur Duval, Jr. requiring disclosure are as follows:

	<u>Louis Ratcliff</u>	<u>Duval Arthur, Jr.</u>
Salary	\$ 9,000	\$ 26,505
Car allowance	600	1,350
Benefits-retirement	2,340	5,570
Benefits-health insurance	4,421	-
Travel	<u>144</u>	<u>1,067</u>
	<u>\$ 16,505</u>	<u>\$ 34,492</u>

(18) Joint Ventures

Berwick/Bayou Vista Joint Waterworks District -

The Town is a member of a joint venture with the St. Mary Parish Government for the construction, maintenance, and operation of a water plant which supplies water to the Town and the unincorporated community of Bayou Vista for distribution to their residents. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the Town and the St. Mary Parish Government, and they have appointed a board to operate and maintain the plant. The Town has included its share of the joint venture in these financial statements in the proprietary fund type accounts using the equity method of accounting.

St. Mary Parish Wards 5 and 8 Joint Sewerage Commission -

The Town is a member of a joint venture with the Parish of St. Mary, Water and Sewer Commission No. 2 of the Parish of St. Mary, and the City of Patterson for operating and maintaining a sewerage disposal system. The system is operated by a five-member board of commissioners, appointed one each by the Town, Water and Sewer Commission No. 2 and the City of Patterson, and two appointed by the St. Mary Parish Council (one each from Wards 5 and 8 of the parish). The costs of constructing the system, which amounted to approximately \$10,300,000, were paid by the participants in the following percentages:

Town of Berwick	27.05 %
City of Patterson	27.75
St. Mary Parish	<u>45.20</u>
Total	<u>100.00 %</u>

The board operates and maintains the system as the “St. Mary Parish Wards 5 and 8 Joint Sewerage Commission”. Operating expenses are paid from revenues generated by charging the participants a monthly fee based on a percentage of water consumption by residents of participating units. The Town finances its share of the fees paid from a governmental type (Special Revenue) fund and has not included its 27.05% share of the system in these financial statements.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Following is a summary of the financial statements issued by the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2018 which includes only the assets and liabilities required in operating and maintaining the system and does not include the original \$10,300,000 construction cost paid by the participants.

The balance sheet reflected the following:

Total assets and deferred outflows of resources	\$ 1,786,441
Total liabilities and deferred inflows of resources	<u>(310,704)</u>
Total net assets	<u>\$ 1,475,737</u>

The statement of revenues and expenses for the fiscal year ended September 30, 2018 reflected the following:

Operating revenues	\$ 953,018
Non-operating revenues	3,256
Operating expenses	<u>(1,031,836)</u>
Change in net position	<u>\$ (75,562)</u>

Additional information may be obtained from the separately issued financial statements of the Berwick/Bayou Vista Joint Waterworks District and Wards 5 and 8 Joint Sewerage Commission as made publicly available on the Louisiana Legislative Auditor's website.

(19) New Accounting Pronouncements Scheduled to be Implemented

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

GASB Statement No. 84, *Fiduciary Activities* (January 2017)

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of GASB Statement No. 84 are effective for fiscal periods beginning after December 15, 2018. The effects of implementation or its applicability on the Town's financial statements has not yet been determined.

GASB Statement No. 87, *Leases* (June 2017)

The Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after December 15, 2019. The effects of implementation or its applicability on the Town's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund
 Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 451,000	\$ 451,000	\$ 439,035	\$ (11,965)
Drainage	76,000	76,000	76,452	452
Sales	410,000	410,000	400,897	(9,103)
TV cable franchise fees	35,000	35,000	18,225	(16,775)
Utility franchise fees	235,000	235,000	196,976	(38,024)
Tobacco and beer	2,000	2,000	2,203	203
	<u>1,209,000</u>	<u>1,209,000</u>	<u>1,133,788</u>	<u>(75,212)</u>
Licenses and permits:				
Occupational licenses	240,000	240,000	218,394	(21,606)
Permits	10,000	10,000	6,987	(3,013)
	<u>250,000</u>	<u>250,000</u>	<u>225,381</u>	<u>(24,619)</u>
Intergovernmental:				
State of Louisiana	131,300	131,300	147,318	16,018
St. Mary Parish Council	28,000	28,000	113,309	85,309
	<u>159,300</u>	<u>159,300</u>	<u>260,627</u>	<u>101,327</u>
Fees, Commissions, and Charges for Services:				
Wharf leases	50,000	50,000	78,807	28,807
Payments in lieu of taxes	-	-	26,833	26,833
Cemetery plot and mausoleum sales	15,000	15,000	26,200	11,200
Mosquito abatement	50,000	50,000	48,519	(1,481)
Witness fees	35,000	2,000	250	(1,750)
Telephone commissions	2,000	-	-	-
Prison meals	50,000	50,000	31,488	(18,512)
Property rentals	20,000	20,000	12,265	(7,735)
	<u>222,000</u>	<u>187,000</u>	<u>224,362</u>	<u>37,362</u>
Fines and forfeits	<u>75,000</u>	<u>75,000</u>	<u>53,215</u>	<u>(21,785)</u>
Interest	<u>1,500</u>	<u>1,500</u>	<u>4,672</u>	<u>3,172</u>
Miscellaneous	<u>7,500</u>	<u>42,500</u>	<u>143,859</u>	<u>101,359</u>
Total revenues	<u>1,924,300</u>	<u>1,924,300</u>	<u>2,045,904</u>	<u>121,604</u>

(continued)

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund (continued)
 Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government -				
Administrative salaries	\$ 351,771	\$ 351,771	\$ 373,407	\$ (21,636)
Payroll taxes	8,136	8,136	9,580	(1,444)
Retirement	92,350	92,350	107,946	(15,596)
Health insurance	78,600	78,600	76,381	2,219
Workers' compensation insurance	3,532	3,532	2,692	840
Office maintenance and operations	70,500	70,500	92,445	(21,945)
Dues and subscriptions	3,500	3,500	4,647	(1,147)
Publications and notices	14,500	14,500	7,803	6,697
Legal and accounting	82,000	82,000	91,616	(9,616)
Town hall maintenance and supplies	50,000	50,000	61,197	(11,197)
Cost of preparing tax rolls	3,500	3,500	3,370	130
Magistrate fees	6,000	6,000	6,000	-
Liability and property insurance	175,000	175,000	129,437	45,563
Autopsy fees	5,000	5,000	2,830	2,170
Other charges	<u>76,000</u>	<u>76,000</u>	<u>88,649</u>	<u>(12,649)</u>
Total general government	<u>1,020,389</u>	<u>1,020,389</u>	<u>1,058,000</u>	<u>(37,611)</u>
Public Safety -				
Fire:				
Salaries	44,650	44,650	40,986	3,664
Payroll taxes	1,036	1,036	649	387
F/D retirement fund	10,507	10,507	10,801	(294)
Health insurance	6,977	6,977	5,785	1,192
Workers' compensation insurance	2,558	2,558	1,952	606
Telephone	4,000	4,000	6,734	(2,734)
Power	5,000	5,000	2,242	2,758
Equipment maintenance	35,000	35,000	27,576	7,424
Supplies	15,000	15,000	62,546	(47,546)
Other charges	<u>8,700</u>	<u>8,700</u>	<u>10,234</u>	<u>(1,534)</u>
Total fire	<u>133,428</u>	<u>133,428</u>	<u>169,505</u>	<u>(36,077)</u>

(continued)

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund (continued)
 Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Police:				
Salaries	529,404	529,404	549,563	(20,159)
Payroll taxes	8,494	8,494	9,673	(1,179)
Police retirement fund	154,219	154,219	167,049	(12,830)
Health insurance	147,093	147,093	123,851	23,242
Workers' compensation insurance	21,267	21,267	18,860	2,407
Automobile expenses	38,500	38,500	45,076	(6,576)
Supplies	12,000	12,000	16,075	(4,075)
Uniforms	5,000	5,000	2,577	2,423
Radio maintenance	5,000	5,000	295	4,705
Telephone	15,000	15,000	12,398	2,602
Prisoner expenses	15,000	15,000	9,253	5,747
Other charges	8,000	8,000	15,770	(7,770)
Total police	<u>958,977</u>	<u>958,977</u>	<u>970,440</u>	<u>(11,463)</u>
Total public safety	<u>1,092,405</u>	<u>1,092,405</u>	<u>1,139,945</u>	<u>(47,540)</u>
Public works -				
Streets:				
Salaries	95,359	95,359	90,567	4,792
Payroll taxes	1,574	1,574	2,296	(722)
Retirement	23,840	23,840	20,358	3,482
Health insurance	34,292	34,292	22,818	11,474
Workers' compensation insurance	8,325	8,325	7,798	527
Equipment maintenance	25,000	25,000	39,002	(14,002)
Power	90,000	90,000	87,444	2,556
Materials and repairs	117,000	117,000	79,148	37,852
Other charges	6,500	6,500	8,942	(2,442)
Total streets	<u>401,890</u>	<u>401,890</u>	<u>358,373</u>	<u>43,517</u>
Drainage:				
Salaries	65,772	65,772	62,438	3,334
Payroll taxes	1,086	1,086	1,478	(392)
Retirement	16,630	16,630	12,919	3,711
Health insurance	20,623	20,623	11,029	9,594
Workers' compensation insurance	4,190	4,190	3,165	1,025
Maintenance and repairs	42,500	42,500	18,271	24,229
Power	7,500	7,500	7,385	115
Other charges	3,000	3,000	3,459	(459)
Total drainage	<u>161,301</u>	<u>161,301</u>	<u>120,144</u>	<u>41,157</u>
Cemetery:				
Maintenance	<u>45,000</u>	<u>45,000</u>	<u>30,143</u>	<u>14,857</u>
Total public works	<u>608,191</u>	<u>608,191</u>	<u>508,660</u>	<u>99,531</u>

(continued)

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund (continued)
 Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation -				
Salaries	107,499	157,499	140,052	17,447
Payroll taxes	2,309	2,309	2,600	(291)
Retirement	24,286	24,286	30,949	(6,663)
Health insurance	13,979	13,979	25,038	(11,059)
Workers' compensation insurance	4,042	4,042	4,429	(387)
Maintenance and repairs	98,500	98,500	79,630	18,870
Utilities	31,800	31,800	29,113	2,687
Miscellaneous	11,650	11,650	13,287	(1,637)
Total culture and recreation	<u>294,065</u>	<u>344,065</u>	<u>325,098</u>	<u>18,967</u>
Supporting Services -				
Mosquito abatement	15,000	15,000	8,608	6,392
Rabies control	5,000	5,000	2,335	2,665
Total supporting services	<u>20,000</u>	<u>20,000</u>	<u>10,943</u>	<u>9,057</u>
Capital Outlay -				
Administration	-	-	4,725	(4,725)
Police	-	-	4,820	(4,820)
Streets	-	620,000	651,957	(31,957)
Drainage	-	-	46,675	(46,675)
Culture and recreation	-	-	28,506	(28,506)
Total capital outlay	<u>-</u>	<u>620,000</u>	<u>736,683</u>	<u>(116,683)</u>
Total expenditures	<u>3,035,050</u>	<u>3,705,050</u>	<u>3,779,329</u>	<u>(74,279)</u>
Deficiency of revenues over expenditures	(1,110,750)	(1,780,750)	(1,733,425)	47,325
Other financing sources (uses):				
Transfers in	1,115,000	1,530,000	1,531,559	1,559
Transfers out	-	-	(12,694)	(12,694)
Total other financing sources (uses)	<u>1,115,000</u>	<u>1,530,000</u>	<u>1,518,865</u>	<u>(11,135)</u>
Net change in fund balance	4,250	(250,750)	(214,560)	36,190
Fund balance, beginning	<u>1,656,863</u>	<u>1,656,863</u>	<u>1,656,863</u>	<u>-</u>
Fund balance, ending	<u>\$1,661,113</u>	<u>\$ 1,406,113</u>	<u>\$ 1,442,303</u>	<u>\$ 36,190</u>

See notes to required supplementary information.

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 1% Sales Tax Fund
 Year Ended September 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes - sales taxes	\$ 600,000	\$ 600,000	\$ 618,361	\$ 18,361
Interest earned	<u>3,500</u>	<u>3,500</u>	<u>3,444</u>	<u>(56)</u>
Total revenues	<u>603,500</u>	<u>603,500</u>	<u>621,805</u>	<u>18,305</u>
Other financing uses:				
Operating transfer out	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Net change in fund balance	3,500	3,500	21,805	18,305
Fund balance, beginning	<u>1,266,539</u>	<u>1,266,539</u>	<u>1,266,539</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,270,039</u>	<u>\$ 1,270,039</u>	<u>\$ 1,288,344</u>	<u>\$ 18,305</u>

See notes to required supplementary information.

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 3/4% Sales Tax Liquid and Solid Waste Fund
 Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes - sales tax	\$ 550,000	\$ 550,000	\$ 583,608	\$ 33,608
Sewer service charges	435,017	435,017	502,726	67,709
Sanitation service charges	388,800	388,800	401,245	12,445
Intergovernmental	-	-	78,154	78,154
Interest earned	2,000	2,000	2,835	835
Total revenues	<u>1,375,817</u>	<u>1,375,817</u>	<u>1,568,568</u>	<u>192,751</u>
Expenditures:				
Sanitation -				
Salaries	241,032	241,032	206,305	34,727
Payroll taxes	4,542	4,542	3,485	1,057
Municipal retirement	58,572	58,572	51,046	7,526
Health insurance	54,082	54,082	33,513	20,569
Workers' compensation insurance	12,461	12,461	7,843	4,618
Waste disposal fees	404,210	404,210	404,252	(42)
Maintenance	80,500	80,500	60,755	19,745
Other charges	15,000	15,000	15,073	(73)
Sewer treatment fees	272,725	272,725	262,780	9,945
Power	25,000	25,000	24,974	26
Capital outlay	-	150,000	31,366	118,634
Total expenditures	<u>1,168,124</u>	<u>1,318,124</u>	<u>1,101,392</u>	<u>216,732</u>
Excess of revenues over expenditures	207,693	57,693	467,176	409,483
Other financing sources (uses):				
Operating transfers in	-	-	3,251	3,251
Operating transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(196,749)</u>	<u>3,251</u>
Net change in fund balance	7,693	(142,307)	270,427	412,734
Fund balance, beginning	<u>815,223</u>	<u>815,223</u>	<u>815,223</u>	<u>-</u>
Fund balance, ending	<u>\$ 822,916</u>	<u>\$ 672,916</u>	<u>\$ 1,085,650</u>	<u>\$ 412,734</u>

See notes to required supplementary information.

TOWN OF BERWICK, LOUISIANA

Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended September 30, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service cost	\$ 23,092	\$ 15,255
Interest	16,747	14,505
Effect of economic/demographic gains/loses	(112,082)	(23,508)
Changes in assumptions or other inputs	(13,389)	47,978
Benefits payments	<u>(5,400)</u>	<u>(7,200)</u>
Net change in total OPEB liability	(91,032)	47,030
Total OPEB liability, beginning	<u>458,068</u>	<u>367,036</u>
Total OPEB liability, ending	<u>\$ 367,036</u>	<u>\$ 414,066</u>
Covered employee payroll	<u>\$ 1,642,461</u>	<u>\$ 1,594,153</u>
Total OPEB liability as a percentage of covered employee payroll	<u>22.35%</u>	<u>25.97%</u>

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

TOWN OF BERWICK, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Year Ended September 30, 2019

Plan Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System					
2015	0.677640%	2,420,636	1,093,093	221.4%	66.18%
2016	0.645779%	2,646,861	1,153,584	229.4%	62.11%
2017	0.621710%	2,600,875	1,131,114	229.9%	62.49%
2018	0.554186%	2,294,706	1,011,787	226.8%	63.94%
2019	0.552172%	2,307,341	1,041,503	221.5%	64.68%
Municipal Police Employees' Retirement System					
2015	0.136493%	1,069,280	353,157	302.8%	70.73%
2016	0.166519%	1,560,752	463,980	336.4%	66.04%
2017	0.169168%	1,476,908	505,017	292.4%	70.08%
2018	0.178817%	1,511,730	527,714	286.5%	71.89%
2019	0.164280%	1,491,938	513,030	290.8%	71.01%
Firefighters' Retirement System					
2015	0.017434%	94,093	34,738	270.9%	72.45%
2016	0.017297%	113,138	39,000	290.1%	68.16%
2017	0.016382%	93,899	38,250	245.5%	73.55%
2018	0.016381%	94,225	39,000	241.6%	74.76%
2019	0.016447%	102,990	39,750	259.1%	73.96%

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

TOWN OF BERWICK, LOUISIANA

Schedule of Employer Contributions
Year Ended September 30, 2019

<u>Fiscal Year ended September 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Municipal Employees' Retirement System					
2015	\$ 232,692	\$ 232,692	-	\$ 1,178,189	19.75%
2016	\$ 239,634	\$ 239,634	-	\$ 1,166,611	20.54%
2017	\$ 256,863	\$ 256,863	-	\$ 1,131,114	22.71%
2018	\$ 254,740	\$ 254,740	-	\$ 1,015,989	25.07%
2019	\$ 274,610	\$ 274,610	-	\$ 1,037,212	26.48%
Municipal Police Employees' Retirement System					
2015	\$ 113,967	\$ 113,967	-	\$ 367,932	30.98%
2016	\$ 154,787	\$ 154,787	-	\$ 511,734	30.25%
2017	\$ 160,344	\$ 160,344	-	\$ 505,017	31.75%
2018	\$ 166,147	\$ 166,147	-	\$ 533,323	31.15%
2019	\$ 167,049	\$ 167,049	-	\$ 516,842	32.32%
Firefighters' Retirement System					
2015	\$ 10,920	\$ 10,920	-	\$ 38,018	28.72%
2016	\$ 10,826	\$ 10,826	-	\$ 40,500	26.73%
2017	\$ 9,662	\$ 9,662	-	\$ 38,250	25.26%
2018	\$ 10,335	\$ 10,335	-	\$ 39,000	26.50%
2019	\$ 10,762	\$ 10,762	-	\$ 40,100	26.84%

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

TOWN OF BERWICK, LOUISIANA

Notes to Required Supplementary Information
Year Ended September 30, 2019

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Mayor and the Town Council.

(2) Budgets and Budgetary Reporting

The Town follows these procedures in establishing budgetary data:

1. The Town's chief administrative officer prepares a proposed budget for the general and special revenue funds and submits them to the Mayor and Town Council.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Town Council.
6. All budgetary appropriations lapse at the end of each fiscal year.

(3) Expenditures in Excess of Appropriations

Actual expenditures exceeded budgeted appropriations in the General Fund by \$74,279.

TOWN OF BERWICK, LOUISIANA

Notes to Required Supplementary Information (continued)
Year Ended September 30, 2019

(4) Retirement Systems

Municipal Employees' Retirement System

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

Changes of assumptions –

Plan Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.500%	7.500%	2.875%	3	5.000%
2016	7.500%	7.500%	2.875%	3	5.000%
2017	7.400%	7.400%	2.775%	3	5.000%
2018	7.275%	7.275%	2.600%	3	5.000%
2019	7.000%	7.000%	2.500%	3	4.5% - 6.5%

Municipal Police Employees' Retirement System

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

Changes of assumptions –

Plan Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.500%	7.500%	2.875%	4	4.25% - 9.75%
2016	7.500%	7.500%	2.875%	4	4.25% - 9.75%
2017	7.325%	7.325%	2.700%	4	4.25% - 9.75%
2018	7.200%	7.200%	2.600%	4	4.25% - 9.75%
2019	7.125%	7.125%	2.500%	4	4.25% - 9.75%

TOWN OF BERWICK, LOUISIANA

Notes to Required Supplementary Information (continued)
Year Ended September 30, 2019

Firefighters' Retirement System

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

Changes of assumptions –

Plan Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.500%	7.500%	2.875%	7	4.75% - 15.0%
2016	7.500%	7.500%	2.875%	7	4.75% - 15.0%
2017	7.400%	7.400%	2.775%	7	4.75% - 15.0%
2018	7.300%	7.300%	2.700%	7	4.75% - 15.0%
2019	7.150%	7.150%	2.500%	7	4.5% - 14.75%

(5) Other Postemployment Benefits

Changes in Benefit Terms- None

Changes in Assumptions- Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Period	Discount Rate
2018	3.83%
2019	2.75%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BERWICK, LOUISIANA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
	Public Improvement Maintenance Fund	LCDBG Grant Fund	Berwick Memorial Perpetual Care Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 435,078	\$ 15	\$ 90,839	\$ 525,932
Receivables:				
Taxes	<u>591</u>	<u>-</u>	<u>-</u>	<u>591</u>
Total assets	<u>\$ 435,669</u>	<u>\$ 15</u>	<u>\$ 90,839</u>	<u>\$ 526,523</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 52,235	\$ 52,235
Restricted	435,669	-	38,604	474,273
Assigned	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>
Total fund balances	<u>\$ 435,669</u>	<u>\$ 15</u>	<u>\$ 90,839</u>	<u>\$ 526,523</u>

TOWN OF BERWICK, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended September 30, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
	<u>Public Improvement Maintenance Fund</u>	<u>LCDBG Grant Fund</u>	<u>Berwick Memorial Perpetual Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 219,399	\$ -	\$ -	\$ 219,399
Miscellaneous	<u>-</u>	<u>5</u>	<u>279</u>	<u>284</u>
Total revenues	<u>219,399</u>	<u>5</u>	<u>279</u>	<u>219,683</u>
Other financing sources (uses):				
Operating transfers in	-	-	4,903	4,903
Operating transfers out	<u>(215,000)</u>	<u>-</u>	<u>-</u>	<u>(215,000)</u>
Total other financing sources (uses)	<u>(215,000)</u>	<u>-</u>	<u>4,903</u>	<u>(210,097)</u>
Net change in fund balances	4,399	5	5,182	9,586
Fund balances, beginning	<u>431,270</u>	<u>10</u>	<u>85,657</u>	<u>516,937</u>
Fund balances, ending	<u>\$ 435,669</u>	<u>\$ 15</u>	<u>\$ 90,839</u>	<u>\$ 526,523</u>

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Duval Arthur, Jr., Mayor
and Members of the Town Council
Town of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berwick (hereinafter "Town"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 4, 2020.

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.

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 Town's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of audit results and findings as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2019-002.

Town's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 4, 2020

TOWN OF BERWICK, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

A. Internal Control -

2018-001 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CURRENT STATUS: See schedule of audit results and findings item 2019-001.

B. Compliance -

No findings were reported under this section.

C. OMB Uniform Guidance –

Not applicable in the prior period.

D. Management Letter –

CONDITION: The Town failed to remit complete retirement contributions in a timely manner and incurred costs for an employee's portion of retirement contributions.

CURRENT STATUS: This issue has been resolved.

TOWN OF BERWICK, LOUISIANA

Schedule of Audit Results and Findings
Year Ended September 30, 2019

Part I. Summary of Audit Results

Unmodified opinions have been issued on the financial statements of the Town's governmental activities, business-type activities, each major fund (General Fund, 1% Sales Tax Fund, ¾% Sales Tax Liquid and Solid Waste Fund, Street and Road Improvement Construction Fund, Gas Enterprise Fund, and Water Enterprise Fund), and the aggregate remaining fund information.

A deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and is considered to be a material weakness.

An instance of noncompliance required to be reported under *Government Auditing Standards* was identified and included in Part II of this schedule.

A management letter was not issued.

Part II. Findings reported in accordance with *Government Auditing Standards*

A. Internal Control Finding-

2019-001 – Segregation of Duties

Year Initially Occurring: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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

TOWN OF BERWICK, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2019

B. Compliance Finding-

2019-002 – Public Bid Law

Year Initially Occurring: 2019

CONDITION: The Town awarded various street repair contracts during the fiscal year ended September 30, 2019. Due to the significance of amounts paid and the similarity and continuous nature of the expenditures, the street repair projects may have been subject to the Public Bid Law.

CRITERIA: RS 38:2211 et seq (The Public Bid Law) is the set of laws that governs contracts for public works and the purchase of materials and supplies by public entities that meet certain threshold requirements. The purpose of the Public Bid Law is to ensure that public entities receive the best possible price when using public funds for the procurement of materials and supplies or public works. The Public Bid Law is a prohibitory law founded on public policy and therefore, public entities must strictly comply with its provisions absent express exception in law.

A public work, as defined in the statute, includes any contract for the erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used, or leased by a public entity. The statute requires that all contracts for public works exceeding the current contract threshold must be advertised for bid and let for contract with the lowest responsible or responsive bidder. Additionally, for contracts that do not exceed the contract threshold, the Louisiana Legislative Auditor recommends that the contract be administered by a Request for Proposals process and/or solicitation of at least three bids.

CAUSE: The cause of the condition is the failure of the Town to establish policies and procedures to ensure that applicable laws and regulations are complied with.

EFFECT: The Town may be in violation of the Public Bid Law for failure to obtain public bids on a public works project in excess of the current contract threshold established by the statute.

RECOMMENDATION: We recommend that the Town's management develop and implement policies and procedures to ensure that the Town complies with the public bid law when it applies.

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

The requirements of the Uniform Guidance are not applicable.

CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS

APPENDIX A



TOWN OF BERWICK

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Berwick, LA 70342
www.townofberwick.org

March 5, 2020

Mayor:
Duval Arthur

Kolder, Slaven & Company, LLC
1201 David Drive
Morgan City, LA 70380

Mayor Protem:
Lud Henry

Councilmen:
James Richard

The following is in response to the findings resulting from the Town's audit for the fiscal year ended September 30, 2019:

Kevin Hebert

2019-001- Segregation of Duties

Colleen Askew

Raymond Price

Accounting and financial functions are not adequately segregated.

CAO:
Newell Slaughter

Management's Response

Town Clerk:
Jamie Keith

Corrective Action Plan: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. However, the Town will evaluate current practices to determine if policies and procedures can be implemented to achieve complete segregation of duties.

Name of contact person responsible for corrective action: Newell Slaughter, CAO

Anticipated completion date for the corrective action: March 31, 2020.

2019-002- Public Bid Law

The Town awarded various street repair contracts during the fiscal year ended September 30, 2019. Due to the significance of amounts paid and the similarity and continuous nature of the expenditures, the street repair projects may have been subject to the Public Bid Law.


Management's Response

Corrective Action Plan: The Town's management concurs with the exceptions and are working to address the deficiencies identified. The Town will develop and implement policies and procedures to ensure that The Town complies with the public laws. Even though The Town did not comply fully with the public laws, The Town did request three quotes and received two quotes from contractors to perform the street repair.

Name of contact person responsible for corrective action: Newell Slaughter, CAO

Anticipated completion date for the corrective action: March 31, 2020

Sincerely,


Duval Arthur, Mayor

TOWN OF BERWICK

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2018 through September 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

The Honorable Duval Arthur, Mayor, and Members of the Town Council
Town of Berwick, Louisiana, and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Berwick (hereinafter "Town") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019, as required by the *Louisiana Governmental Audit Guide*. The Town's management is responsible for those control and compliance 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 provisions of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the Town and LLA. 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 exceptions 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.

The Town does not have written policies and procedures on budgeting functions.

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.

The Town does not have written policies and procedures on purchasing functions.

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

The Town does not have written policies and procedures on disbursement functions.

- 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).

The Town does not have written policies and procedures on receipt/collection functions.

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

Written policies and procedures were obtained but do not include provisions for reviewing and approving time and attendance records. However, approval required for leave and overtime worked are included in written policies and procedures.

- 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.

The Town does not have written policies and procedures on contracting functions.

- 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 (e.g., determining the reasonableness of fuel card purchases).

The Town does not have written policies and procedures on credit card functions.

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

Written policies and procedures were obtained and address the functions noted above, with the exception of dollar thresholds by each category of expense. However, written policies and procedures updated in March 2019 do not include provisions for 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.

The Town does not have written policies and procedures on ethics functions.

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

The Town does not have written policies and procedures on debt service functions.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Town does not have written policies and procedures on disaster recovery/business continuity functions.

Board or Finance Committee

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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.
 - 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. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

Bank Reconciliations

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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:
 - 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);
 - 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
 - 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.

Collections (excluding EFTs)

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 a listing of deposit sites and management's representation that the listing is complete. Selected the Town's one (1) deposit site.

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 and 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:

Obtained a listing of collection locations and management's representation that the listing is complete. Selected the Town's one (1) collection location and inquired of employees about their job duties.

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

Employees that are responsible for cash collections may share cash drawers/registers.

- 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 employee responsible for collecting cash is also responsible for preparing/making bank deposits with no other employee responsible for reconciling collection documentation to the deposit.

- 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 employee responsible for collecting cash is also responsible for posting collection entries to the general ledger or subsidiary ledgers with no other employee responsible for reconciling ledger postings to each other and to the deposit.

- 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.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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:

Obtained a listing of all cash accounts and management's representation that the listing is complete. Randomly selected five (5) cash accounts and two (2) deposit dates for each of the five (5) cash accounts.

- a) Observe that receipts are sequentially pre-numbered.
No exceptions were found as a result of this procedure.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No exceptions were found as a result of this procedure.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
No exceptions were found as a result of 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).
Two (2) of the ten (10) deposit dates selected included receipts that were not deposited within one business day of collection.
- e) Trace the actual deposit per the bank statement to the general ledger.
No exceptions were found as a result of this procedure.

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).
Obtained a listing of locations that process payments and management's representation that the listing is complete. Selected the Town's one (1) location.
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.
No exceptions were found as a result of this procedure.
 - b) At least two employees are involved in processing and approving payments to vendors.
No exceptions were found as a result of this procedure.
 - 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 and no other employee periodically reviews changes to the 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 processing payments is also responsible for mailing 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:

Obtained the Town's non-payroll disbursement transaction population and management's representation that the listing is complete. Randomly selected five (5) disbursements and obtained supporting documentation for each.

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

No exceptions were found as a result of 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.

No exceptions were found as results of this procedure.

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

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.
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 (or electronically approved), 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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

Contracts

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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.
 - 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.

Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five (5) employees/officials and agreed paid salaries to authorized salaries/pay rates in the personnel files.

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.)

Two (2) of the five (5) selected employees did not document their daily attendance.

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

Supervisors approved the attendance and leave records of the selected employee/officials, as applicable.

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

No exceptions were found as a result of 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.

Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the listing is complete. Randomly selected two (2) employees, obtained related documentation of the hours and pay rates used in the calculation of termination payment and agreed the hours to the Town's cumulative records and pay rates to the employees' authorized pay rates in the personnel files.

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 were found as a result of this procedure.

Ethics

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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.
 - 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.

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.

Obtained management's representation that no bonds/notes were 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Obtained management's representation that no bonds/notes were outstanding at the end of the fiscal period.

Other

Note: Procedures excluded from testing in the current period — Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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.
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.

Management's Response

The Town's management concurs with the exceptions and are working to address the deficiencies identified.

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 control and compliance 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 control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information of and use by the Town's management and the LLA and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 4, 2020