

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

Financial Report

Year Ended September 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Berwick-Bayou Vista Joint Waterworks Commission (hereinafter "Commission"), a joint venture of the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of September 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information as listed in the tables of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The summary of charges for the past five reporting periods on page 29, schedule of certificates of deposit on page 30, and schedule of insurance in force on page 31 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 11, 2021

BASIC FINANCIAL STATEMENTS

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Net Position
September 30, 2020

ASSETS

Current assets:	
Cash	\$ 7,617
Due from participants	61,609
Inventory	56,269
Prepaid insurance	<u>11,273</u>
Total current assets	<u>136,768</u>
Noncurrent assets:	
Restricted assets	155,843
Capital assets, net of accumulated depreciation	864,836
Deposits	1,242
Net pension asset	<u>13,404</u>
Total noncurrent assets	<u>1,035,325</u>
Total assets	1,172,093

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to net pension liability	<u>21,006</u>
Total assets and deferred outflows of resources	<u>\$ 1,193,099</u>

(continued)

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Net Position (continued)
September 30, 2020

LIABILITIES

Current liabilities	
Accounts payable	\$ 28,635
Accrued payroll liabilities	12,575
Compensated absences	<u>4,160</u>
Total current liabilities	45,370

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>35,441</u>
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NET POSITION

Net investment in capital assets	864,836
Restricted	155,843
Unrestricted	<u>91,609</u>
Total net position	<u>1,112,288</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 1,193,099</u>

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2020

Operating revenues	
Charges for services	\$ 590,188
Repair and maintenance fee	71,329
Other	2,584
Total operating revenues	<u>664,101</u>
Operating expenses	
Advertising	392
Chemicals	103,851
Depreciation	133,597
Dues and subscriptions	1,400
Engineering	540
Insurance	74,643
Janitorial	1,469
Lab fees	1,800
Legal and accounting	22,839
Mileage	666
Miscellaneous	1,447
Office	4,660
Repairs and maintenance	82,190
Retirement	14,686
Taxes - payroll	18,566
Telephone	5,265
Travel	210
Uniforms	2,095
Utilities	67,872
Wages	232,758
Total operating expenses	<u>770,946</u>
Loss from operations	<u>(106,845)</u>
Nonoperating revenues	
Interest	1,327
Intergovernmental grant proceeds	20,000
Miscellaneous	16,255
Total nonoperating revenues	<u>37,582</u>
Income (loss) before other revenues	(69,263)
Capital contributions	<u>8,910</u>
Change in net position	(60,353)
Net position, beginning	<u>1,172,641</u>
Net position, ending	<u>\$ 1,112,288</u>

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Cash Flows
Year Ended September 30, 2020

Cash flows from operating activities	
Received from participants	\$ 661,045
Paid to suppliers	(440,479)
Paid to and for employees	<u>(234,391)</u>
Net cash used by operating activities	<u>(13,825)</u>
Cash flows from noncapital financing activities	
Intergovernmental grant proceeds	20,000
Miscellaneous receipts	<u>16,255</u>
Net cash provided by noncapital financing activities	<u>36,255</u>
Cash flows used by capital and related financing activities	
Acquisition of capital assets	<u>(7,313)</u>
Cash flows from investing activities	
Interest received	<u>50</u>
Net increase in cash and cash equivalents	15,167
Cash and cash equivalents, beginning	<u>50,843</u>
Cash and cash equivalents, ending	<u>\$ 66,010</u>

(continued)

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Internal Service Fund
Statement of Cash Flows (continued)
Year Ended September 30, 2020

Reconciliation of operating loss to net cash provided by operating activities

Loss from operations	\$ (106,845)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	133,597
Changes in assets and liabilities:	
Inventory	(31,351)
Due from participants	(472)
Deferred outflows of resources	39,369
Accounts payable	(3,203)
Payroll related liabilities	1,303
Retirement payable	(156)
Compensated absences	(1,334)
Deferred inflows of resources	20,100
Net pension liability	<u>(64,833)</u>
Net cash provided by operating activities	<u>\$ (13,825)</u>

Reconciliation of total cash:

Nonrestricted assets - cash	\$ 7,617
Restricted assets - cash and certificates of deposits	149,981
Less restricted assets - certificates of deposits that are not cash equivalents	<u>(91,588)</u>
Total cash and certificates of deposits	<u>\$ 66,010</u>

Noncash Capital and Related Financing Activities:

Capital assets of \$8,910 were acquired through contributions from St. Mary Parish Water and Sewer Commission No. 2.

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements

INTRODUCTION

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

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

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Government Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criterion includes:

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

B. Basis of Presentation

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

Fund Financial Statements

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

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an internal service fund.

Internal service funds –

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Basis of Accounting

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

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

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

Receivables

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

Inventory

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

Prepaid items

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

Capital assets

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Restricted Assets

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

Compensated absences

Accumulated vacation is accrued as an expense of the period in which incurred. Employees earn from 5 to 15 days of vacation each year depending on the length of services with the Commission. Vacation time not used by the end of the calendar year does not carry over. At September 30, 2020, earned vacation leave totaling \$4,160 has been accrued in the financial statements.

Deferred outflows of resources and deferred inflows of resources

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

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

Pensions

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

Equity classifications

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

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

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

E. Revenues and Expenses

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

Revenues

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

Expenses

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

F. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks having principal offices in Louisiana. At September 30, 2020, the Commission had cash and cash equivalents (book balances) totaling \$157,598 in cash and interest-bearing deposits.

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At September 30, 2020, the Commission has \$159,161 in deposits (bank balances). These deposits are secured from risk by federal deposit insurance and are, therefore, not exposed to custodial credit risk.

(3) Due from other Participants

Due from participants are amounts due from each participant for unpaid user fees of the water system and reimbursements of expenses. At September 30, 2020, amounts due from participants consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Town of Berwick	\$ 29,981	\$ 2,749	\$ 32,730
St. Mary Parish Water and Sewer Commission No. 2	31,628	2,900	34,528
Total due from participants	<u>\$ 61,609</u>	<u>\$ 5,649</u>	<u>\$ 67,258</u>

(4) Capital Assets

Capital asset and depreciation activity for the year ended September 30, 2020 is as follows:

	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of year</u>
Capital assets, being depreciated				
Improvements	\$ 1,714,881	\$ 2,550	\$ -	\$ 1,717,431
Furniture and fixtures	3,199	-	-	3,199
Equipment	381,578	13,673	-	395,251
Total assets, being depreciated	<u>2,099,658</u>	<u>16,223</u>	<u>-</u>	<u>2,115,881</u>
Less accumulated depreciation for				
Improvements	(852,803)	(92,683)	-	(945,486)
Furniture and fixtures	(1,727)	(518)	-	(2,245)
Equipment	(262,918)	(40,396)	-	(303,314)
Total accumulated depreciation	<u>(1,117,448)</u>	<u>(133,597)</u>	<u>-</u>	<u>(1,251,045)</u>
Capital assets, net	<u>\$ 982,210</u>	<u>\$ (117,374)</u>	<u>\$ -</u>	<u>\$ 864,836</u>

Depreciation expense related to the utilization of fixed assets for the year ended September 30, 2020 was \$133,597.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

(5) Restricted Assets and Restricted Net Position

Restricted assets consisted of the following at September 30, 2020:

Cash	\$ 58,393
Certificates of deposit	91,588
Due from participants	5,649
Accrued interest	<u>213</u>
Total restricted assets	<u>\$ 155,843</u>

The total restricted assets of \$155,843 is also shown in the financial statements as restricted net position.

(6) Pension Plan

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

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

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

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

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

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

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

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

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

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

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

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

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

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 2% of the member's final average compensation multiplied by his years of service, to age 60 for those members who are enrolled prior to January 1, 2007 and to age 62 for those members who are enrolled January 1, 2007 and later.

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

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

Employer Contributions: According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2019, the actuarially determined contribution rate was 7.53% of member's compensation for Plan B. However, the actual rate for the plan's fiscal year ending December 31, 2019 was 7.50% for Plan B.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

Non-employer Contributions: According to state statute, PERS also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. During the year ended September 30, 2020, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$2,584 for its participation in PERS.

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

At September 30, 2020, the Commission reported assets in its financial statements of \$13,404 for its proportionate share of the net pension asset of PERS. The net pension asset was measured as of December 31, 2019 and the total pension asset used to calculate the net pension asset was determined by separate actuarial valuations performed as of that date. The Commission's proportion of the net pension asset was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Commission's proportional share of PERS was 0.185272%, which was a decrease of 0.005088% from its proportion measured as of December 31, 2018.

For the year ended September 30, 2020, the Commission recognized a pension expense of \$14,686 in its activities.

At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 397	\$ 5,716
Changes of assumptions	7,908	-
Net difference between projected and actual earnings on pension plan investments	-	27,988
Changes in proportion and differences between employer contributions and proportionate share of contributions	148	1,737
Employer contributions subsequent to the measurement date	12,553	-
	<u>\$ 21,006</u>	<u>\$ 35,441</u>

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

The \$12,553 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2021	(8,518)
2022	(7,994)
2023	2,282
2024	<u>(12,758)</u>
	<u>\$ (26,988)</u>

Actuarial Assumptions

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2019 are as follows:

	Parochial Employees' Retirement System of Louisiana Plan B
Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.50%, net of investment expense, including inflation
Projected Salary Increases	4.25%
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants
Inflation Rate	2.40%

The discount rate used to measure the total pension asset was 6.50% for Plan B, which was the same rate used as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Notes to Financial Statements (continued)

The investment rate of return was 6.50% for Plan B, which was the same rate used as of December 31, 2018. The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.18% for the year ended December 31, 2019.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate Of Return</u>
Fixed Income	35%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real assets	2%	0.11%
Totals	<u>100%</u>	<u>5.18%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.18%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plan Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

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

Notes to Financial Statements (continued)

Sensitivity to Changes in Discount Rate

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

	Changes in Discount Rate		
	2019		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	\$ 72,005	\$ (13,404)	\$ (84,790)

Payables to the Pension Plan

The Commission recorded accrued liabilities to PERS for the year ended September 30, 2020, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accrued liabilities. The balance due to PERS as of September 30, 2020 is \$4,118.

Pension Plan Fiduciary Net Positions

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

(7) Related Party Transactions

The Commission charges its participants, all of which are governmental entities, for water service based upon usage. All of the Commission's participants are related parties. During the year ended September 30, 2020, the Commission recorded, as charges for services and repairs and maintenance fees, the following from related parties:

Town of Berwick	\$ 350,887
St. Mary Parish Water and Sewer Commission No. 2	<u>310,630</u>
Total related party revenue	<u>\$ 661,517</u>

The Commission also recorded \$8,910 in noncash capital contributions from St. Mary Parish Water and Sewer Commission No. 2.

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

Notes to Financial Statements (continued)

(8) Compensation and Other Payments to Board Members

The Board of Commissioners consists of four members, two each appointed by the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2. According to the terms of the agreement, any compensation or expense reimbursement to the members are to be paid by the Town of Berwick and the St. Mary Parish Water and Sewer Commission No. 2, respectively. Act 706 of the 2014 Legislative Session amended Louisiana R.S. 24:513 requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. No payments which would require disclosure were made by the Commission to the Commission's agency head, Herb Mashburn, Chairman, or to the Board of Commissioners for the year ended September 30, 2020.

(9) Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retention, or limits during the year ended September 30, 2020. Settled claims have not exceeded the commercial coverages in any of the previous three years.

REQUIRED SUPPLEMENTARY INFORMATION

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Employer's Share of Net Pension Liability/(Asset)
Year Ended September 30, 2020

Plan Year Ended December 31	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2014	0.268573%	\$ 746	222,818	0.33%	99.89%
2015	0.240325%	\$ 42,789	230,993	18.52%	93.48%
2016	0.216650%	\$ 38,144	215,822	17.67%	95.50%
2017	0.244077%	\$ (30,710)	247,516	-12.41%	104.02%
2018	0.190360%	\$ 51,429	199,150	25.82%	91.93%
2019	0.185272%	\$ (13,404)	205,843	-6.51%	102.05%

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Employer Contributions
Year Ended September 30, 2020

Fiscal Year Ended September 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 22,088	\$ 22,088	\$ -	\$ 232,841	9.49%
2016	\$ 17,130	\$ 17,130	\$ -	\$ 207,983	8.24%
2017	\$ 19,111	\$ 19,111	\$ -	\$ 248,891	7.68%
2018	\$ 17,302	\$ 17,302	\$ -	\$ 226,989	7.62%
2019	\$ 12,604	\$ 12,604	\$ -	\$ 168,058	7.50%
2020	\$ 17,467	\$ 17,467	\$ -	\$ 232,861	7.50%

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Note to Retirement System Schedules
Year Ended September 30, 2020

Parochial Employees' Retirement System

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

Changes of assumptions –

Plan Year ended December 31	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2014	7.25%	7.25%	3.00%	4	5.75%
2015	7.00%	7.00%	2.50%	4	5.25%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	6.75%	6.75%	2.50%	4	5.25%
2018	6.50%	6.50%	2.40%	4	4.25%
2019	6.50%	6.50%	2.40%	4	4.25%

SUPPLEMENTARY INFORMATION

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Summary of Charges for the Past Five Reporting Periods
Year Ended September 30, 2020

Year Ended September 30,	Berwick		Bayou Vista		Cost per 1,000 Gallons
	Gallons	Amount	Gallons	Amount	
2015	218,814,000	313,468	201,496,000	289,109	143.36
2016	209,820,000	287,674	211,988,000	292,406	137.52
2017	223,641,000	332,621	210,950,000	313,408	148.65
2018	202,919,000	345,003	179,580,000	303,224	169.47
2019	193,655,215	343,540	161,535,578	284,485	176.81
2020	189,442,636	312,998	167,202,202	277,190	165.48

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Certificates of Deposit
Year Ended September 30, 2020

<u>Security</u>	<u>Maturity</u>	<u>Rate</u>	<u>Value</u>
Certificate of Deposit - MC Bank & Trust Co.	10/28/2020	0.25%	45,794
Certificate of Deposit - MC Bank & Trust Co.	10/28/2020	0.25%	45,794

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Insurance in Force
Year Ended September 30, 2020

Insurer	Type of Coverage	Coverage	Exp Date	
Louisiana Workers' Compensation Corp	Workers' Compensation	General aggregate limit	\$ 500,000	8/30/2021
		Each Accident	100,000	8/30/2021
		Each employee	100,000	8/30/2021
Glatfelter Public Practice	General Liability	Each occurrence limit	1,000,000	5/16/2021
		General aggregate limit	3,000,000	5/16/2021
	Public Management Liability	Each occurrence limit	1,000,000	5/16/2021
		Aggregate limit	3,000,000	5/16/2021
Auto Liability	Each accident	1,000,000	5/16/2021	

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Berwick-Bayou Vista Joint Waterworks Commission (hereinafter "Commission"), a joint venture of the Town of Berwick and St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 11, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2020-001 and 2020-002.

Compliance and Other Matters

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

Commission's Responses to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 11, 2021

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

A. Internal Control

2019-001 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CURRENT STATUS: See schedule of audit results and findings item 2020-001.

2019-002 – Financial Reporting

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

CURRENT STATUS: See schedule of audit results and findings item 2020-002.

B. Compliance

No matters were reported.

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Audit Results and Findings
Year Ended September 30, 2020

Part I. Summary of auditor's results:

Financial Statements

1. Type of auditor's opinion issued on financial statements:

Opinion Unit	Type of Opinion
Proprietary fund	Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?	x	yes	no
Significant deficiency(ies) identified?	no	yes	x none reported

3. Noncompliance material to the financial statements?

no	yes	x	no
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Other

4. Management letter issued?

no	yes	x	no
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Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2020-001 - Segregation of Duties

First year finding initially occurred: Unknown

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2020

2020-002 – Financial Reporting

Year initially occurring: Unknown

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

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

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

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

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

B. Compliance

No compliance issues are reported.

Part III. Findings and questioned costs for federal awards

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

BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2020

Response to Finding 2020-001:

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

Response to Finding 2020-002:

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