

**BERWICK-BAYOU VISTA
JOINT WATERWORKS COMMISSION**
Parish of St. Mary, Louisiana

Financial Report

Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Proprietary Fund Type - Internal Service Fund	
Statement of net position	4-5
Statement of revenues, expenses, and changes in net position	6
Statement of cash flows	7-8
Notes to financial statements	9-23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of employer's share of net pension liability (asset)	25
Schedule of employer contributions	26
Note to retirement system schedules	27
SUPPLEMENTARY INFORMATION	
Schedule of charges for the past five reporting periods	29
Schedule of certificates of deposit	30
Schedule of insurance in force	31
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	33-34
Summary schedule of prior audit findings	35
Schedule of audit results and findings	36-37
Corrective action plan for current audit findings	38

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Berwick-Bayou Vista Joint Waterworks Commission
Berwick, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Berwick-Bayou Vista Joint Waterworks Commission (hereinafter "Commission"), a joint venture of the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of September 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedule of employer's share of net pension liability/(asset) on page 25, schedule of employer contributions on page 26, or note to retirement system schedules on page 27 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information as listed in the tables of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The summary of charges for the past five reporting periods on page 29, schedule of certificates of deposit on page 30, and schedule of insurance in force on page 31 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 May 5, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 5, 2020

BASIC FINANCIAL STATEMENTS

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Net Position
September 30, 2019

ASSETS

Current assets:	
Cash	\$ 8,636
Due from participants	60,582
Inventory	24,918
Prepaid insurance	<u>11,273</u>
Total current assets	<u>105,409</u>
Noncurrent assets:	
Restricted assets	138,935
Capital assets, net of accumulated depreciation	982,211
Deposits	<u>1,242</u>
Total noncurrent assets	<u>1,122,388</u>
Total assets	1,227,797

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>60,375</u>
Total assets and deferred outflows of resources	<u>\$ 1,288,172</u>

(continued)

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Net Position (continued)
September 30, 2019

LIABILITIES

Current liabilities	
Accounts payable	\$ 31,838
Accrued payroll liabilities	5,888
Compensated absences	5,494
Retirement payable	5,540
Total current liabilities	<u>48,760</u>
Noncurrent liabilities:	
Net pension liability	<u>51,429</u>
Total liabilities	<u>100,189</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>15,341</u>
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NET POSITION

Net investment in capital assets	982,211
Restricted	138,935
Unrestricted	51,496
Total net position	<u>1,172,642</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,288,172</u>

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

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

Operating revenues	
Charges for services	\$ 628,026
Repair and maintenance fee	71,038
Other	2,497
Total operating revenues	<u>701,561</u>
Operating expenses	
Advertising	816
Chemicals	148,394
Compensated absences	3,167
Depreciation	130,281
Dues and subscriptions	1,366
Engineering	500
Equipment rental	868
Insurance	68,319
Janitorial	557
Lab fees	840
Legal and accounting	25,664
Mileage	2,146
Miscellaneous	3,726
Office	5,643
Repairs and maintenance	57,465
Retirement	24,974
Taxes - payroll	18,670
Telephone	5,101
Travel	1,061
Uniforms	2,128
Utilities	91,599
Wages	229,800
Total operating expenses	<u>823,085</u>
Loss from operations	<u>(121,524)</u>
Nonoperating revenues	
Dividend	3,695
Interest	277
Total Nonoperating revenues	<u>3,972</u>
Income (loss) before other revenues	(117,552)
Capital contributions	<u>12,105</u>
Change in net position	(105,447)
Net position, beginning	<u>1,278,089</u>
Net position, ending	<u>\$ 1,172,642</u>

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Cash Flows
Year Ended September 30, 2019

Cash flows from operating activities	
Received from participants	\$ 690,134
Paid to suppliers	(433,374)
Paid to and for employees	<u>(215,190)</u>
Net cash provided by operating activities	<u>41,570</u>
Cash flows used by capital and related financing activities	
Acquisition of capital assets	<u>(28,402)</u>
Cash flows from investing activities	
Dividends	3,695
Interest received	<u>277</u>
Net cash provided by capital and related financing activities	<u>3,972</u>
Net increase in cash and cash equivalents	17,140
Cash and cash equivalents, beginning	<u>124,014</u>
Cash and cash equivalents, ending	<u>\$ 141,154</u>

(continued)

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Cash Flows (continued)
Year Ended September 30, 2019

Reconciliation of operating loss to net cash provided by operating activities

Loss from operations	\$ (121,524)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	130,281
Changes in assets and liabilities:	
Inventory	17,464
Prepaid expenses	6,647
Due from participants	(8,930)
Deferred outflows of resources	(35,470)
Accounts payable	2,352
Payroll related liabilities	1,059
Retirement payable	1,181
Compensated absences	3,167
Deferred inflows of resources	(36,796)
Net pension liability	<u>82,139</u>
Net cash provided by operating activities	<u>\$ 41,570</u>

Reconciliation of total cash:

Nonrestricted assets - cash	\$ 8,636
Restricted assets - cash	42,207
Restricted assets - certificates of deposits	<u>90,311</u>
Total cash and certificates of deposits	<u>\$ 141,154</u>

Noncash Capital and Related Financing Activities:

Capital assets of \$12,105 were acquired through contributions from the Town of Berwick.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements

INTRODUCTION

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

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

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. 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.

Government Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. 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 reporting entity to impose its will on the organization, and/or (b) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

B. Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of changes in net position, financial position, and cash flows. 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 a proprietary fund's principal ongoing operations. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an internal service fund.

Internal service funds –

An internal service fund is a proprietary fund that is used to account for any activity that provides goods or services to other governments, on a cost-reimbursement basis. The operating revenues of the Commission are from sales to municipal and other governmental customers. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Internal service fund activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Internal service fund equity is classified as net position.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Basis of Accounting

Internal service funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset is used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the statement of cash flows, "cash and equivalents" include demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Inventory

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

Prepaid items

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

Capital assets

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Restricted Assets

As stated in the introductory paragraph, the Commission also bills its participants a repair and replacement fee on a monthly basis which is used for major repairs and capital outlay expenditures that exceed \$1,000. This fee is charged to the participants based on their water usage at a rate of 20 cents per one thousand gallons. These proceeds are classified as restricted assets on the balance sheet due to their limited use.

Compensated absences

Accumulated vacation is accrued as an expense of the period in which incurred. Employees earn from 5 to 15 days of vacation each year depending on the length of services with the Commission. Vacation time not used by the end of the calendar year does not carry over. At September 30, 2019, earned vacation leave totaling \$5,494 has been accrued in the financial statements.

Deferred outflows of resources and deferred inflows of resources

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

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

Pensions

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

Equity classifications

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

- 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 does not meet the definition of “restricted” or “net investment in capital assets”.

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

E. Revenues and Expenses

The Commission uses the following practices in recording certain revenues and expenses:

Revenues

Charges for water service are based upon usage and are recorded as revenues and receivables in the month the service is provided. Investment earnings are recorded when earned.

Expenses

Expenses are recognized in the period that the liabilities are incurred.

F. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks having principal offices in Louisiana. At September 30, 2019, the Commission had cash and cash equivalents (book balances) totaling \$141,154 in cash and interest-bearing deposits.

The Commission’s deposits are stated at cost, which approximates market. Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2019, the Commission has \$143,530 in deposits (bank balances). These deposits are secured from risk by federal deposit insurance and are, therefore, not exposed to custodial credit risk.

(3) Due from other Governmental Units

Due from other governmental units are amounts due from each participant for unpaid user fees of the water system and reimbursements of expenses from other governmental units.

At September 30, 2019, amounts due from other governmental units consisted of the following:

Town of Berwick	\$ 35,849
St. Mary Parish Water and Sewer Commission No. 2	30,937
Total due from other governments	<u>\$ 66,786</u>

(4) Capital Assets

Capital asset and depreciation activity for the year ended September 30, 2019 is as follows:

	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of year</u>
Capital assets, being depreciated				
Improvements	\$ 1,697,727	\$ 17,154	\$ -	\$ 1,714,881
Furniture and fixtures	3,199	-	-	3,199
Equipment	367,662	23,353	(9,437)	381,578
Total assets, being depreciated	<u>2,068,588</u>	<u>40,507</u>	<u>(9,437)</u>	<u>2,099,658</u>
Less accumulated depreciation for				
Improvements	(761,046)	(91,757)	-	(852,803)
Furniture and fixtures	(1,087)	(640)	-	(1,727)
Equipment	(234,470)	(37,884)	9,437	(262,917)
Total accumulated depreciation	<u>(996,603)</u>	<u>(130,281)</u>	<u>9,437</u>	<u>(1,117,447)</u>
Capital assets, net	<u>\$ 1,071,985</u>	<u>\$ (89,774)</u>	<u>\$ -</u>	<u>\$ 982,211</u>

Depreciation expense related to the utilization of fixed assets for the year ended September 30, 2019 was \$130,281.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

(5) Restricted Assets and Restricted Net Position

Restricted assets consisted of the following at September 30, 2019:

Cash	\$ 42,207
Certificates of deposit	90,311
Due from participants	6,204
Accrued interest	<u>213</u>
Total restricted assets	<u>\$ 138,935</u>

The total restricted assets of \$138,935 is also shown in the financial statements as restricted net position.

(6) Pension Plan

The employer pension schedules for the Parochial Employees' Retirement System of Louisiana are prepared using the accrual basis of accounting. Members' earnable compensation, for which the employer allocations are based, is recognized in the period in which the employee is compensated for services performed.

Substantially all of the Commission's employees are covered under the Parochial Employees' Retirement System of Louisiana. Details concerning the plan are:

Plan Description: The Parochial Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. Employees of the Commission are members of Plan B.

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

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

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

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

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan B shall consist of an amount equal to 2% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits: Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

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

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

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

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 2% of the member's final average compensation multiplied by his years of service, not to be less than 15, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases: The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements.

In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions: According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2018, the actuarially determined contribution rate was 7.01% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2018 was 7.50% for Plan B.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Non-employer Contributions: According to state statute, PERS also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended September 30, 2019, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$2,497 for its participation in PERS.

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

At September 30, 2019, the Commission reported liabilities in its financial statements of \$51,429 for its proportionate share of the net pension liabilities of PERS. The net pension liabilities were measured as of December 31, 2018 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Commission's proportional share of PERS was 0.190360%, which was a decrease of 0.053717% from its proportion measured as of December 31, 2017.

For the year ended September 30, 2019, the Commission recognized a pension expense of \$24,974 in its activities.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 11,459
Changes of assumptions	14,290	-
Net difference between projected and actual earnings on pension plan investments	35,216	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	344	3,882
Employer contributions subsequent to the measurement date	<u>10,525</u>	<u>-</u>
	<u>\$ 60,375</u>	<u>\$ 15,341</u>

The \$10,525 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase of 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	9,885
2021	4,351
2022	4,861
2023	<u>15,412</u>
	<u>\$ 34,509</u>

Actuarial Assumptions

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan B
Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.50%, net of investment expense, including inflation
Projected Salary Increases	4.25%
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants
Inflation Rate	2.40%

The discount rate used to measure the total pension liability was 6.50% for Plan B, which was a .25% decrease from the rate used as of December 31, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

The investment rate of return was 6.50% for Plan B, which was a .25% decrease from the rate used as of December 31, 2017. The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate Of Return</u>
Fixed Income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	<u>2%</u>	<u>0.11%</u>
Totals	<u>100%</u>	<u>5.43%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.43%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. 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. The RP-2000 Healthy Annuitant Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back four years for males and three years for females was used.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
Parish of St. Mary, State of Louisiana

Notes to Financial Statements (continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability/(asset) of the participating employers calculated using the discount rate of 6.50%, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower 5.50% or one percentage point higher 7.50% than the current rate.

	Changes in Discount Rate		
	2018		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	\$ 135,304	\$ 51,429	\$ (18,645)

Payables to the Pension Plan

The Commission recorded accrued liabilities to PERS 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 liabilities under the amounts reported as accrued liabilities. The balance due to PERS as of September 30, 2019 is \$4,114.

Pension Plan Fiduciary Net Positions

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the System available at www.persla.com.

(7) Related Party Transactions

The Commission charges its participants, all of which are governmental entities, for water service based upon usage. All of the Commission's participants are related parties. During the year ended September 30, 2019, the Commission recorded, as charges for services and repairs and maintenance fees, the following from related parties:

Town of Berwick	\$ 382,271
St. Mary Parish Water and Sewer Commission No. 2	<u>316,793</u>
Total related party revenue	<u>\$ 699,064</u>

The Commission also recorded \$12,105 in noncash capital contributions from the Town of Berwick.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
Parish of St. Mary, State of Louisiana

Notes to Financial Statements (continued)

(8) Compensation and Other Payments to Board Members

The Board of Commissioners consists of four members, two each appointed by the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2. According to the terms of the agreement, any compensation or expense reimbursement to the members are to be paid by the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2, respectively. Act 706 of the 2014 Legislative Session amended Louisiana R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. No payments which would require disclosure were made by the Commission to the Commission's agency head, Herb Mashburn, Chairman, or to the Board of Commissioners for the year ended September 30, 2019.

(9) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retention, or limits during the year ended September 30, 2019. Settled claims have not exceeded the commercial coverages in any of the previous three years.

REQUIRED SUPPLEMENTARY INFORMATION

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Employer's Share of Net Pension Liability/(Asset)
Year Ended September 30, 2019

Plan Year Ended <u>December 31</u>	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2014	0.268573%	\$ 746	222,818	0.33%	99.89%
2015	0.240325%	\$ 42,789	230,993	18.52%	93.48%
2016	0.216650%	\$ 38,144	215,822	17.67%	95.50%
2017	0.244077%	\$ (30,710)	247,516	-12.41%	104.02%
2018	0.190360%	\$ 51,429	199,150	25.82%	91.93%

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Employer Contributions
Year Ended September 30, 2019

Fiscal Year Ended September 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 22,088	\$ 22,088	\$ -	\$ 232,841	9.49%
2016	\$ 17,130	\$ 17,130	\$ -	\$ 207,983	8.24%
2017	\$ 19,111	\$ 19,111	\$ -	\$ 248,891	7.68%
2018	\$ 17,302	\$ 17,302	\$ -	\$ 226,989	7.62%
2019	\$ 12,604	\$ 12,604	\$ -	\$ 168,058	7.50%

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Note to Retirement System Schedules
Year Ended September 30, 2019

Parochial Employees' Retirement System

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

Changes of assumptions –

<u>Plan Year ended December 31</u>	<u>Discount Rate</u>	<u>Investment Rate of Return</u>	<u>Inflation Rate</u>	<u>Expected Remaining Service Lives</u>	<u>Projected Salary Increase</u>
2014	7.25%	7.25%	3.00%	4	5.75%
2015	7.00%	7.00%	2.50%	4	5.25%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	6.75%	6.75%	2.50%	4	5.25%
2018	6.50%	6.50%	2.40%	4	4.25%

SUPPLEMENTARY INFORMATION

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Summary of Charges for the Past Five Reporting Periods
Year Ended September 30, 2019

Year Ended September 30,	Berwick		Bayou Vista		Cost per 1,000 Gallons
	Gallons	Amount	Gallons	Amount	
2015	218,814,000	313,468	201,496,000	289,109	143.36
2016	209,820,000	287,674	211,988,000	292,406	137.52
2017	223,641,000	332,621	210,950,000	313,408	148.65
2018	202,919,000	345,003	179,580,000	303,224	169.47
2019	193,655,215	343,540	161,535,578	284,485	178.81

The Commission also bills the participants a repair and replacement fee on a monthly basis which is used for major repairs and capital outlay expenditures that exceed \$1,000. This fee is charged to the participants based on their water usage and is based on a rate of 20 cents per one thousand gallons. These proceeds are not included in the schedule presented above.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Certificates of Deposit
Year Ended September 30, 2019

<u>Security</u>	<u>Maturity</u>	<u>Rate</u>	<u>Value</u>
Certificate of Deposit - MC Bank & Trust Co.	11/8/2019	2.11%	45,155
Certificate of Deposit - MC Bank & Trust Co.	11/8/2019	2.11%	45,156

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Certificates of Deposit
Year Ended September 30, 2019

Insurer	Type of Coverage	Coverage	Exp Date
Louisiana Workers' Compensation Corporation	Workers' Compensation	General aggregate limit \$ 500,000	8/30/2020
		Each Accident 100,000	8/30/2020
		Each employee 100,000	8/30/2020
American Alternative Insurance Corporation	General Liability	Each occurrence limit 1,000,000	5/16/2020
		General aggregate limit 3,000,000	5/16/2020
	Public Management Liability	Each occurrence limit 1,000,000	5/16/2020
	Auto Liability	Each accident 1,000,000	5/16/2020

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
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Gerald A. Thibodeaux, Jr., CPA*
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Brad E. Kolder, CPA, JD*
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Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

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

To the Board of Commissioners
Berwick-Bayou Vista Joint Waterworks Commission
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 Berwick-Bayou Vista Joint Waterworks Commission (hereinafter "Commission"), a joint venture of the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 5, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified deficiencies in internal control that we consider to be material weaknesses and which is described in the accompanying schedule of audit results and findings as items 2019-001 and 2019-002.

Compliance and Other Matters

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

Commission's Response to Findings

The Commission's response to the finding identified in our audit is included in the accompanying corrective action plan for current audit findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although, the intended use of this report may be limited under Louisiana Revised Statute 24:513, the 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
May 5, 2020

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

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

A. Internal Control

2018-001 – Inadequate Segregation of Accounting Functions

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

CURRENT STATUS: This finding has not been resolved and will be reiterated.

2018-002 – Lack of Internal Controls Related to Compensated Absences

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

CURRENT STATUS: This finding has been resolved.

B. Compliance

No matters were reported.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

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

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission.

Deficiencies in internal control were disclosed by the audit of the financial statements and the deficiencies are considered to be material weaknesses. No significant deficiencies were reported.

No instances of noncompliance were identified which are required to be reported under *Government Auditing Standards*.

A management letter was not issued.

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

A. Internal Control

2019-001 - Segregation of Duties

First year finding initially occurred: 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 Commission’s internal control over financial reporting includes those policies and procedures that pertain to the Commission’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

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

2019-002 – Financial Reporting

Year initially occurring: Unknown

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

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

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

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

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

B. Compliance

No compliance issues are reported.

Part III. Findings and questioned costs for federal awards

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2019

Response to Finding 2019-001:

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

Response to Finding 2019-002:

The financial reporting process will continue to be outsourced to the Commission's external auditors due to the increased costs necessary to correct the condition.

**BERWICK-BAYOU VISTA
JOINT WATERWORKS COMMISSION**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2018 through September 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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183 S. Beadle Rd.
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Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

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

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

The Board of Commissioners
Berwick-Bayou Vista Joint Waterworks Commission, and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Berwick-Bayou Vista Joint Waterworks Commission (hereinafter "Commission") 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 Commission'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 Commission 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 Commission does not have any 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 Commission does not have any written policies and procedures on purchasing functions.

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

The Commission does not have any 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 Commission does not have any 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 and address the functions noted above, with the exception of payroll processing.

- 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 Commission does not have any 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 Commission does not have any 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 required approvers.

- 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 Commission does not have any 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 Commission does not have any 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 Commission does not have any written policies and procedures on disaster recovery/business continuity functions.

Board or Finance Committee

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

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

Obtained and reviewed minutes of the board for the fiscal period noting that the board did not meet with a quorum for one (1) of the twelve (12) months due to inclement weather.

- 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.

Proprietary funds are not required by the Local Government Budget Act to adopt a formal budget, and the Commission has not adopted a formal budget.

- 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.

Not applicable.

Bank Reconciliations

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

Bank reconciliations do not include evidence that they were prepared within 2 months of the related statement closing date.

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

No exceptions were found as a result of this procedure.

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

There were no reconciling items outstanding for more than 12 months.

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 for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Selected the Commission'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:

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

There are no sharing of cash registers or drawers.

- 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.

Person responsible for collecting cash is responsible for preparing/making bank deposits and 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.

Person responsible for collecting cash is responsible for posting collection entries to the general ledger and is also 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:

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

The Commission does not use a pre-numbered receipt system.

- 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).

The Commission does not document date of receipt. Unable to determine whether the deposit was made within one business day of receipt at the collection location.

- 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 Commission'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:

Obtained a listing of those persons involved with non-payroll purchasing and payment functions. Inquired regarding their job duties.

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

Observed that only one person is involved in initiating a purchase request, approving a purchase and placing an order/making the purchase.

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

No exceptions 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.

Observed that the person responsible for processing payments is not prohibited from adding/modifying vendor files.

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

Observed that checks are mailed by the person who is responsible for processing payments.

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

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

No exceptions 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 a result of this procedure.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Obtained management's representation that the Commission does not use credit cards, bank cards, fuel cards, or P-cards.

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]

Not applicable.

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

Not applicable.

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.

Not applicable.

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

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

Obtained a listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete. Randomly selected five (5) reimbursements.

- 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).

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

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

Contracts

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

Obtained management's representation that there was only one agreement initiated or renewed during the fiscal period.

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

The Louisiana Public Bid Law did not apply to the contract tested.

- 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).

No exceptions were found as a result of this procedure.

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

The contract tested was not amended.

- 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.

No exceptions were found as a result of this procedure.

Payroll and Personnel

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

Obtained a listing of employees from management and management's representation that the listing is complete. Randomly selected 5 employees and obtained related paid files. Authorized salaries/pay rates in personnel files were not provided.

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:

Randomly selected one pay period during the fiscal period.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

Leave taken was not applicable to the pay period tested; however, leave accrued during the pay period was not reflected in the Commission's cumulative leave records.

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. One employee received a termination payment during the fiscal period. Obtained related documentation of the hours and pay rates used in the termination payment calculation. As stated above, authorized salaries/pay rates in personnel files were not provided; however, rate used for vacation payment matches hourly rate used during the fiscal year.

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

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.

No exceptions were found as a result of this procedure.

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

The Commission has not adopted an ethics policy.

Debt Service

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

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

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.

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

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.

Observed that the Commission has posted on its premises the notice required by R.S. 24:24.523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. The Commission does not have a website.

Management's Response

The Commission concurs with the exceptions and is 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 Commission's management and the LLA and should not be used by anyone other than those 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
May 5, 2020