

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

FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana (the Commission), a joint venture of the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2 of the State of Louisiana, as of and for the year ended September 30, 2017, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

The summary of changes for the past five reporting periods and the schedule of certificates of deposit are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summary of changes for the past five reporting periods and the schedule of certificates of deposit are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

February 8, 2018

FINANCIAL STATEMENTS

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

Statement of Net Position
September 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:

Due from participants	\$ 53,127
Prepaid insurance	<u>16,777</u>
Total current assets	69,904

Noncurrent assets:

Restricted assets:

Cash	28,523
Certificates of deposit	152,092
Due from participants	7,232
Accrued interest	<u>213</u>
Total restricted assets	188,060

Deposits	1,242
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Capital assets:

Nondepreciable	17,003
Depreciable, net of accumulated depreciation	<u>1,102,686</u>
Total capital assets	<u>1,119,689</u>

Total noncurrent assets	<u>1,308,991</u>
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Total assets	1,378,895
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Deferred outflows of resources	<u>40,543</u>
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Total assets and deferred outflows of resources	<u>\$ 1,419,438</u>
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BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
September 30, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

Current liabilities:

Accounts payable	\$ 30,972
Accrued payroll liabilities	4,460
Retirement payable	<u>7,042</u>
Total current liabilities	42,474

Long-term liabilities:

Net pension liability	<u>28,144</u>
Total liabilities	70,618

Deferred inflows of resources

8,033

Net position:

Net investment in capital assets	1,119,689
Restricted	188,060
Unrestricted	<u>33,038</u>
Total net position	<u>1,340,787</u>

Total liabilities, deferred inflows
of resources and net position

\$ 1,419,438

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

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

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2017

Operating revenues:	
Charges for services	\$ 646,029
Repair and replacement fee	<u>86,918</u>
Total operating revenues	732,947
Operating expenses:	
Advertising	681
Chemicals	153,948
Depreciation	118,719
Dues and subscriptions	2,555
Engineering	1,478
Equipment rental	74
Insurance	42,515
Janitorial	703
Lab fees	1,680
Legal and accounting	18,290
Mileage	7,282
Miscellaneous	303
Office expense	8,102
Repairs and maintenance	74,897
Retirement	25,063
Taxes-payroll	20,061
Telephone	5,126
Travel	2,096
Uniforms	2,400
Utilities	85,199
Wages	<u>248,891</u>
Total operating expenses	<u>820,063</u>
Operating loss	(87,116)
Nonoperating revenues:	
Dividend	7,376
Interest	<u>466</u>
Total nonoperating revenues	<u>7,842</u>
Change in net position	(79,274)
Net position, beginning	<u>1,420,061</u>
Net position, ending	<u>\$1,340,787</u>

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

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

Statement of Cash Flows
Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 731,902
Payments to suppliers for goods and services	(455,717)
Payments to employees	<u>(248,903)</u>
Net cash provided by operating activities	27,282
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>7,842</u>
Net cash provided by investing activities	7,842
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(49,142)</u>
Net cash used by capital and related financing activities	<u>(49,142)</u>
Net decrease in cash and cash equivalents	(14,018)
Cash and certificates of deposit - October 1, 2016	<u>194,633</u>
Cash and certificates of deposit - September 30, 2017	<u>\$ 180,615</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (87,116)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	118,719
Increase in prepaid expenses	(1,872)
Increase in due from participants	(1,045)
Decrease in deferred outflows of resources	19,841
Decrease in accounts payable	(6,567)
Decrease in payroll related liabilities	(12)
Increase in retirement payable	23
Decrease in deferred inflows of resources	(44)
Decrease in net pension liability	<u>(14,645)</u>
Total adjustments	<u>114,398</u>
Net cash provided by operating activities	<u>\$ 27,282</u>
Reconciliation of total cash:	
Restricted assets - cash	\$ 28,523
Restricted assets - certificates of deposit	<u>152,092</u>
Total restricted cash and certificates of deposit	<u>\$ 180,615</u>

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

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

Notes to the Financial Statements

INTRODUCTION

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial Reporting Entity

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

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

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Accounting

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

The internal service fund is used to account for the financing of special activities and services performed by a designated organizational unit within a governmental jurisdiction for other organizational units within the same governmental jurisdiction.

Measurement Focus/Basis of Accounting

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

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

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

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

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

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:

Equipment	5 - 15 years
Improvements	7 - 25 years

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

Compensated Absences

Accumulated vacation is accrued as an expense of the period in which incurred. Employees earn from 5 to 15 days of vacation each year depending on the length of service with the Commission. Vacation time not used by the end of the year does not carry over; however, due to the fact that vacation time is earned based on the calendar year rather than the fiscal year, we evaluated and determined an accrual was not needed at September 30, 2017.

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

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

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

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

Use of Estimates

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

Subsequent Events

The Commission has evaluated subsequent events through February 8, 2018, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

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

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

Notes to the Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

The carrying value of the Commission's cash and interest-bearing deposits with financial institutions at September 30, 2017 totaled \$180,615 and the bank balance was \$181,632. Federal deposit insurance covered \$181,632 of the deposits. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 BOARD OF COMMISSIONERS

The Board of Commissioners consists of four members, two each appointed by the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2. According to the terms of the agreement, any compensation or expense reimbursement is to be paid by the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2. Act 706 of the 2014 Louisiana Legislative Session amended Louisiana R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. No payments which would require disclosures were made to the Commission's Agency Head, Herb Mashburn – Chairman, or Board of Commissioners for the year ended September 30, 2017.

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

Notes to the Financial Statements

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Balance</u> <u>9/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2017</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 17,003	\$ -	\$ 17,003
Capital assets being depreciated:				
Improvements	1,641,697	15,462	-	1,657,159
Furniture and Fixtures	1,040	1,079	-	2,119
Equipment	<u>298,683</u>	<u>15,598</u>	<u>-</u>	<u>314,281</u>
Total capital assets being depreciated	1,941,420	32,139	-	1,973,559
Less accumulated depreciation:				
Improvements	(581,070)	(89,200)	-	(670,270)
Furniture and Fixtures	(329)	(244)	-	(573)
Equipment	<u>(170,755)</u>	<u>(29,275)</u>	<u>-</u>	<u>(200,030)</u>
Total accumulated depreciation	<u>(752,154)</u>	<u>(118,719)</u>	<u>-</u>	<u>(870,873)</u>
Capital assets being depreciated, net	<u>1,189,266</u>	<u>(86,580)</u>	<u>-</u>	<u>1,102,686</u>
Capital assets, net	<u>\$1,189,266</u>	<u>\$ (69,577)</u>	<u>\$ -</u>	<u>\$1,119,689</u>

Depreciation charged to operating expenses was \$118,719 for the year ended September 30, 2017.

NOTE 5 PENSION PLAN

Plan Description

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

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

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Benefits Provided

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

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

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

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

For individuals who become eligible to participate in the DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in 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.

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

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

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

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

Contributions

According to state statute, contributions for all employers are actuarially determined each year. Covered employees were required by state statute to contribute 3.00% of their salary to the plan from October 2016 to September 2017. The Commission was required by the same statute to contribute 8.00% from October 2016 to September 2017. The Commission's contributions paid to PERS for the year ended September 30, 2017 were \$19,911.

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

At September 30, 2017, the Commission reported a liability of \$28,144 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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 entities, actuarially determined. At December 31, 2016, the Commission's proportion was 0.216650%, which was a decrease of 0.023675% from its proportion measured as of December 31, 2015.

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

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

For the year ended September 30, 2017, the Commission recognized pension expense of \$27,686. The Commission recognized revenue of \$2,623 as its proportionate share of non-employer contributions for the year ended September 30, 2017.

At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,098	\$ 8,033
Changes of assumptions	3,357	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(6,268)	-
Employer contributions subsequent to the measurement date	15,356	-
Total	\$ 40,543	\$ 8,033

The Commission's contributions subsequent to the measurement date in the amount of \$15,356 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

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

Year ending September 30,	
2018	\$ 4,700
2019	7,590
2020	5,657
2021	(793)
Total	\$ 17,154

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

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2016
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.00%, net of investment expense
Projected salary increases	5.25% (2.75% merit, 2.50% inflation)
Mortality rates	Active Members: RP-2000 Employee Sex Distinct Table Healthy annuitants and beneficiaries: RP-2000 Healthy Annuitant Sex Distinct Tables Disabled annuitants: RP-2000 Disabled Lives Mortality Table
Expected remaining service lives	4 years
Dates of Experience Study	2010 - 2014
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternative Investments	11%	0.67%
Real Assets	2%	0.12%
Total	<u>100%</u>	5.66%
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.66%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to the Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of net pension liability of the Commission calculated using the current discount rate of 7.00%, as well as what the Commission's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Discount rate		Net pension liability (asset)
1% decrease	6.00%	\$	106,998
Current discount rate	7.00%	\$	28,144
1% increase	8.00%	\$	(38,419)

NOTE 6 TOTAL DUE FROM PARTICIPANTS

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

Town of Berwick	\$30,417
St. Mary Parish Water and Sewer Commission No. 2	<u>29,942</u>
Total	<u>\$60,359</u>

NOTE 7 RESTRICTED ASSETS

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

NOTE 8 RESTRICTED NET POSITION

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

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

Notes to the Financial Statements

NOTE 9 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2017. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Proportionate Share of Net Pension Liability
Year Ended September 30, 2017

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

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

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

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

Schedule of Contributions
Year Ended September 30, 2017

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

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

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

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

Notes to the Required Supplementary Information

NOTE 1 CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the year ended September 30, 2017.

NOTE 2 CHANGES OF ASSUMPTIONS

There were no changes of assumptions for the year ended September 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

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

Summary of Changes for the Past Five Reporting Periods
Year Ended September 30, 2017

Year Ended Sept. 30,	Berwick		Bayou Vista		Costs 1,000 Gallons
	Gallons	Amount	Gallons	Amount	
2013	231,347,000	304,812	206,028,000	271,909	131.86
2014	236,386,000	314,507	202,282,000	269,266	133.08
2015	218,814,000	313,468	201,496,000	289,109	143.36
2016	209,820,000	287,674	211,988,000	292,406	137.52
2017	223,641,000	332,621	210,950,000	313,408	148.65

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

Schedule of Certificates of Deposit
September 30, 2017

<u>Security</u>	<u>Maturity</u>	<u>Rate</u>	<u>Value</u>
Certificate of Deposit- MC Bank & Trust Co.	11/13/2017	0.30%	\$ 101,470
Certificate of Deposit- MC Bank & Trust Co.	11/13/2017	0.25%	<u>50,622</u>
Total Certificates of Deposit			<u>\$ 152,092</u>

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

Schedule of Insurance Policies in Force
(Unaudited)
September 30, 2017

<u>Type of Coverage</u>	<u>Insurer</u>	<u>Expiration Date</u>	<u>Coverage</u>
Workers' Compensation			
General aggregate limit	LA Workers' Comp. Corp.	August 30, 2018	\$ 500,000
Accident		August 30, 2018	100,000
Each employee		August 30, 2018	100,000
Liability:			
General Liability	Travelers Insurance		
Each occurrence limit		May 16, 2018	1,000,000
General aggregate limit		May 16, 2018	3,000,000
Public Management Liability	Travelers Insurance		
Each occurrence limit		May 16, 2018	1,000,000
Commercial Umbrella	Travelers Insurance		
Auto-general aggregate limit		May 16, 2018	1,000,000

**INTERNAL CONTROL
AND
COMPLIANCE**



**Darnall, Sikes,
Gardes & Frederick**

(A Corporation of Certified Public Accountants)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana (the Commission), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated February 8, 2018.

Internal Control over Financial Reporting

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

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The Commission's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Dannall, Sikes, Gardes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
February 8, 2018

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

Summary Schedule of Prior Year Findings
Year Ended September 30, 2017

2016-001 Finding: Inadequate Segregation of Accounting Functions
Status: This finding is unresolved. See current year finding 2017-001.

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

Schedule of Findings and Responses
Year Ended September 30, 2017

Part 1: Summary of Auditor's Reports

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana's financial statements as of and for the year ended September 30, 2017.

Deficiencies in Internal Control – Financial Reporting

One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2017-001 in Part 2. We consider the deficiency to be a material weakness.

Material Noncompliance – Financial Reporting

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

FEDERAL AWARDS

This section is not applicable for the year ended September 30, 2017.

MANAGEMENT LETTER

A management letter was not issued for the year ended September 30, 2017.

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

2017-001 Inadequate Segregation of Accounting Functions

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

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

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

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

Schedule of Findings and Responses (Continued)
Year Ended September 30, 2017

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

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

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

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

Part 3: Findings and Questioned Costs Relating to Federal Programs

At September 30, 2017, the Berwick-Bayou Vista Joint Waterworks Commission of the Parish of St. Mary, State of Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore this section is not applicable.

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

Management's Corrective Action Plan for Current Year Findings
Year Ended September 30, 2017

Response to Finding 2017-001:

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

Name and Title of Contact Person: Herb Mashburn, Chairman

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Berwick-Bayou Vista Joint Waterworks Commission (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

There are no written policies and procedures that address budgeting.

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

There are no written policies and procedures that address purchasing.

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- c) **Disbursements**, including processing, reviewing, and approving
There are no written policies and procedures that address disbursements.
- d) **Receipts**, including receiving, recording, and preparing deposits
There are no written policies and procedures that address receipts.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
There are no written policies and procedures that address payroll/personnel.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
There are no written policies and procedures that address contracting.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
There are no written policies and procedures that address credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
There are no written policies and procedures that address travel and expense reimbursement.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
There are no written policies and procedures that address ethics.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
There are no written policies and procedures that address debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes did not include monthly budget-to-actual comparisons for the major funds.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No deficit spending noted for the entity.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.)

Obtained and reviewed the minutes of the managing board for the fiscal period noting that there was reference of non-budgetary financial information.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Obtained bank statements and reconciliations for all months in the fiscal period noting no evidence of board member review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained bank statements and reconciliations for all months in the fiscal period noting no items that have been outstanding for more than 6 months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Written documentation was obtained and the following was noted: (1) the person responsible for collecting cash is bonded, (2) the person responsible for depositing cash in the bank is also responsible for recording the transaction and reconciling the bank statement, and (3) the person collecting cash does not share the same drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

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

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Collection documentation was obtained and the deposits were made within one day of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained and daily collections are supported by documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

No written policies regarding completeness of collections are in place.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases were not initiated using a purchase order system or an electronic equivalent.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases were not initiated using a purchase order system.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements and found that all payments were processed without proper approval, a receiving report, or an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The person responsible for processing payments is not prohibited from adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

One individual with signatory authority has responsibility for recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused checks are not adequately restricted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp or signature machine is not used in any instance.

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

14. 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.

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

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Not applicable.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
➤ An original itemized receipt (i.e., identifies precisely what was purchased)

Not applicable.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Not applicable.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The entity does not have written policies and procedures for travel and expense reimbursements.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

One reimbursement exceeded GSA rates by \$18/day.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Documentation of the business purpose was not present for one expense reimbursement selected.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Documentation did not include written approval by someone other than the person receiving reimbursement for each expense reimbursement selected.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

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

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Not applicable.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Not applicable.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Not applicable.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Not applicable.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No employment contract or pay rate structure noted in the entity's files.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Changes to salaries during the fiscal period were not approved in writing.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

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

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Not applicable.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

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

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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

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

Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

February 8, 2018

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

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

Written Policies and Procedures

1. a) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. b) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. c) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. d) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
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1. h) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. i) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
1. j) Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.

Finance Committee

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

Bank Reconciliations

4. b) The Board plans to document its review of the monthly reconciliations in the 2017-2018 fiscal year.

Collections

6. a) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
6. b) The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
7. Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective. The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Disbursements – General

9. Based upon the size of the operation, the board feels the policies and procedures in place, although unwritten, are effective.
10. The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
11. The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
12. The Board is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Travel and Expense Reimbursement

18. The Board plans a review and update to the travel and expense reimbursement procedures in order to be in compliance.
19. a) The Board plans a review and update to the travel and expense reimbursement procedures in order to be in compliance.
19. b) The Board believes that this was an unintentional error in oversight.

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

Payroll and Personnel

22. a) The Board plans a review and update to payroll and personnel procedures including adoption of a pay rate structure to be in compliance.

22. b) The Board plans a review and update to payroll and personnel procedures including approval of pay rate changes to be in compliance.

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

Ethics

26. The Board plans to obtain and file all documentation to demonstrate that required ethics training was completed.

Other

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