

TOWN OF BERWICK, LOUISIANA

Financial Report

Year Ended September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Louis Ratcliff, Mayor
and Members of the Town Council
Town of Berwick, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berwick, Louisiana, (hereinafter "Town") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As described in Note 20 to the financial statements, the prior financial statements have been restated to correct a misstatement related to the classification of a capital expenditure. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules of funding progress for the Town's other post employment benefits, employer's share of net pension liability, and employer pension contributions 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 60 through 66, schedule of funding progress on page 67, schedule of employer's share of net pension liability on page 68, schedule of employer contributions on page 69, or note to retirement system schedules on page 70 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining nonmajor fund financial statements on pages 72 through 73 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 22, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF BERWICK, LOUISIANA

Statement of Net Position
September 30, 2017

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash | \$ 3,454,928 | \$ 95,677 | \$ 3,550,605 |
| Investments | 975,874 | - | 975,874 |
| Receivables, net | 466,628 | 103,837 | 570,465 |
| Due from other governments | 61,782 | - | 61,782 |
| Prepaid expense | 68,666 | 7,378 | 76,044 |
| Investment in Berwick-Bayou Vista Joint Waterworks Plant | - | 710,031 | 710,031 |
| Capital assets: | | | |
| Land and construction in progress | 1,439,034 | 15,000 | 1,454,034 |
| Other, net of accumulated depreciation | <u>6,818,596</u> | <u>1,210,946</u> | <u>8,029,542</u> |
| Total assets | <u>13,285,508</u> | <u>2,142,869</u> | <u>15,428,377</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to net pension liability | <u>837,871</u> | <u>144,539</u> | <u>982,410</u> |
| LIABILITIES | | | |
| Accounts payable | 195,689 | 52,792 | 248,481 |
| Accrued liabilities | 9,499 | 1,748 | 11,247 |
| Unearned revenues | 9,107 | - | 9,107 |
| Long-term liabilities: | | | |
| Portion due or payable after one year: | | | |
| Net OPEB obligation | 277,254 | - | 277,254 |
| Net pension liability | <u>3,573,481</u> | <u>598,201</u> | <u>4,171,682</u> |
| Total liabilities | <u>4,065,030</u> | <u>652,741</u> | <u>4,717,771</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to net pension liability | <u>145,251</u> | <u>37,067</u> | <u>182,318</u> |
| NET POSITION | | | |
| Net investment in capital assets | 8,257,630 | 1,935,977 | 10,193,607 |
| Restricted | 3,125,287 | - | 3,125,287 |
| Unrestricted (deficit) | <u>(1,469,819)</u> | <u>(338,377)</u> | <u>(1,808,196)</u> |
| Total net position | <u>\$ 9,913,098</u> | <u>\$ 1,597,600</u> | <u>\$ 11,510,698</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Activities
Year Ended September 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|--|--|--|
| | | Fees, Commissions, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 1,098,881 | \$ 318,299 | \$ 44,377 | \$ - |
| Public safety: | | | | |
| Fire | 170,411 | - | 4,150 | 150,602 |
| Police | 1,067,794 | 116,869 | 40,901 | - |
| Public works: | | | | |
| Streets | 467,825 | - | 3,069 | - |
| Drainage | 159,627 | - | 1,539 | - |
| Cemetery | 30,584 | 19,125 | - | - |
| Culture and recreation | 373,704 | 13,565 | 2,652 | - |
| Sanitation | 1,234,800 | 750,865 | 8,470 | - |
| Supporting services | 48,602 | 48,607 | - | - |
| Total governmental activities | <u>4,652,227</u> | <u>1,267,330</u> | <u>105,158</u> | <u>150,602</u> |
| Business-type activities: | | | | |
| Gas | 465,380 | 351,220 | - | - |
| Water | <u>843,523</u> | <u>625,791</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>1,308,903</u> | <u>977,011</u> | <u>-</u> | <u>-</u> |
| Total government | <u>\$ 5,961,130</u> | <u>\$ 2,244,341</u> | <u>\$ 105,158</u> | <u>\$ 150,602</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | | | | |
| Drainage | | | | |
| Franchise | | | | |
| Sales | | | | |
| Other | | | | |
| Intergovernmental | | | | |
| Interest and investment earnings | | | | |
| Miscellaneous | | | | |
| Transfers -- internal activity | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net Position-- beginning, as restated | | | | |
| Net Position--ending | | | | |

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes in Net Position

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| \$ (736,205) | \$ - | \$ (736,205) |
| (15,659) | - | (15,659) |
| (910,024) | - | (910,024) |
| (464,755) | - | (464,755) |
| (158,088) | - | (158,088) |
| (11,459) | - | (11,459) |
| (357,487) | - | (357,487) |
| (475,465) | - | (475,465) |
| <u>5</u> | <u>-</u> | <u>5</u> |
| <u>(3,129,137)</u> | <u>-</u> | <u>(3,129,137)</u> |
| - | (114,160) | (114,160) |
| <u>-</u> | <u>(217,732)</u> | <u>(217,732)</u> |
| <u>-</u> | <u>(331,892)</u> | <u>(331,892)</u> |
| <u>(3,129,137)</u> | <u>(331,892)</u> | <u>(3,461,029)</u> |
| 731,706 | - | 731,706 |
| 76,285 | - | 76,285 |
| 228,283 | - | 228,283 |
| 1,556,002 | - | 1,556,002 |
| 2,110 | - | 2,110 |
| 146,309 | - | 146,309 |
| 8,048 | - | 8,048 |
| 80,374 | - | 80,374 |
| <u>(50,000)</u> | <u>50,000</u> | <u>-</u> |
| <u>2,779,117</u> | <u>50,000</u> | <u>2,829,117</u> |
| (350,020) | (281,892) | (631,912) |
| <u>10,263,118</u> | <u>1,879,492</u> | <u>12,142,610</u> |
| <u>\$ 9,913,098</u> | <u>\$ 1,597,600</u> | <u>\$11,510,698</u> |

FUND FINANCIAL STATEMENTS

TOWN OF BERWICK, LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2017

| | General | 1% Sales Tax | 3/4% Sales Tax Liquid and Solid Waste |
|-------------------------------------|---------------------|---------------------|--|
| ASSETS | | | |
| Cash | \$ 1,601,068 | \$ 555,139 | \$ 596,866 |
| Investments | 1,325 | 651,514 | 323,035 |
| Receivables: | | | |
| Taxes | 142,752 | 102,476 | 94,377 |
| Accounts | 17,086 | - | 108,657 |
| Due from other funds | 27,884 | - | - |
| Due from other governments | 61,782 | - | - |
| Prepaid expenditures | <u>66,658</u> | <u>-</u> | <u>2,008</u> |
| Total assets | <u>\$ 1,918,555</u> | <u>\$ 1,309,129</u> | <u>\$ 1,124,943</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 139,296 | \$ - | \$ 56,393 |
| Due to other funds | - | - | 27,884 |
| Accrued liabilities | 8,458 | - | 1,041 |
| Unearned revenues | <u>9,107</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>156,861</u> | <u>-</u> | <u>85,318</u> |
| Fund balances: | | | |
| Nonspendable | 66,658 | - | - |
| Restricted | 73,408 | 1,309,129 | 1,039,625 |
| Assigned | 261,032 | - | - |
| Unassigned | <u>1,360,596</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>1,761,694</u> | <u>1,309,129</u> | <u>1,039,625</u> |
| Total liabilities and fund balances | <u>\$ 1,918,555</u> | <u>\$ 1,309,129</u> | <u>\$ 1,124,943</u> |

| <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|-------------------------------|---|
| \$ 701,855 | \$ 3,454,928 |
| - | 975,874 |
| 1,280 | 340,885 |
| - | 125,743 |
| - | 27,884 |
| - | 61,782 |
| <u>-</u> | <u>68,666</u> |
| <u>\$ 703,135</u> | <u>\$ 5,055,762</u> |

| | |
|----------|----------------|
| \$ - | \$ 195,689 |
| - | 27,884 |
| - | 9,499 |
| <u>-</u> | <u>9,107</u> |
| <u>-</u> | <u>242,179</u> |

| | |
|-------------------|---------------------|
| 52,153 | 118,811 |
| 650,972 | 3,073,134 |
| 10 | 261,042 |
| <u>-</u> | <u>1,360,596</u> |
| <u>703,135</u> | <u>4,813,583</u> |
| <u>\$ 703,135</u> | <u>\$ 5,055,762</u> |

(continued)

TOWN OF BERWICK, LOUISIANA

Balance Sheet (continued)

Governmental Funds

September 30, 2017

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

| | | |
|--|------------------|---------------------|
| Total fund balances for governmental funds at September 30, 2017 | | \$ 4,813,583 |
| Cost of capital assets: | | |
| Land | 1,077,103 | |
| Construction in progress | 361,931 | |
| Capital assets, net of accumulated depreciation | <u>6,818,596</u> | 8,257,630 |
| Deferred outflows of resources related to net pension liability | | 837,871 |
| Long-term liabilities: | | |
| Net OPEB obligation | | (277,254) |
| Net pension liability | | (3,573,481) |
| Deferred inflows of resources related to net pension liability | | <u>(145,251)</u> |
| Net position at September 30, 2017 | | <u>\$ 9,913,098</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2017

| | General | 1% Sales Tax | 3/4% Sales Tax Liquid and Solid Waste |
|--|---------------------|---------------------|--|
| Revenues: | | | |
| Taxes | \$ 1,175,979 | \$ 604,584 | \$ 571,059 |
| Licenses and permits | 220,365 | - | - |
| Intergovernmental | 315,424 | - | - |
| Fees, commissions, and charges for services | 226,887 | - | 750,865 |
| Fines and forfeits | 62,913 | - | - |
| Interest income | 11 | 5,373 | 2,664 |
| Miscellaneous | 80,687 | - | - |
| Total revenues | <u>2,082,266</u> | <u>609,957</u> | <u>1,324,588</u> |
| Expenditures: | | | |
| Current - | | | |
| General government: | | | |
| Administrative | 984,958 | - | - |
| Public safety: | | | |
| Fire | 100,243 | - | - |
| Police | 930,720 | - | - |
| Public works: | | | |
| Streets | 311,252 | - | - |
| Drainage | 136,406 | - | - |
| Cemetery | 30,584 | - | - |
| Culture and recreation | 226,793 | - | - |
| Sanitation | - | - | 1,120,164 |
| Supporting services | 20,602 | - | - |
| Capital outlay | 161,638 | - | 2,061 |
| Total expenditures | <u>2,903,196</u> | <u>-</u> | <u>1,122,225</u> |
| Excess (deficiency) of revenues over expenditures | <u>(820,930)</u> | <u>609,957</u> | <u>202,363</u> |
| Other financing sources (uses): | | | |
| Transfers in | 830,731 | - | - |
| Transfers out | - | (615,731) | (50,000) |
| Total other financing sources (uses) | <u>830,731</u> | <u>(615,731)</u> | <u>(50,000)</u> |
| Net change in fund balances | 9,801 | (5,774) | 152,363 |
| Fund balances, beginning | <u>1,751,893</u> | <u>1,314,903</u> | <u>887,262</u> |
| Fund balances, ending | <u>\$ 1,761,694</u> | <u>\$ 1,309,129</u> | <u>\$ 1,039,625</u> |

| <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|-------------------------------|---|
| \$ 242,708 | \$ 2,594,330 |
| - | 220,365 |
| 28,000 | 343,424 |
| - | 977,752 |
| - | 62,913 |
| - | 8,048 |
| - | <u>80,687</u> |
| <u>270,708</u> | <u>4,287,519</u> |
| - | 984,958 |
| - | 100,243 |
| - | 930,720 |
| - | 311,252 |
| - | 136,406 |
| - | 30,584 |
| - | 226,793 |
| - | 1,120,164 |
| 28,000 | 48,602 |
| - | <u>163,699</u> |
| <u>28,000</u> | <u>4,053,421</u> |
| <u>242,708</u> | <u>234,098</u> |
| - | 830,731 |
| <u>(215,000)</u> | <u>(880,731)</u> |
| <u>(215,000)</u> | <u>(50,000)</u> |
| 27,708 | 184,098 |
| <u>675,427</u> | <u>4,629,485</u> |
| <u>\$ 703,135</u> | <u>\$ 4,813,583</u> |

(continued)

TOWN OF BERWICK, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Governmental Funds

Year Ended September 30, 2017

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

| | |
|--|---------------------|
| Total net change in fund balances for the year ended September 30, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 184,098 |
| Cost of capital assets | 163,699 |
| Depreciation expense | (492,512) |
| Net change in OPEB obligation | (32,992) |
| Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability. | |
| Increase in pension expense | (236,958) |
| Nonemployer pension contribution revenue | <u>64,645</u> |
| Total change in net position for the year ended September 30, 2017 per Statement of Activities | <u>\$ (350,020)</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Net Position
 Proprietary Funds
 September 30, 2017

| | Gas | Water | Total Enterprise Funds |
|---|------------------|---------------------|------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 26,362 | \$ 69,315 | \$ 95,677 |
| Receivables, net | 30,339 | 73,498 | 103,837 |
| Prepaid expenses | <u>2,936</u> | <u>4,442</u> | <u>7,378</u> |
| Total current assets | <u>59,637</u> | <u>147,255</u> | <u>206,892</u> |
| Investment in Berwick-Bayou Vista Joint Waterworks Plant | <u>-</u> | <u>710,031</u> | <u>710,031</u> |
| Capital assets: | | | |
| Land | - | 15,000 | 15,000 |
| Other, net of accumulated depreciation | <u>236,613</u> | <u>974,333</u> | <u>1,210,946</u> |
| Total capital assets | <u>236,613</u> | <u>989,333</u> | <u>1,225,946</u> |
| Total assets | <u>296,250</u> | <u>1,846,619</u> | <u>2,142,869</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to net pension liability | <u>80,942</u> | <u>63,597</u> | <u>144,539</u> |
| LIABILITIES | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 10,857 | 41,935 | 52,792 |
| Accrued liabilities | <u>1,055</u> | <u>693</u> | <u>1,748</u> |
| Total current liabilities (payable from current assets) | 11,912 | 42,628 | 54,540 |
| Noncurrent liabilities: | | | |
| Net pension liability | <u>334,993</u> | <u>263,208</u> | <u>598,201</u> |
| Total liabilities | <u>346,905</u> | <u>305,836</u> | <u>652,741</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to net pension liability | <u>20,758</u> | <u>16,309</u> | <u>37,067</u> |
| NET POSITION | | | |
| Net investment in capital assets | 236,613 | 1,699,364 | 1,935,977 |
| Unrestricted (deficit) | <u>(227,084)</u> | <u>(111,293)</u> | <u>(338,377)</u> |
| Total net position | <u>\$ 9,529</u> | <u>\$ 1,588,071</u> | <u>\$ 1,597,600</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

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

| | <u>Gas</u> | <u>Water</u> | <u>Total Enterprise Fund</u> |
|---|------------------|---------------------|--------------------------------------|
| Operating revenues: | | | |
| Charges for services | \$ 334,711 | \$ 594,825 | \$ 929,536 |
| Delinquent charges | 11,301 | 11,617 | 22,918 |
| Miscellaneous | <u>5,208</u> | <u>19,349</u> | <u>24,557</u> |
| Total operating revenues | <u>351,220</u> | <u>625,791</u> | <u>977,011</u> |
| Operating expenses: | | | |
| Gas and water purchases | 112,306 | 388,408 | 500,714 |
| Salaries | 153,741 | 130,293 | 284,034 |
| Retirement contributions | 55,550 | 43,730 | 99,280 |
| Group insurance | 34,926 | 23,800 | 58,726 |
| Other insurance | 3,944 | 5,528 | 9,472 |
| Maintenance and operations | 70,565 | 106,431 | 176,996 |
| Depreciation | 19,370 | 100,003 | 119,373 |
| Administration expenses | <u>14,981</u> | <u>16,130</u> | <u>31,111</u> |
| Total operating expense | <u>465,383</u> | <u>814,323</u> | <u>1,279,706</u> |
| Operating income (loss) | <u>(114,163)</u> | <u>(188,532)</u> | <u>(302,695)</u> |
| Nonoperating expenses: | | | |
| Decrease in equity of Berwick-Bayou Vista Joint Waterworks Plant | <u>-</u> | <u>(29,200)</u> | <u>(29,200)</u> |
| Income (loss) before transfers | (114,163) | (217,732) | (331,895) |
| Transfers in | <u>-</u> | <u>50,000</u> | <u>50,000</u> |
| Change in net position | (114,163) | (167,732) | (281,895) |
| Net position, beginning, as restated | <u>123,692</u> | <u>1,755,803</u> | <u>1,879,495</u> |
| Net position, ending | <u>\$ 9,529</u> | <u>\$ 1,588,071</u> | <u>\$ 1,597,600</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 Year Ended September 30, 2017

| | <u>Gas</u> | <u>Water</u> | <u>Total Enterprise Fund</u> |
|---|------------------|------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 351,229 | \$ 619,129 | \$ 970,358 |
| Payments to suppliers for goods and services | (192,756) | (525,946) | (718,702) |
| Payments to employees | <u>(225,592)</u> | <u>(180,096)</u> | <u>(405,688)</u> |
| Net cash provided (used) by operating activities | <u>(67,119)</u> | <u>(86,913)</u> | <u>(154,032)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Receipts from other funds | <u>-</u> | <u>50,000</u> | <u>50,000</u> |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>50,000</u> | <u>50,000</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of capital assets | <u>(23,700)</u> | <u>-</u> | <u>(23,700)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(23,700)</u> | <u>-</u> | <u>(23,700)</u> |
| Net increase (decrease) in cash and cash equivalents | (90,819) | (36,913) | (127,732) |
| Cash and cash equivalents, beginning of period | <u>117,181</u> | <u>106,228</u> | <u>223,409</u> |
| Cash and cash equivalents, end of period | <u>\$ 26,362</u> | <u>\$ 69,315</u> | <u>\$ 95,677</u> |

(continued)

TOWN OF BERWICK, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Funds
 Year Ended September 30, 2017

| | <u>Gas</u> | <u>Water</u> | <u>Total Enterprise Fund</u> |
|--|---------------------|---------------------|--------------------------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | <u>\$ (114,163)</u> | <u>\$ (188,532)</u> | <u>\$ (302,695)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 19,370 | 100,003 | 119,373 |
| Pension expense, net of nonemployer contributions | 17,236 | 13,542 | 30,778 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 4,878 | (12,837) | (7,959) |
| Due from other governments | - | 10,000 | 10,000 |
| Prepaid expenses | (967) | (2,936) | (3,903) |
| Accounts payable | 6,063 | (6,513) | (450) |
| Accrued liabilities | <u>464</u> | <u>360</u> | <u>824</u> |
| Total adjustments | <u>47,044</u> | <u>101,619</u> | <u>148,663</u> |
| Net cash provided (used) by operating activities | <u>\$ (67,119)</u> | <u>\$ (86,913)</u> | <u>\$ (154,032)</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Statement of Fiduciary Net Position
 Fiduciary Funds
 September 30, 2017

| | Agency Funds | | | Total Agency Funds |
|-----------------------------------|------------------|------------------|------------------------|--------------------------|
| | Payroll | Disbursement | Gas and Water Meter | |
| ASSETS | | | | |
| Current assets: | | | | |
| Accounts receivable | <u>\$ 22,385</u> | <u>\$ 17,596</u> | <u>\$ -</u> | <u>\$ 39,981</u> |
| Restricted assets: | | | | |
| Customers' deposits - | | | | |
| Cash | - | - | 88,761 | 88,761 |
| Accounts receivable | - | - | 4,933 | 4,933 |
| Total restricted assets | <u>-</u> | <u>-</u> | <u>93,694</u> | <u>93,694</u> |
| Total assets | <u>\$ 22,385</u> | <u>\$ 17,596</u> | <u>\$ 93,694</u> | <u>\$ 133,675</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Payable from current assets- | | | | |
| Cash overdraft | \$ 4,255 | \$ - | \$ - | \$ 4,255 |
| Accounts payable | 12,816 | 17,596 | - | 30,412 |
| Accrued liabilities | <u>5,314</u> | <u>-</u> | <u>-</u> | <u>5,314</u> |
| Total payable from current assets | 22,385 | 17,596 | - | 39,981 |
| Payable from restricted assets- | | | | |
| Customers' deposits | <u>-</u> | <u>-</u> | <u>93,694</u> | <u>93,694</u> |
| Total liabilities | <u>\$ 22,385</u> | <u>\$ 17,596</u> | <u>\$ 93,694</u> | <u>\$ 133,675</u> |

The accompanying notes are an integral part of this statement.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

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

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

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Component Unit –

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

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

Related Organizations –

A related organization is an entity for which the primary government is not financially accountable even though the primary government may provide facilities and some financing or appoint a voting majority of the organization's governing board. Based on the foregoing criteria, certain governmental organizations are not part of the Town and are thus excluded from the accompanying financial statements. These organizations are the volunteer fire department and the public housing authority.

Joint Ventures –

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Town has entered into joint venture arrangements with other governmental entities for the operation of the Berwick/Bayou Vista Joint Waterworks Commission and the Wards 5 and 8 Joint Sewer Commission. See Note 19 for further discussion of the Town's relationship with these organizations.

B. Basis of Presentation

Government-wide Financial Statements –

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

Fund Financial Statements –

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

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

The major governmental funds of the Town are described below:

General Fund—primary operating fund of the Town. The general fund is always classified as a major fund.

Special Revenue Funds:

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

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

Proprietary Funds:

Gas Enterprise Fund—accounts for the provision of gas services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Additionally, the Town reports the following fund types:

Governmental Funds –

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Permanent fund

The permanent fund accounts for assets held by the Town pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds -

Enterprise funds

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Fiduciary Funds –

Agency Funds

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

C. Measurement Focus/Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. The Town considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

D. Cash and Interest-Bearing Deposits

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

E. Statement of Cash Flows

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

F. Investments

Under state law, the Town may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. All of the Town's investments are in LAMP, which are reported at fair market value. Separately issued financial report for LAMP available at www.lamppool.com.

G. Short-Term Interfund Receivables/Payables

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

H. Receivables

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

I. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the balance sheet date are recorded as prepaid items.

J. Capital Assets

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

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

K. Restricted Assets

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

L. Deferred Outflows of Resources and Inflows of Resources

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

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

M. Equity Classifications

Government-wide Financial Statements –

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

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

Fund Financial Statements –

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

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other government.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

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

N. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses –

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses –

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

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

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

O. Interfund Transfers

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

P. Compensated Absences

Full time employees of the Town earn vacation leave. Vacation leave earned varies with the length of service, and employees may accumulate two years of unused vacation time. Any potential liability of the Town for vacation leave is considered immaterial; therefore, no liability has been recorded.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Q. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. For the year ended September 30, 2017, no capitalized interest expense was recorded.

R. Pensions

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

S. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2017, the Town has cash and interest-bearing deposits (book balances) totaling \$3,639,366 as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Agency Funds</u> | <u>Total</u> |
|-----------------|------------------------------------|-------------------------------------|-------------------------|---------------------|
| Demand deposits | \$ 3,454,778 | \$ 95,677 | \$ 88,761 | \$ 3,639,216 |
| Petty cash | <u>150</u> | <u>-</u> | <u>-</u> | <u>150</u> |
| Total | <u>\$ 3,454,928</u> | <u>\$ 95,677</u> | <u>\$ 88,761</u> | <u>\$ 3,639,366</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2017 are as follows:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

| | |
|---------------------------|---------------------|
| Bank balances | <u>\$ 3,750,528</u> |
| Federal deposit insurance | \$ 250,000 |
| Pledged securities | <u>3,500,528</u> |
| Total | <u>\$ 3,750,528</u> |

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The Town does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2017, deposits in the amount of \$3,500,528 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not the Town's name.

(3) Investments

Investments held at September 30, 2017 consist of \$975,874 in the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

Credit risk – LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk – LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk – 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

Foreign currency risk – not applicable to 2a7-like pools.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Fair Value Measurements

To the extent available, the Town's investments are recorded at fair value as of September 30, 2017. GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Town measures and records its investments using fair value guidelines established by GASB 72, which recognizes a three-tiered fair value hierarchy as follows:

- Level 1 – quoted prices for identical investments in active markets
- Level 2 – observable inputs other than quoted market prices
- Level 3 – unobservable inputs

The Town's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish.

Town property tax revenues are budgeted in the year billed.

For the year ended September 30, 2017, taxes of 18.12 mills were levied on property with assessed valuations totaling \$40,395,538 and were dedicated as follows:

| | |
|-------------------------------|-------------|
| General governmental services | 12.12 mills |
| Maintenance | 6.00 mills |

For the year ended September 30, 2017, drainage taxes also had assessed valuations totaling \$3,854 and were dedicated as follows:

| | |
|-------------------------------|---------------|
| General governmental services | \$25 per acre |
|-------------------------------|---------------|

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Total taxes levied for the year ended September 30, 2017 were \$808,229.

(5) Receivables

Receivables at September 30, 2017 of \$615,379 consist of the following:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Agency Fund</u> | <u>Total</u> |
|-----------------------------------|------------------------------------|-------------------------------------|------------------------|-------------------|
| Accounts | \$ 139,741 | \$ 115,527 | \$44,914 | \$ 300,182 |
| Taxes | <u>358,849</u> | <u>-</u> | <u>-</u> | <u>358,849</u> |
| | 498,590 | 115,527 | 44,914 | 659,031 |
| Less: allowance for uncollectible | <u>(31,962)</u> | <u>(11,690)</u> | <u>-</u> | <u>(43,652)</u> |
| Net receivables | <u>\$ 466,628</u> | <u>\$ 103,837</u> | <u>\$44,914</u> | <u>\$ 615,379</u> |

(6) Interfund Receivables/Payables

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------------------------------|----------------------------------|-------------------------------|
| Major governmental: | | |
| General Fund | 27,884 | - |
| Special Revenue Fund: | | |
| Liquid and Solid Waste Fund | <u>-</u> | <u>27,884</u> |
| Total interfund receivables/payables | <u>\$ 27,884</u> | <u>\$ 27,884</u> |

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

(7) Due from other Governments

Amounts due from other governments at September 30, 2017 consisted of the following:

| | |
|---|------------------|
| Governmental Activities: | |
| State of Louisiana - Department of Justice | \$ 1,914 |
| State of Louisiana - Video Poker | 11,048 |
| St. Mary Parish Government - Firetruck Allocation | 40,000 |
| St. Mary Parish Sheriff - Prisoner Maintenance | 8,820 |
| Total Governmental Activities | <u>\$ 61,782</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(8) Changes in Capital Assets

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

| | Balance 10/1/16 | Additions | Deletions | Balance 09/30/17 |
|--|---------------------|---------------------|---------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,077,103 | \$ - | \$ - | \$ 1,077,103 |
| Construction in progress | <u>570,872</u> | <u>2,061</u> | <u>(211,002)</u> | <u>361,931</u> |
| Total capital assets not being depreciated | <u>1,647,975</u> | <u>2,061</u> | <u>(211,002)</u> | <u>1,439,034</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,856,270 | - | - | 3,856,270 |
| Improvements | 5,813,753 | 211,002 | - | 6,024,755 |
| Equipment | 2,178,425 | - | - | 2,178,425 |
| Infrastructure | 33,250 | - | - | 33,250 |
| Autos and trucks | <u>1,035,092</u> | <u>161,638</u> | - | <u>1,196,730</u> |
| Total capital assets being depreciated | <u>12,916,790</u> | <u>372,640</u> | - | <u>13,289,430</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,579,609) | (94,294) | - | (2,673,903) |
| Improvements | (1,129,890) | (187,869) | - | (1,317,759) |
| Equipment | (1,468,012) | (135,335) | - | (1,603,347) |
| Infrastructure | (3,740) | (748) | - | (4,488) |
| Autos and trucks | <u>(797,071)</u> | <u>(74,266)</u> | - | <u>(871,337)</u> |
| Total accumulated depreciation | <u>(5,978,322)</u> | <u>(492,512)</u> | - | <u>(6,470,834)</u> |
| Total capital assets, being depreciated, net | <u>6,938,468</u> | <u>(119,872)</u> | - | <u>6,818,596</u> |
| Governmental activities capital assets, net | <u>\$ 8,586,443</u> | <u>\$ (117,811)</u> | <u>\$ (211,002)</u> | <u>\$ 8,257,630</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ 15,000 |
| Capital assets being depreciated: | | | | |
| Gas utility system | 911,518 | 23,700 | - | 935,218 |
| Water utility system | <u>3,236,549</u> | <u>19,915</u> | - | <u>3,256,464</u> |
| Total capital assets being depreciated | <u>4,148,067</u> | <u>43,615</u> | - | <u>4,191,682</u> |
| Less accumulated depreciation for: | | | | |
| Gas utility system | (679,235) | (19,370) | - | (698,605) |
| Water utility system | <u>(2,182,128)</u> | <u>(100,003)</u> | - | <u>(2,282,131)</u> |
| Total accumulated depreciation | <u>(2,861,363)</u> | <u>(119,373)</u> | - | <u>(2,980,736)</u> |
| Total capital assets, being depreciated, net | <u>1,286,704</u> | <u>(75,758)</u> | - | <u>1,210,946</u> |
| Business-type activities capital assets, net | <u>\$ 1,301,704</u> | <u>\$ (75,758)</u> | <u>\$ -</u> | <u>\$ 1,225,946</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

| | |
|--|-------------------|
| Governmental activities: | |
| General government and administration | \$ 38,845 |
| Public safety: | |
| Police | 38,856 |
| Fire | 63,575 |
| Public works: | |
| Streets | 138,882 |
| Drainage | 14,136 |
| Culture and recreation | 131,744 |
| Sanitation | <u>66,474</u> |
| Total depreciation expense, governmental activities | <u>\$ 492,512</u> |
| Business-type activities: | |
| Gas | \$ 19,370 |
| Water | <u>100,003</u> |
| Total depreciation expense, business-type activities | <u>\$ 119,373</u> |

(9) Restricted Net position

At September 30, 2017, the government-wide statement of net position reports the following restricted net position:

| | |
|--|---------------------|
| | Governmental |
| | Activities |
| Restricted by enabling legislation | <u>\$ 2,889,340</u> |
| Net position otherwise restricted for: | |
| Perpetual care: | |
| Expendable | 33,422 |
| Nonexpendable | 52,153 |
| Capital improvements | <u>150,372</u> |
| Total restricted net position | <u>\$ 3,125,287</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(10) Net Position/Fund Balance

Net position is classified as net investment in capital assets, restricted and/or unrestricted. The amount of unrestricted net position presented in the government-wide statement of net position and the statement of net position for proprietary funds is significantly affected by the recognition of net pension liability in accordance with GASB 68. At September 30, 2017, the Town reported liabilities in its government-wide financial statements of \$3,573,481 and \$598,201 in its governmental activities and its business-type activities, respectively, for its proportionate share of the net pension liabilities. The recordation of net pension liability on the Town's government-wide financial statements resulted in a deficit of unrestricted net position of \$1,469,819 and \$338,377 in its governmental activities and its business-type activities, respectively.

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

| | General | 1% Sales Tax | 3/4% Sales Tax Liquid and Solid Waste | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|---------------------|---------------------|--|--------------------------------|--------------------------------|
| Fund balances: | | | | | |
| Nonspendable - | | | | | |
| Permanent fund principal | \$ - | \$ - | \$ - | \$ 52,153 | \$ 52,153 |
| Prepaid items | <u>66,658</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>66,658</u> |
| Total fund balances - nonspendable | <u>66,658</u> | <u>-</u> | <u>-</u> | <u>52,153</u> | <u>118,811</u> |
| Restricted for - | | | | | |
| Ad valorem tax restrictions | - | - | - | 467,178 | 467,178 |
| Capital improvements | - | - | - | 150,372 | 150,372 |
| Perpetual care | - | - | - | 33,422 | 33,422 |
| Sales and use tax restrictions | <u>73,408</u> | <u>1,309,129</u> | <u>1,039,625</u> | <u>-</u> | <u>2,422,162</u> |
| Total fund balances - restricted | <u>73,408</u> | <u>1,309,129</u> | <u>1,039,625</u> | <u>650,972</u> | <u>3,073,134</u> |
| Assigned to - | | | | | |
| Fire improvements | 195,000 | - | - | - | 195,000 |
| Law enforcement | 14,385 | - | - | - | 14,385 |
| Civic Center | <u>51,647</u> | <u>-</u> | <u>-</u> | <u>10</u> | <u>51,657</u> |
| Total fund balances - assigned | <u>261,032</u> | <u>-</u> | <u>-</u> | <u>10</u> | <u>261,042</u> |
| Unassigned | <u>1,360,596</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,360,596</u> |
| Total fund balances | <u>\$ 1,761,694</u> | <u>\$ 1,309,129</u> | <u>\$ 1,039,625</u> | <u>\$ 703,135</u> | <u>\$ 4,813,583</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(11) Contingencies

Threatened/Pending Litigation

There are several lawsuits presently threatened or pending against the Town of Berwick as of September 30, 2017. An unfavorable outcome in threatened litigations would not be within the limits of the Town's insurance coverage. In suits pending, legal counsel and elected officials are of the opinion that any unfavorable outcome in these cases would be within the limits of the Town's insurance coverage.

Risk Management

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

(12) Interfund Transfers

| | Transfers in | | |
|---------------------------------------|--------------|---------------------|------------|
| | General | Water Enterprise | Total |
| Transfers out: | | | |
| 1% Sales Tax | \$ 615,731 | - | 615,731 |
| 3/4% Sales Tax Liquid and Solid Waste | - | 50,000 | 50,000 |
| Nonmajor Governmental | 215,000 | - | 215,000 |
| Total | \$ 830,731 | \$ 50,000 | \$ 880,731 |

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

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

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

Proceeds of a 1% parish wide sales and use tax levied in 1966 (2017 collections \$604,584). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition,

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/4 of 1% sales and use tax levied in 1974 (2017 collections \$571,059). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement, fire and police protection; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. The tax was reapproved for levy in 1987. At the time of reauthorization, voters approved a provision authorizing that the proceeds could also be used for law enforcement and fire protection costs.

Proceeds of a 3/10 of 1% sales and use tax levied in 1982 (2017 collections \$190,050). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are dedicated to the following purposes: operating and maintaining the police department, including the acquisition and maintenance of equipment and supplies; paying or supplementing the salaries of municipal employees; and purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, including but not limited to the construction, improvement and maintenance of drainage, water, and flood control extensions and improvements and the acquisition, construction, improvement, maintenance and repair of streets, roads, and bridges.

Proceeds of a 1/2 of 1% sales and use tax levied in 2001 (2017 collections \$190,309). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are to be used for increased salaries for police departments and also for operating and maintaining the police department.

(14) Employee Retirement

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

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

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

Eligibility Requirements: Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit

Eligibility for Retirement for Plan A members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service with an actuarially reduced benefit
5. Survivor's benefits require five years of creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately

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

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

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

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

Disability Benefits: For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Cost of Living Increases: The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

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

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2017, the actual employer contribution rate was 22.75% for Plan A.

Non-employer Contributions: In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2017, The Town reported liabilities in its government-wide financial statements of \$2,002,674 and \$598,201 in its governmental activities and its business-type activities, respectively, for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2017 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportional share of MERS was 0.621710%, which was a decrease of 0.024069% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Town recognized pension expense of \$132,147 and \$185,843 in its governmental activities and business-type activities, respectively, related to its participation in MERS.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

| | Governmental Activities | | Business-Type Activities | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ - | \$ 60,993 | \$ - | \$ 18,219 |
| Changes in Assumption | 33,487 | - | 10,002 | - |
| Net difference between projected and actual earnings on pension plan investments | 403,843 | - | 120,629 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | (7,193) | 63,102 | (2,149) | 18,848 |
| Employer contributions subsequent to the measurement date | <u>53,757</u> | <u>-</u> | <u>16,057</u> | <u>-</u> |
| | <u>\$ 483,894</u> | <u>\$ 124,095</u> | <u>\$ 144,539</u> | <u>\$ 37,067</u> |

The \$69,814 reported as deferred outflows of resources related to pensions resulting from Town contributions to MERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | Governmental Activities | Business-Type Activities | Total |
|------|-------------------------|--------------------------|-------------------|
| 2018 | \$ 63,311 | \$ 18,911 | \$ 82,222 |
| 2019 | 136,996 | 40,921 | 177,917 |
| 2020 | 87,623 | 26,173 | 113,796 |
| 2021 | <u>18,112</u> | <u>5,410</u> | <u>23,522</u> |
| | <u>\$ 306,042</u> | <u>\$ 91,415</u> | <u>\$ 397,457</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

| | Municipal Employees' Retirement System (MERS) |
|----------------------------------|--|
| Valuation Date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Investment rate of return | 7.40% |
| Inflation rate | 2.775% |
| Projected salary increases | 5.00% |
| Mortality Rates | RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA for annuitants and beneficiaries RP-2000 Disables Lives Mortality Tables set back 2 years for both males and females for employees RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females for disables lives |
| Expected remaining service lives | 3 years |

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

The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014.

Discount Rate: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the following table:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|--|-------------------------|--|
| Public equity | 50% | 2.3% |
| Public fixed income | 35% | 1.6% |
| Alternatives | <u>15%</u> | <u>0.7%</u> |
| Totals | <u>100%</u> | <u>4.6%</u> |
| Inflation Expected Arithmetic Nominal Return | | <u>2.6%</u> |
| | | <u>7.2%</u> |

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.4%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

| | Changes in Discount Rate: | | |
|-----------------------|---------------------------|-----------------------|---------------------|
| | MERS - Plan A | | |
| | 1% Decrease | Current Discount Rate | 1% Increase |
| Net Pension Liability | <u>\$ 3,314,380</u> | <u>\$ 2,600,875</u> | <u>\$ 1,992,275</u> |

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2017, the Town recognized revenue as a result of support received from the non-employer contributing entities of \$37,801 for its participation in MERS.

Payables to the Pension Plan: The Town recorded no accrued liabilities to MERS for the year ended September 30, 2017.

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

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Plan Description: The Municipal Police Employees' Retirement System (MPERS) is a cost-sharing multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability and survivor benefits to municipal police officers in Louisiana.

Eligibility Requirements: Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

Retirement Benefits: Any member of MPERS who was hired before January 1, 2013 is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

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

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Any member of MPERS who was hired on or after January 1, 2013 is eligible for regular retirement, early retirement, disability and survivor benefits based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

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

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

Cost of Living Adjustments (COLA): The Board of Trustees is authorized to provide annual cost-of-

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

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

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

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

If the member elects a money market investment return, the funds are transferred to a government money market account.

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

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

For the year ended June 30, 2017 total contributions due from employers and employees was 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.5%, respectively.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Non-Employer Contributions: MPERS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2017, and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2017, The Town reported liabilities in its government-wide financial statements of \$1,476,908 in its governmental activities for its proportionate share of the net pension liabilities of MPERS. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportional share of MPERS was 0.169168%, which was an increase of 0.002649% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Town recognized a pension expense of \$98,218 in its governmental activities related to its participation in MPERS.

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

| | <u>Governmental Activities</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 9,671 | \$ 11,352 |
| Changes in Assumption | 105,090 | - |
| Net difference between projected and actual earnings on pension plan investments | 64,653 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 124,061 | - |
| Employer contributions subsequent to the measurement date | <u>42,337</u> | <u>-</u> |
| | <u>\$ 336,141</u> | <u>\$ 11,352</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

The \$42,337 reported as deferred outflows of resources related to pensions resulting from Town contributions to MPERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | |
|-------------|-------------------|
| 2018 | \$ 117,787 |
| 2019 | 141,572 |
| 2020 | 57,745 |
| 2021 | <u>(34,652)</u> |
| | <u>\$ 282,452</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

| | Municipal Police Employees' Retirement System (MPERS) | |
|---------------------------------|---|---------------|
| Valuation Date | June 30, 2017 | |
| Actuarial cost method | Entry Age Normal | |
| Actuarial cost assumptions: | | |
| Expected emaining service lives | 4 years | |
| Investment rate of return | 7.325%, net of investment expense | |
| Inflation rate | 2.700% | |
| Projected salary increases | Yrs of Service | Salary Growth |
| | 1-2 | 9.75% |
| | 3-23 | 4.75% |
| | Over 23 | 4.25% |
| Mortality | RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants RP-2000 Employee Table set back 4 years for males and 3 years for females for active members | |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees. | |

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

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017 are summarized in the following table:

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|-------------------------|-------------------------|--|
| Equity | 53.00% | 3.66% |
| Fixed Income | 21.00% | 0.52% |
| Alternative | 20.00% | 1.10% |
| Other | <u>6.00%</u> | <u>0.16%</u> |
| Totals | <u>100.00%</u> | <u>5.44%</u> |
| Inflation | | <u>2.75%</u> |
| Expected Nominal Return | | <u>8.19%</u> |

The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.325%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.325% or one percentage point higher 8.325% than the current rate as of June 30, 2016.

| | Changes in Discount Rate: | | |
|-----------------------|---------------------------------|--|---------------------------------|
| | MPERS | | |
| | 1% Decrease <u>6.325%</u> | Current Discount Rate <u>7.325%</u> | 1% Increase <u>8.325%</u> |
| Net Pension Liability | <u>\$2,040,491</u> | <u>\$1,476,908</u> | <u>\$1,004,103</u> |

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2017, the Town recognized revenue as a result of support received from the non-employer contributing entities of \$31,375 for its participation in MPERS.

Payables to the Pension Plan: The Town recorded no accrued liabilities to MPERS for the year ended September 30, 2017.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

C. Firefighters' Retirement System (System)

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

Eligibility Requirements: Membership in the System is a condition of employment for any full time firefighters who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System.

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

Retirement Benefits: Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. Any member of the System who has completed at least twenty-five years of creditable service, who has been a member of this system for at least one year, regardless of age, or any member who has completed at least twenty years of creditable service, who has been a member of this system for at least one year, and who has attained the age of fifty years, or any member who has completed at least twelve years of service, who has been a member of this system for at least one year, and who has attained the age of fifty-five shall be entitled to retire from service.

Upon such retirement, the member shall be paid an annual retirement allowance equal to three and one-third percent of average final compensation multiplied by total years of creditable service. However, the annual retirement allowance shall not exceed one hundred percent of average final compensation.

Deferred Retirement Option Plan (DROP): After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

Employer Contributions: Employer contributions are actuarially determined each year. For the year ended June 30, 2017, employer and employee contributions for members above the poverty line were 25.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 27.25% and 8.0%, respectively.

Non-Employer Contributions: The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2017 and were excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At September 30, 2017, The Town reported liabilities in its government-wide financial statements of \$93,899 in its governmental activities for its proportionate share of the net pension liabilities of the System. The net pension liabilities were measured as of June 30, 2017 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportional share of the System was 0.016382%, which was a decrease of 0.000915% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Town recognized a pension expense of \$6,593 in its governmental activities related to its participation in the System.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

| | <u>Governmental Activities</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ - | \$ 5,236 |
| Changes in Assumption | 3,927 | 22 |
| Net difference between projected and actual earnings on pension plan investments | 8,078 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,048 | 4,546 |
| Employer contributions subsequent to the measurement date | <u>2,783</u> | <u>-</u> |
| | <u>\$ 17,836</u> | <u>\$ 9,804</u> |

The \$2,783 reported as deferred outflows of resources related to pensions resulting from Town contributions to the System subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

| <u>Year</u> | |
|-------------|-----------------|
| 2018 | \$ 3,408 |
| 2019 | 5,025 |
| 2020 | 1,444 |
| 2021 | (3,499) |
| 2022 | (672) |
| 2023 | <u>(457)</u> |
| | <u>\$ 5,249</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

| | <u>Firefighters' Retirement System</u> |
|---------------------------------|---|
| Valuation Date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Actuarial cost assumptions: | |
| Expected emaining service lives | 7 years |
| Investment rate of return | 7.4% per annum (net of fees) |
| Inflation rate | 2.775% per annum |
| Projected salary increases | Vary from 15% in the first two years of service to 4.75% after 25 years |
| Cost of Living Adjustments | Only those previously granted |

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

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.29% as of June 30, 2017. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2017, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Target Asset Allocation</u> | <u>Rates of Return</u> | |
|------------------------------------|--|------------------------|----------------|
| | | <u>Real</u> | <u>Nominal</u> |
| Fixed Income | 23% | 1.27% | |
| Equity | 57% | 3.16% | |
| Alternatives | 10% | 0.56% | |
| Other | 10% | 0.55% | |
| System Total | | | 5.54% |
| Inflation | | | <u>2.75%</u> |
| Expected Arithmetic Nominal Return | | | <u>8.29%</u> |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.4%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.4% or one percentage point higher 8.4% than the current rate as of June 30, 2017.

| | Changes in Discount Rate: Firefighters' Retirement System | | |
|-----------------------|--|--------------------------------------|-------------------------|
| | 1% Decrease 6.40% | Current Discount Rate 7.40% | 1% Increase 8.40% |
| Net Pension Liability | <u>\$ 134,929</u> | <u>\$ 113,138</u> | <u>\$ 59,407</u> |

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2017, the Town recognized revenue as a result of support received from the non-employer contributing entities of \$4,150 for its participation in the System.

Payables to the Pension Plan: The Town recorded no accrued liabilities to the System for the year ended September 30, 2017.

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

(15) Post-Employment Benefits

Effective with the fiscal year beginning October 1, 2009, the Town implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). The requirements of GASB 45 are being implemented prospectively. Accordingly, for financial reporting purposes, no liability is reported for postemployment benefits liability at the date of transition.

From an accrual accounting perspective, the cost of postemployment healthcare benefits should be associated with the periods in which the costs occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB 45, the Town began to recognize the cost of postemployment healthcare in the year when employee services are received, to report the accumulated liability from prior years, and to

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

provide information useful in assessing potential demands on the Town's future cash flows. Because the Town adopted the requirements of GASB 45 prospectively, recognition of the liability accumulated from prior years will be phased in over thirty years, commencing with the liability at September 30, 2010.

Plan Description and Funding Policy. The Town participates in a single-employer defined benefit plan and has elected to make available health benefits to all eligible retirees who retire from the Town on or after December 31, 1997. Retirees are considered eligible if they meet the retirement eligibility requirements of the Municipal Retirement System of Louisiana. Under the post-employment benefit package, retirees may continue group health insurance coverage through the Town's group policy at the retiree's own expense. Once the retiree becomes eligible to obtain Medicare supplement insurance, the Town will pay the premium for the Medicare supplement insurance policy up to a maximum of \$150 per month. Any Medicare supplement premium costs above \$150 must be paid by the retiree. The Town will provide benefits to the retiree only and no coverage will be provided to dependents of the retiree. During the year ended September 30, 2017, the Town incurred costs totaling \$5,400, related to providing this benefit, which is expensed as incurred.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Town has elected to calculate the ARC and related information in accordance with the alternative measurement method permitted by GASB 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Town utilizes the level percentage of payroll amortization method to amortize the unfunded actuarial liability. The following table shows the components of the Town's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation to the retiree health plan:

| | |
|--|-------------------|
| Annual required contribution | \$ 38,046 |
| Interest on net OPEB obligation | 9,770 |
| Adjustment to annual required contribution | <u>(9,424)</u> |
| Annual OPEB cost (expense) | 38,392 |
| Contributions made | <u>(5,400)</u> |
| Increase in net OPEB obligation | 32,992 |
| Beginning net OPEB obligation, 10/1/2016 | <u>244,262</u> |
| Ending net OPEB obligation, 9/30/2017 | <u>\$ 277,254</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2017 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|--------------|--|------------------------|
| 9/30/2015 | \$43,038 | \$5,400 | 12.5% | \$212,423 |
| 9/30/2016 | \$37,239 | \$5,400 | 14.5% | \$244,262 |
| 9/30/2017 | \$38,392 | \$5,400 | 14.1% | \$277,254 |

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

Funded Status and Funding Progress. The funded status of the plan as of the most recent actuarial valuation is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------|---|--------------------|---------------------|---|
| 9/30/2016 | \$0 | \$367,485 | \$367,485 | 0.0% | \$1,356,730 | 27.09% |

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the Town's valuation, the entry age actuarial cost method was used. Based on the historical and expected returns of the Town's short-term investments, a discount rate of 4.0% was used. In addition, the actuarial assumptions included an annual healthcare trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.7% after 10 years. The Town's unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis over 30 years.

(16) Related Parties

During the fiscal year ended September 30, 2017, the Town of Berwick received \$30,800 from the Berwick Housing Authority in lieu of taxes. The Town also received funds from the Louisiana Community Development Block Grant (LCDBG) for housing rehabilitation projects.

(17) Long-Term Contract

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(18) Compensation of Town Officials

A detail of compensation paid to the Mayor and Town Council for the year ended September 30, 2017 follows:

| | |
|-------------------|------------------|
| Mayor: | |
| Louis Ratcliff | \$ 36,000 |
| Council: | |
| Jacki Ackel | 6,000 |
| Duval Arthur, Jr. | 6,000 |
| Troy Lombardo | 6,000 |
| Damon Robison | 6,000 |
| Greg Roussel | <u>6,000</u> |
| | <u>\$ 66,000</u> |

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to a political subdivision head. For the year ended September 30, 2017, payments made to Mayor Louis Ratcliff requiring disclosure are as follows:

| | |
|---------------------------|------------------|
| Salary | \$ 36,000 |
| Car allowance | 1,350 |
| Benefits-retirement | 8,370 |
| Benefits-health insurance | 12,045 |
| Meals | 250 |
| Mileage | <u>1,339</u> |
| | <u>\$ 59,354</u> |

(19) Joint Ventures

Berwick/Bayou Vista Joint Waterworks District -

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

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

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

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

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

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

Following is a summary of the financial statements issued by the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2016 which includes only the assets and liabilities required in operating and maintaining the system, and does not include the original \$10,300,000 construction cost paid by the participants.

The balance sheet reflected the following:

| | |
|-------------------|---------------------|
| Total assets | \$ 1,736,015 |
| Total liabilities | <u>(222,029)</u> |
| Total net assets | <u>\$ 1,513,986</u> |

The statement of revenues and expenses for the fiscal year ended September 30, 2016 reflected the following:

| | |
|------------------------|--------------------|
| Operating revenues | \$ 1,054,723 |
| Non-operating revenues | 289 |
| Operating expenses | <u>(1,051,866)</u> |
| Change in net position | <u>\$ 3,146</u> |

Additional information may be obtained from the separately issued financial statements of Wards 5 and 8 Joint Sewerage Commission for the year ended September 30, 2016.

TOWN OF BERWICK, LOUISIANA

Notes to the Financial Statements (continued)

(20) Prior Period Adjustment

During the fiscal year ended September 30, 2016, the Town incurred costs of \$19,915 in capital additions to the Water System. However, the expenditure was recorded as an operating expense and the addition was not capitalized as appropriate. Therefore, the following adjustment is required to restate net position in the current year:

| | As Previously Reported | Adjustments | As Restated |
|--------------------------------------|------------------------------|-------------|----------------|
| Government-wide financial statements | | | |
| Business-Type Activities | 1,859,577 | 19,915 | 1,879,492 |
| Fund financial statements: | | | |
| Proprietary Funds: | | | |
| Water Enterprise | 1,735,888 | 19,915 | 1,755,803 |

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund
 Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Taxes: | | | | |
| Ad valorem | \$ 483,500 | \$ 483,500 | \$ 488,942 | \$ 5,442 |
| Drainage | 75,000 | 75,000 | 76,285 | 1,285 |
| Sales | 370,000 | 345,000 | 380,359 | 35,359 |
| TV cable franchise fees | 35,000 | 35,000 | 24,834 | (10,166) |
| Utility franchise fees | 250,000 | 250,000 | 203,449 | (46,551) |
| Tobacco and beer | 2,500 | 2,500 | 2,110 | (390) |
| | <u>1,216,000</u> | <u>1,191,000</u> | <u>1,175,979</u> | <u>(15,021)</u> |
| Licenses and permits: | | | | |
| Occupational licenses | 235,000 | 235,000 | 208,228 | (26,772) |
| Permits | 10,000 | 10,000 | 12,137 | 2,137 |
| | <u>245,000</u> | <u>245,000</u> | <u>220,365</u> | <u>(24,635)</u> |
| Intergovernmental: | | | | |
| State of Louisiana | 156,300 | 156,300 | 127,434 | (28,866) |
| St. Mary Parish Council | 28,000 | 28,000 | 187,990 | 159,990 |
| | <u>184,300</u> | <u>184,300</u> | <u>315,424</u> | <u>131,124</u> |
| Fees, Commissions, and Charges for Services | | | | |
| Wharf leases | 50,000 | 50,000 | 60,834 | 10,834 |
| Payments in lieu of taxes | - | - | 30,800 | 30,800 |
| Cemetery plot and mausoleum sales | 15,000 | 15,000 | 19,125 | 4,125 |
| Mosquito abatement | 50,000 | 50,000 | 48,607 | (1,393) |
| Witness fees | 2,000 | 2,000 | 1,750 | (250) |
| Telephone commissions | 200 | 200 | - | (200) |
| Prison meals | 45,000 | 45,000 | 52,206 | 7,206 |
| Property rentals | 20,000 | 20,000 | 13,565 | (6,435) |
| | <u>182,200</u> | <u>182,200</u> | <u>226,887</u> | <u>44,687</u> |
| Fines and forfeits | <u>124,500</u> | <u>124,500</u> | <u>62,913</u> | <u>(61,587)</u> |
| Interest | - | - | 11 | 11 |
| Miscellaneous | <u>50,000</u> | <u>50,000</u> | <u>80,687</u> | <u>30,687</u> |
| Total revenues | <u>2,002,000</u> | <u>1,977,000</u> | <u>2,082,266</u> | <u>105,266</u> |

(continued)

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund (continued)
 Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| Expenditures: | | | | |
| General Government - | | | | |
| Administrative salaries | \$ 369,996 | \$ 369,996 | \$ 361,788 | \$ 8,208 |
| Payroll taxes | 3,035 | 3,035 | 8,070 | (5,035) |
| Retirement | 86,479 | 86,479 | 90,697 | (4,218) |
| Health insurance | 71,021 | 71,021 | 86,863 | (15,842) |
| Workers' compensation insurance | 3,483 | 3,483 | 2,909 | 574 |
| Office maintenance and operations | 60,500 | 60,500 | 74,044 | (13,544) |
| Dues and subscriptions | 2,500 | 2,500 | 3,049 | (549) |
| Publications and notices | 6,500 | 6,500 | 5,919 | 581 |
| Legal and accounting | 77,000 | 77,000 | 79,650 | (2,650) |
| Town hall maintenance and supplies | 50,000 | 50,000 | 34,699 | 15,301 |
| Cost of preparing tax rolls | 2,000 | 2,000 | 3,586 | (1,586) |
| Magistrate fees | 6,000 | 6,000 | 6,000 | - |
| Liability and property insurance | 125,000 | 125,000 | 161,664 | (36,664) |
| Autopsy fees | 5,000 | 5,000 | 2,330 | 2,670 |
| Other charges | 43,500 | 43,500 | 63,690 | (20,190) |
| Total general government | 912,014 | 912,014 | 984,958 | (72,944) |
| Public Safety - | | | | |
| Fire: | | | | |
| Salaries | 45,410 | 45,410 | 38,357 | 7,053 |
| Payroll taxes | 520 | 520 | 604 | (84) |
| F/D retirement fund | 11,003 | 11,003 | 9,789 | 1,214 |
| Health insurance | 6,830 | 6,830 | 6,219 | 611 |
| Workers' compensation insurance | 2,207 | 2,207 | 1,658 | 549 |
| Telephone | 4,000 | 4,000 | 4,945 | (945) |
| Power | 5,000 | 5,000 | 2,637 | 2,363 |
| Equipment maintenance | 35,000 | 35,000 | 12,348 | 22,652 |
| Supplies | 15,000 | 15,000 | 9,962 | 5,038 |
| Other charges | 7,500 | 8,700 | 13,724 | (5,024) |
| Total fire | 132,470 | 133,670 | 100,243 | 33,427 |

(continued)

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund (continued)
 Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---------------------------------|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Police: | | | | |
| Salaries | 539,680 | 539,680 | 510,131 | 29,549 |
| Payroll taxes | 1,344 | 1,344 | 8,640 | (7,296) |
| Police retirement fund | 154,646 | 154,646 | 161,381 | (6,735) |
| Health insurance | 139,537 | 139,537 | 130,237 | 9,300 |
| Workers' compensation insurance | 19,506 | 19,506 | 18,945 | 561 |
| Automobile expenses | 33,500 | 33,500 | 40,101 | (6,601) |
| Supplies | 7,500 | 7,500 | 12,464 | (4,964) |
| Uniforms | 5,000 | 5,000 | 675 | 4,325 |
| Radio maintenance | 5,000 | 5,000 | 2,020 | 2,980 |
| Telephone | 12,000 | 12,000 | 14,247 | (2,247) |
| Prisoner expenses | 15,000 | 15,000 | 18,669 | (3,669) |
| Other charges | 9,000 | 9,000 | 13,210 | (4,210) |
| Total police | <u>941,713</u> | <u>941,713</u> | <u>930,720</u> | <u>10,993</u> |
| Total public safety | <u>1,074,183</u> | <u>1,075,383</u> | <u>1,030,963</u> | <u>44,420</u> |
| Public works - | | | | |
| Streets: | | | | |
| Salaries | 117,237 | 117,237 | 90,691 | 26,546 |
| Payroll taxes | 234 | 234 | 1,398 | (1,164) |
| Retirement | 26,965 | 26,965 | 20,811 | 6,154 |
| Health insurance | 40,391 | 40,391 | 30,114 | 10,277 |
| Workers' compensation insurance | 7,456 | 7,456 | 5,201 | 2,255 |
| Equipment maintenance | 25,000 | 25,000 | 18,882 | 6,118 |
| Power | 100,000 | 100,000 | 76,114 | 23,886 |
| Materials and repairs | 112,500 | 112,500 | 61,903 | 50,597 |
| Other charges | 6,500 | 6,500 | 6,138 | 362 |
| Total streets | <u>436,283</u> | <u>436,283</u> | <u>311,252</u> | <u>125,031</u> |
| Drainage: | | | | |
| Salaries | 24,723 | 24,723 | 53,908 | (29,185) |
| Payroll taxes | 1,549 | 1,549 | 1,300 | 249 |
| Retirement | 5,748 | 5,748 | 10,433 | (4,685) |
| Health insurance | 13,396 | 13,396 | 14,800 | (1,404) |
| Workers' compensation insurance | 1,323 | 1,323 | 2,575 | (1,252) |
| Maintenance and repairs | 63,000 | 63,000 | 42,239 | 20,761 |
| Power | 9,000 | 9,000 | 8,521 | 479 |
| Other charges | 3,000 | 3,000 | 2,630 | 370 |
| Total drainage | <u>121,739</u> | <u>121,739</u> | <u>136,406</u> | <u>(14,667)</u> |
| Cemetery: | | | | |
| Maintenance | - | - | 30,584 | (30,584) |
| Total public works | <u>558,022</u> | <u>558,022</u> | <u>478,242</u> | <u>79,780</u> |

(continued)

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 General Fund (continued)
 Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Culture and Recreation | | | | |
| Salaries | 107,187 | 107,187 | 87,482 | 19,705 |
| Payroll taxes | 875 | 875 | 1,739 | (864) |
| Retirement | 22,912 | 22,912 | 17,981 | 4,931 |
| Health insurance | 13,627 | 13,627 | 12,430 | 1,197 |
| Workers' compensation insurance | 4,052 | 4,052 | 2,875 | 1,177 |
| Maintenance and repairs | 97,000 | 97,000 | 68,642 | 28,358 |
| Utilities | 31,500 | 31,500 | 26,527 | 4,973 |
| Miscellaneous | <u>13,750</u> | <u>13,750</u> | <u>9,117</u> | <u>4,633</u> |
| Total culture and recreation | <u>290,903</u> | <u>290,903</u> | <u>226,793</u> | <u>64,110</u> |
| Supporting Services - | | | | |
| Mosquito abatement | 15,000 | 15,000 | 16,302 | (1,302) |
| Rabies control | <u>3,500</u> | <u>3,500</u> | <u>4,300</u> | <u>(800)</u> |
| Total supporting services | <u>18,500</u> | <u>18,500</u> | <u>20,602</u> | <u>(2,102)</u> |
| Capital Outlay - | | | | |
| Police | 42,662 | 40,000 | 31,638 | 8,362 |
| Fire | <u>15,000</u> | <u>145,000</u> | <u>130,000</u> | <u>15,000</u> |
| Total capital outlay | <u>57,662</u> | <u>185,000</u> | <u>161,638</u> | <u>23,362</u> |
| Total expenditures | <u>2,911,284</u> | <u>3,039,822</u> | <u>2,903,196</u> | <u>136,626</u> |
| Deficiency of revenues over expenditures | (909,284) | (1,062,822) | (820,930) | 241,892 |
| Other financing sources (uses): | | | | |
| Transfers in | <u>1,005,000</u> | <u>921,000</u> | <u>830,731</u> | <u>(90,269)</u> |
| Net change in fund balance | 95,716 | (141,822) | 9,801 | 151,623 |
| Fund balance, beginning | <u>1,751,893</u> | <u>1,751,893</u> | <u>1,751,893</u> | <u>1,751,893</u> |
| Fund balance, ending | <u>\$1,847,609</u> | <u>\$1,610,071</u> | <u>\$ 1,761,694</u> | <u>\$ 1,903,516</u> |

See Notes to Budgetary Comparison Schedules

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 1% Sales Tax Fund
 Year Ended September 30, 2017

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------|---------------------|---------------------|---------------------------|---|
| Revenues: | | | | |
| Taxes - sales taxes | \$ 600,000 | \$ 600,000 | \$ 604,584 | \$ 4,584 |
| Interest earned | <u>1,500</u> | <u>1,500</u> | <u>5,373</u> | <u>3,873</u> |
| Total revenues | 601,500 | 601,500 | 609,957 | 8,457 |
| Other financing uses: | | | | |
| Operating transfer out | <u>(600,000)</u> | <u>(616,000)</u> | <u>(615,731)</u> | <u>269</u> |
| Net change in fund balance | 1,500 | (14,500) | (5,774) | 8,726 |
| Fund balance, beginning | <u>1,314,903</u> | <u>1,314,903</u> | <u>1,314,903</u> | <u>1,314,903</u> |
| Fund balance, ending | <u>\$ 1,316,403</u> | <u>\$ 1,300,403</u> | <u>\$ 1,309,129</u> | <u>\$ 1,323,629</u> |

See Notes to Budgetary Comparison Schedules

TOWN OF BERWICK, LOUISIANA

Budgetary Comparison Schedule
 3/4% Sales Tax Liquid and Solid Waste Fund
 Year Ended September 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes - sales tax | \$ 525,000 | \$ 525,000 | \$ 571,059 | \$ 46,059 |
| Sewer service charges | 395,000 | 395,000 | 392,504 | (2,496) |
| Sanitation service charges | 375,000 | 375,000 | 358,361 | (16,639) |
| Interest earned | 1,000 | 1,000 | 2,664 | 1,664 |
| Total revenues | <u>1,296,000</u> | <u>1,296,000</u> | <u>1,324,588</u> | <u>28,588</u> |
| Expenditures: | | | | |
| Sanitation - | | | | |
| Salaries | 243,005 | 243,005 | 251,981 | (8,976) |
| Payroll taxes | 1,184 | 1,184 | 3,923 | (2,739) |
| Municipal retirement | 53,794 | 53,794 | 57,431 | (3,637) |
| Health insurance | 53,499 | 53,499 | 56,571 | (3,072) |
| Workers' compensation insurance | 12,752 | 12,752 | 11,855 | 897 |
| Waste disposal fees | 351,634 | 351,634 | 369,056 | (17,422) |
| Maintenance | 72,500 | 72,500 | 58,914 | 13,586 |
| Other charges | 14,500 | 14,500 | 18,875 | (4,375) |
| Sewer treatment fees | 273,117 | 273,117 | 273,132 | (15) |
| Power | 30,000 | 30,000 | 18,426 | 11,574 |
| Capital outlay | - | - | 2,061 | (2,061) |
| Total expenditures | <u>1,105,985</u> | <u>1,105,985</u> | <u>1,122,225</u> | <u>(16,240)</u> |
| Excess of revenues over expenditures | 190,015 | 190,015 | 202,363 | 12,348 |
| Other financing sources (uses): | | | | |
| Operating transfers out | <u>(190,000)</u> | <u>(90,000)</u> | <u>(50,000)</u> | <u>40,000</u> |
| Net change in fund balance | 15 | 100,015 | 152,363 | 52,348 |
| Fund balance, beginning | <u>887,262</u> | <u>887,262</u> | <u>887,262</u> | <u>887,262</u> |
| Fund balance, ending | <u>\$ 887,277</u> | <u>\$ 987,277</u> | <u>\$ 1,039,625</u> | <u>\$ 939,610</u> |

See Notes to Budgetary Comparison Schedules

TOWN OF BERWICK, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Basis of Accounting

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

(2) Budgets and Budgetary Accounting

The Town follows these procedures in establishing budgetary data:

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

(3) Expenditures in Excess of Appropriations

Actual expenditures exceeded budgeted appropriations in the ¾% Sales Tax Liquid and Solid Waste Fund by \$16,240.

TOWN OF BERWICK, LOUISIANA

Schedule of Funding Progress
 Postemployment Benefits Other than Pensions
 Year Ended September 30, 2017

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|--|--------------------------|---------------------------|--|
| 9/30/2013 | \$0 | \$348,318 | \$348,318 | 0.0% | \$1,269,035 | 27.45% |
| 9/30/2016 | \$0 | \$367,485 | \$367,485 | 0.0% | \$1,356,730 | 27.09% |

TOWN OF BERWICK, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Year Ended September 30, 2017

| Year ended June 30, | Employer Proportion of the Net Pension Liability (Asset) | Employer Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|--|---|-------------------------------------|---|--|
| Municipal Employees' Retirement System | | | | | |
| 2015 | 0.677640% | 2,420,636 | 1,093,093 | 221.4% | 66.18% |
| 2016 | 0.645779% | 2,646,861 | 1,153,584 | 229.4% | 62.11% |
| 2017 | 0.621710% | 2,600,875 | 1,131,114 | 229.9% | 62.49% |
| Municipal Police Employees' Retirement System | | | | | |
| 2015 | 0.136493% | 1,069,280 | 353,157 | 302.8% | 70.73% |
| 2016 | 0.166519% | 1,560,752 | 463,980 | 336.4% | 66.04% |
| 2017 | 0.169168% | 1,476,908 | 505,017 | 292.4% | 70.08% |
| Firefighters' Retirement System | | | | | |
| 2015 | 0.017434% | 94,093 | 34,738 | 270.9% | 72.45% |
| 2016 | 0.017297% | 113,138 | 39,000 | 290.1% | 68.16% |
| 2017 | 0.163820% | 93,899 | 38,250 | 245.5% | 73.55% |

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

TOWN OF BERWICK, LOUISIANA

Schedule of Employer Contributions
Year Ended September 30, 2017

| <u>Year ended September 30,</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to Contractual Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Employee Payroll</u> | <u>Contributions as a % of Covered Employee Payroll</u> |
|---|--|---|---|--|---|
| Municipal Employees' Retirement System | | | | | |
| 2015 | \$ 232,692 | \$ 232,692 | - | \$1,178,189 | 19.75% |
| 2016 | \$ 239,634 | \$ 239,634 | - | \$1,166,611 | 20.54% |
| 2017 | \$ 256,863 | \$ 256,863 | - | \$1,131,114 | 22.71% |
| Municipal Police Employees' Retirement System | | | | | |
| 2015 | \$ 113,967 | \$ 113,967 | - | \$ 367,932 | 30.98% |
| 2016 | \$ 154,787 | \$ 154,787 | - | \$ 511,734 | 30.25% |
| 2017 | \$ 160,344 | \$ 160,344 | - | \$ 505,017 | 31.75% |
| Firefighters' Retirement System | | | | | |
| 2015 | \$ 10,920 | \$ 10,920 | - | \$ 38,018 | 28.72% |
| 2016 | \$ 10,826 | \$ 10,826 | - | \$ 40,500 | 26.73% |
| 2017 | \$ 9,662 | \$ 9,662 | - | \$ 38,250 | 25.26% |

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

TOWN OF BERWICK, LOUISIANA

Note to Retirement System Schedules
Year Ended September 30, 2017

(1) Retirement Systems

A. Municipal Employees' Retirement System

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

Changes of assumptions – The changes in assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. These changes resulted in deferred inflows and outflows of resources, and related pension expense for the year ended September 30, 2017.

B. Municipal Police Employees' Retirement System

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

Changes of assumptions – The changes in assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. These changes resulted in deferred inflows and outflows of resources, and related pension expense for the year ended September 30, 2017.

C. Firefighters' Retirement System

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

Changes of assumptions – The changes in assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. These changes resulted in deferred inflows and outflows of resources, and related pension expense for the year ended September 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BERWICK, LOUISIANA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2017

| | Special Revenue | | Capital Projects | Permanent Fund | |
|---------------------|--|------------------------|--|---|--|
| | Public Improvement Maintenance Fund | LCDBG Grant Fund | Street & Road Improvement Construction Fund | Berwick Memorial Perpetual Care Fund | Total Nonmajor Governmental Funds |
| ASSETS | | | | | |
| Cash | \$ 465,898 | \$ 10 | \$ 150,372 | \$ 85,575 | \$ 701,855 |
| Receivables: | | | | | |
| Taxes | <u>1,280</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,280</u> |
| Total assets | <u>\$ 467,178</u> | <u>\$ 10</u> | <u>\$ 150,372</u> | <u>\$ 85,575</u> | <u>\$ 703,135</u> |
| FUND BALANCES | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 52,153 | \$ 52,153 |
| Restricted | 467,178 | - | 150,372 | 33,422 | 650,972 |
| Assigned | <u>-</u> | <u>10</u> | <u>-</u> | <u>-</u> | <u>10</u> |
| Total fund balances | <u>\$ 467,178</u> | <u>\$ 10</u> | <u>\$ 150,372</u> | <u>\$ 85,575</u> | <u>\$ 703,135</u> |

TOWN OF BERWICK, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended September 30, 2017

| | Special Revenue | | Capital Projects | Permanent Fund | |
|--|--|------------------------|--|---|--|
| | Public Improvement Maintenance Fund | LCDBG Grant Fund | Street & Road Improvement Construction Fund | Berwick Memorial Perpetual Care Fund | Total Nonmajor Governmental Funds |
| Revenues: | | | | | |
| Taxes | \$ 242,708 | \$ - | \$ - | \$ - | \$ 242,708 |
| Intergovernmental | - | <u>28,000</u> | - | - | <u>28,000</u> |
| Total revenues | <u>242,708</u> | <u>28,000</u> | - | - | <u>270,708</u> |
| Expenditures: | | | | | |
| Supporting services - Housing rehabilitation | - | <u>28,000</u> | - | - | <u>28,000</u> |
| Excess (deficiency) of revenues over expenditures | 242,708 | - | - | - | 242,708 |
| Other financing sources (uses): | | | | | |
| Operating transfers out | <u>(215,000)</u> | - | - | - | <u>(215,000)</u> |
| Net change in fund balances | 27,708 | - | - | - | 27,708 |
| Fund balances, beginning of year | <u>439,470</u> | <u>10</u> | <u>150,372</u> | <u>85,575</u> | <u>675,427</u> |
| Fund balances, end of year | <u>\$ 467,178</u> | <u>\$ 10</u> | <u>\$ 150,372</u> | <u>\$ 85,575</u> | <u>\$ 703,135</u> |

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Louis Ratcliff, Mayor
and Members of the Town Council
Town of Berwick, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berwick (hereinafter "Town"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 22, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control that we consider to be a material weakness and which is described in the accompanying schedule of audit results and findings as item 2017-001.

Compliance and Other Matters

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 22, 2018

TOWN OF BERWICK, LOUISIANA

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

A. Internal Control -

2016-001 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

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.

CURRENT STATUS: See schedule of audit results and findings item 2017-001.

B. Compliance -

2016-002 – Budget Variance

CONDITION: Budget variance in excess of 5% was incurred in the ¾% Sales Tax Liquid and Solid Waste Fund.

RECOMMENDATION: We recommend that the Town periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statute.

CURRENT STATUS: This condition has been resolved.

C. OMB Uniform Guidance – This section was not applicable.

TOWN OF BERWICK, LOUISIANA

Schedule of Audit Results and Findings
Year Ended September 30, 2017

Part I. Summary of Audit Results

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

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

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

A management letter was issued.

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

A. Internal Control Findings-

2017-001 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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

TOWN OF BERWICK, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2017

B. Compliance Findings-

There are no findings reported under this section.

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

The requirements of the Uniform Guidance are not applicable.

TOWN OF BERWICK, LOUISIANA

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2017

2017-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not considered necessary

KOLDER, SLAVEN & COMPANY, LLC

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MANAGEMENT LETTER

The Honorable Louis Ratcliff, Mayor
Town of Berwick
Berwick, Louisiana 70342

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berwick (hereinafter "Town") as of and for the year ended September 30, 2017 and have issued our report thereon dated March 22, 2018.

In planning and performing our audit of the financial statements of the Town, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Town's internal control or on its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control or on compliance.

During our audit we noted a matter involving internal control or compliance that is summarized below for your consideration. This comment and the related recommendation is intended to improve the Town's internal control and/or its compliance with laws, regulations, contracts, and grant agreements and other matters. Our comment is not intended to reflect upon the ability or integrity of the Town's personnel.

2017-ML-1 Cash Overdraft

As of September 30, 2017, the Town maintained a negative general ledger cash balance in its Payroll Fiduciary Fund which subsequently led to a negative bank balance. The Town did not maintain proper policies and procedures to allow management or employees to prevent or detect this overdraft.

The Town should design and implement policies and procedures to allow management or employees to prevent or detect overdrafts on a timely basis.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not identify all weaknesses in policies and procedures or incidents of noncompliance that may exist. We aim, however, to use our knowledge of the Town's operations gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of the Town's management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Town of Berwick
Management Letter

We would like to express our appreciation to you and your staff for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need additional assistance, please feel free to contact us.

KOLDER, SLAVEN & COMPANY, LLC
Certified Public Accountants



TOWN OF BERWICK

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Berwick, LA 70342
www.townofberwick.org

Mayor:
Louis Ratcliff

Kolder, Champagne, Slaven & Company CPAs
1234 David Drive, Suite 203

Mayor Protem:
Jacki Ackel

Morgan City, LA 70380

Councilmen:
Greg Roussel

In connection with your audit of the financial statements of the Town of Berwick as of and for the year ended September 30, 2017 we provide the following responses to reported management letter items:

Troy Lombardo

Duval Arthur

2017-ML-1 Cash Overdraft

Damon Robison

As of September 30, 2017, the Town maintained a negative general ledger cash balance in its Payroll Fiduciary Fund which subsequently led to a negative bank balance. The Town did not maintain policies and procedures to allow management or employees to prevent or detect this overdraft. The Town should design and implement policies and procedures to allow management or employees to prevent or detect overdrafts on a timely basis.

CAO/Town Clerk:
Newell Slaughter

MANAGEMENT'S RESPONSE: The Town will direct personnel performing reconciliation procedures to report negative cash positions and/or unusual, suspicious or unexplained activity immediately to supervisory personnel. The Town will also implement policies and procedures to assure bank reconciliations are reviewed by supervisory personnel on a timely basis.

We trust the foregoing adequately addresses the reported issues.

Sincerely,


Newell Slaughter
CAO/Town Clerk

TOWN OF BERWICK

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2016 through September 30, 2017

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Louis Ratcliff, Mayor
And Members of the Town Council
Town of Berwick, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Town of Berwick (hereinafter "TOB") 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, 2016 through September 30, 2017. The TOB'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 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 exceptions are as follows:

Written Policies and Procedures

1. Obtain the TOB'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 TOB does not have any written policies and procedures), as applicable:

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

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

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

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

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

The TOB does not have any written policies and procedures on receipt 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.

- 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 TOB 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, and (5) monitoring card usage.

The TOB 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 (2) dollar thresholds by category of expense.

- 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 TOB's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

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

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

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

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 TOB for the fiscal period noting that the council met at least 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 TOB's prior audit (GAAP-basis).

Minutes included references to budget to actual comparisons for all funds for which an annual budget was adopted which included funds identified as major funds in the prior audit.

- 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.

There were no indications of deficit spending.

- 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.

Minutes included references to non-budgetary financial information for at least one meeting during the fiscal period.

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 the listing is complete.

- 4. Using the listing provided by management, select all of the TOB'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 for seven (7) bank accounts noting that reconciliations have been prepared for each account 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 for seven (7) bank accounts noting evidence of management's 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 for seven (7) bank accounts noting no reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

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 the listing is complete.

6. Using the listing provided by management, select all of the TOB'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.

The TOB maintains one (1) cash location in which the person responsible for collecting cash was also—

- *Responsible for recording the deposit.*
- *Responsible for reconciling the bank statement.*

All individuals responsible for collecting cash were appropriately bonded.

TOB maintains only two (2) cash registers and employees are required to share the same cash register with other employees.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the TOB 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.

TOB has no formal reconciliation process. At the one (1) cash collection location tested, the informal process of reconciling cash collections to the general ledger is performed by the same individual having responsibility for cash collections.

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

- Using TOB 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.

In the one (1) location tested, there was three (3) instances of deposits not being made within one (1) day of collection; however, the deposits were made within one business day of collection. The number of days after collection are as follows:

| <u>Collection Location</u> | <u>Date</u> | | <u>Days from</u> |
|----------------------------|-------------------|----------------|-------------------|
| | <u>Collection</u> | <u>Deposit</u> | <u>Collection</u> |
| | | | <u>to Deposit</u> |
| Town Hall | 12/30/2016 | 1/3/2017 | 4 |
| | 12/30/2016 | 1/3/2017 | 4 |
| | 12/30/2016 | 1/3/2017 | 4 |

- 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 address the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the TOB has a process specifically defined (identified as such by the TOB) 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.

TOB has no written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.

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

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

Obtained listing of disbursements from management and management’s representation that the listing is complete.

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 TOB 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 twenty-five (25) disbursements selected and found that twenty-one (21) purchases were not initiated using a purchase requisition/order system.

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

Examined supporting documentation for the four (4) purchases initiated using a purchase order noting approval by an individual who did not initiate the purchase.

- 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 twenty-five (25) disbursements selected noting four (4) payments were processed having an approved requisition and/or purchase order. All twenty-five (25) disbursements included a receiving report and/or an approved invoice, as necessary.

- 10. Using TOB 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 TOB's purchasing/disbursement system.

The TOB has no written documentation prohibiting the individual responsible for processing payments from adding vendors to the purchasing/disbursement system.

- 11. Using TOB 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.

The TOB has no written documentation providing that the persons with signatory authority, or who make the final authorization for disbursements, have no responsibility for initiating or 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 TOB documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The TOB maintains both unused checks as well as blank check stock. Unused checks are maintained in the Town's safe and access is restricted to those persons that do not have signatory authority. Additionally, only persons with signatory authority have system access to print checks on blank check stock.

- 12. 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.

Signature stamp or signature machine is not used.

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.

Obtained listing of active credit cards, bank debit cards, fuel cards and name of the individuals maintaining possession of the cards from management and management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the TOB 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.

Randomly selected ten (10) cards from the listing provided by management.

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.]

Monthly statements were obtained for the ten (10) cards selected for testing noting no evidence of review and/or approval, in writing, by someone other than the authorized cardholder.

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

No finance charges and/or late fees were observed on the statements.

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)

Of the ten (10) credit cards selected for testing, six (6) credit cards having twenty (20) transactions were not supported by an original itemized receipt.

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

The TOB has no written policies and procedures for credit card functions; however, the business/public purpose for each transaction, including, for meals, if any, the individuals participating, was appropriately documented.

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

See above.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the TOB'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.

See 15(a) above. There were no noted credit card purchases requiring compliance with the Public Bid Law.

- c) For each transaction, compare the TOB'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.

Nature of the credit card transactions were not obscured and all transactions tested appear compliant with Article VII, Section 14 of the Louisiana Constitution.

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.

Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management's representation that the listing is complete.

18. Obtain the TOB'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.

Obtained TOB's written policies related to travel and expense reimbursements. Reimbursement rates for mileage included in the written policies are based on state policies. However, reimbursement for expenses such as lodging and meals may exceed GSA rates as the written policy states that actual and/or reasonable costs for meals and lodging will be allowed.

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 TOB does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Expenses included on reimbursement reports were reimbursed in accordance with TOB's written policies.

- 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.]

Each expense appearing on the reimbursement report was supported by an original itemized receipt precisely identifying the purchase.

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

Each expense appearing on the reimbursement report was supported by documentation of the business/public purpose.

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

No other documentation was required by written policy.

- c) Compare the TOB'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.

Nature of the expenses reimbursed and related supporting documentation were not obscured and all reimbursements tested appear compliant with Article VII, Section 14 of the Louisiana Constitution.

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

Reimbursement requests and related documentation evidenced review and approval, in writing, by someone other than the individual receiving the reimbursement.

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.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

- 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:

The TOB maintained only two (2) contracts during the fiscal period.

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

Payments to vendors were supported by a written agreement describing the services to be provided and the fees to be charged.

- 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 TOB 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 TOB solicited quotes as a best practice.

Supporting contract documentation provided that the TOB solicited quotes as best practice.

- 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.

One (1) of the two (2) contracts tested was amended as follows – 1) increase in the amount of \$1/ton for landfill garbage collection, 2) increase in the amount of \$0.45/ton on pickup of gasoline, 3) increase in the amount of \$0.23/ton on pickup of garbage, and 4) increase in the amount of \$0.62/ton for solid waste transportation. The original contract included provisions allowing for such amendments.

- 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.

Obtained supporting invoices for the largest payment of the two (2) contracts and compared to the contract terms. Invoices and related payments appear compliant with the terms and conditions of the contract.

- 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).

The contracts tested were documented in the minutes as approved by the council, as necessary.

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.

Obtained a listing of employees from management and management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

- 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.

Compensation paid to the individuals tested were made in accordance with TOB's adopted pay scales and/or contract for employment without exception.

- 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 hourly pay rates/salaries were approved in writing and in accordance with written policy.

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 TOB 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.)

Daily attendance and leave records could not be obtained for three (3) of the twenty-five (25) employees selected for testing.

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

Daily attendance and leave records for five (5) of the twenty-five (25) employees selected for testing did not evidence approval of supervisory personnel.

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

Leave records for TOB personnel are maintained in writing and/or electronically.

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.

Obtained a listing of employees that terminated during the fiscal period from management and management's representation that the listing is complete. Also obtained the personnel files of the individuals receiving the two largest termination payments. Termination payments were approved by management; however, one (1) of the termination payments was not made in strict accord with TOB's policy.

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.

Obtained supporting documentation relating to payroll taxes and retirement contributions noting that the Quarter 1 payment of Federal Unemployment Tax was not submitted by the required deadline and a tax penalty was assessed.

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 TOB maintained documentation to demonstrate that required ethics training was completed.

Obtained ethics compliance documentation for five (5) randomly selected individuals. Documentation of the completion of the required ethics training was on file for all individuals tested.

27. Inquire of management whether any alleged ethics violations were reported to the TOB 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 TOB'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 there were no allegations of ethics violations reported during the fiscal period.

Debt Service (excluding nonprofits)

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

The TOB did not issue any debt during the fiscal period.

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

The TOB had no outstanding debt during the fiscal period.

30. If the TOB 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.

The Town had no tax millages relating to debt services during the fiscal period.

Other

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

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

32. Observe and report whether the TOB 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.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Notice required by RS 24:523.1 was not posted on TOB's premises or 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 to management's representations.

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 and is solely for use by the TOB's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana

March 22, 2018