

**SOUTH VERNON PARISH
WATERWORKS DISTRICT #1**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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June 11, 2020

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
South Vernon Parish Waterworks District #1

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the South Vernon Parish Waterworks District #1, component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Vernon Parish Waterworks District #1, as of December 31, 2019, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Per Diem Paid to Board Members and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is other supplemental information presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2020, on our consideration of the District's internal control over financial reporting and 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 District's internal control over financial reporting and compliance.



ROZIER, MCKAY, AND WILLIS
Certified Public Accountants

South Vernon Parish Waterworks District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. These financial statements report all revenues and expenses regardless of when cash is received or paid. Furthermore, the basic financial statements include all of the District's assets and all of the District's liabilities (including long-term debt).

FINANCIAL ANALYSIS OF THE DISTRICT

This portion of management's discussion and analysis provides a comparative financial analysis.

Balance Sheet

A condensed version of the District's Balance Sheet is presented as follows:

	December 31, 2019	December 31, 2018
<u>Assets:</u>		
Current and Other Assets	\$ 708,520	\$ 717,004
Capital Assets	3,229,375	3,324,743
Total Assets	3,937,895	4,041,747
<u>Liabilities:</u>		
Current and Other Liabilities	166,234	162,148
Long-term Liabilities	1,925,082	2,019,806
Total Liabilities	2,091,316	2,181,954
<u>Net Position:</u>		
Net Investment in Capital Assets	1,211,435	1,205,555
Restricted for Debt Service	347,286	320,767
Unrestricted	287,858	333,471
Total Net Position	\$ 1,846,579	\$ 1,859,793

As the presentation appearing above demonstrates, the largest portion of net position is invested in capital assets net of related debt. These assets are used by the District to provide water to the citizens of the District.

The restricted portion of net position is for debt service. These restricted amounts are limited to amounts encumbered by agreements with bond holders.

The unrestricted portion of net position may be used to meet the District's ongoing obligations to citizens and creditors.

South Vernon Parish Waterworks District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

Changes in Net Position

A condensed version of the Statement of Revenues, Expenses, and Changes in Net Position is presented as follows:

	For the Year Ended	
	December 31, 2019	December 31, 2018
<u>Revenues:</u>		
Program Revenues		
Charges for Service	\$ 610,889	\$ 626,626
Operating Grants and Contributions	----	----
Capital Grants and Contributions	----	----
General Revenues	104,065	80,645
Total Revenues	714,954	707,271
 Program Expenses	 728,168	 728,168
 Change in Net Position	 (13,214)	 (20,897)
Net Position – Beginning	1,859,793	1,859,793
Net Position - Ending	\$ 1,846,579	\$ 1,838,896

As the accompanying presentation demonstrates, the District has experienced favorable financial trends. Net Position has decreased by \$13,214.

CAPITAL ASSET ADMINISTRATION

There were no capital asset acquisitions during the current year.

DEBT ADMINISTRATION

The long-term debt activity was limited to payment of installments due on remaining obligations. As funds permit additional payments are made on the debt.

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

At the present time, no known issues are expected to have a significant impact on future operations.

SOUTH VERNON WATERWORKS DISTRICT #1

Statement of Net Position

December 31, 2019

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 235,654
Receivables (net)	125,580
Prepaid expenses	-
Restricted cash	347,286
Total current assets	<u>708,520</u>
Non Current Assets:	
Land	15,000
Depreciable capital assets, net	<u>3,214,375</u>
Total assets	<u>3,937,895</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts and other payables	5,743
Deposits due others	50,543
Liabilities payable from restricted assets	
Accrued interest payable	5,977
Current portion of long term debt	<u>103,971</u>
Total Current Liabilities	<u>166,234</u>
Long-term debt due in more than one year	
Compensated Absences	17,090
Revenue Bonds	<u>1,907,992</u>
Total liabilities	<u>2,091,316</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,211,435
Restricted:	
Debt Service	347,286
Unrestricted	<u>287,858</u>
Total net position	<u>1,846,579</u>
Total Liabilities and Net Position	<u>\$ 3,937,895</u>

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

SOUTH VERNON WATERWORKS DISTRICT #1

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended December 31, 2019

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>Operating Revenues:</u>	
Charges for services pledged as security	\$ 564,068
Meter connections and other charges	46,821
Total Operating Revenues	<u>610,889</u>
<u>Operating Expenses:</u>	
Salaries	219,317
Payroll taxes and benefits	20,258
Utilities	40,059
Insurance	63,808
Office expense	32,497
Repairs, maintenance, and operations	80,847
Depreciation	165,918
Other Expenses	10,173
Total Operating Expenses	<u>632,877</u>
Operating Income (Loss)	<u>(21,988)</u>
<u>Nonoperating Revenues (Expenses):</u>	
Interest revenue	737
Ad Valorem taxes	73,774
Revenue sharing	10,101
Other Income	19,453
Interest expense	(95,291)
Change in Net Position	<u>(13,214)</u>
Total net position - beginning	<u>1,859,793</u>
Total net position - ending	<u>\$ 1,846,579</u>

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

SOUTH VERNON WATERWORKS DISTRICT #1

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2019

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>Cash flow from operating activities:</u>	
Cash received from customers	\$ 607,432
Cash payments to suppliers of goods and services	(235,733)
Cash payments to employees for services	(209,280)
Net cash provided (used) by operating activities	<u>162,419</u>
<u>Cash flows from non-capital financing activities:</u>	
Ad Valorem taxes and revenue sharing received	<u>83,875</u>
Net cash provided (used) by non-capital financing activities	<u>83,875</u>
<u>Cash flows from capital and related financing activities:</u>	
Acquisition of capital assets	(70,550)
Principal paid on debt instruments	(101,248)
Interest paid on debt instruments	(95,291)
Net cash provided (used) by capital and related financing activities	<u>(267,089)</u>
<u>Cash flows from investing activities:</u>	
Interest and other income	<u>20,190</u>
Net cash provided (used) by investing activities	<u>20,190</u>
Net increase (decrease) in cash	(605)
Beginning cash balance	<u>583,545</u>
Ending cash balance	582,940
Restricted cash	<u>347,286</u>
Cash and cash equivalents	<u>\$ 235,654</u>
<u>Reconciliation of operating income (loss) to net cash</u>	
Operating income (loss)	\$ (21,988)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	165,918
(Increase) decrease in accounts receivable	(9,569)
(Increase) decrease in prepaid expenses	17,448
(Decrease) increase in operating accounts payable	(5,539)
(Decrease) increase in compensated absences	10,037
(Decrease) increase in customer deposits	6,112
Net cash provided (used) by operating activities	<u>\$ 162,419</u>

Supplemental Disclosure of Cash Flow Information:

During the year ended December 31, 2019, the District received no operating, investing, or financing activities that did not result in cash receipts or payments.

South Vernon Parish Waterworks District #1

Notes to Financial Statements **December 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The South Vernon Parish Waterworks District #1 is a political subdivision of the Vernon Parish Police Jury. The District is governed by a board of commissioners, composed of seven members who serve with compensation and are appointed for terms of various years by the Vernon Parish Police Jury.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of a financial reporting entity. 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 that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the District is a component unit of the Vernon Parish Police Jury. The accompanying component unit financial statements present information only on the fund maintained by the District and do not present information on the Police Jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

Basis of Presentation

The District uses an enterprise fund for financial reporting purposes. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

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 relates to the timing of the measurements made, regardless of the measurement focus applied.

The District's enterprise fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

South Vernon Parish Waterworks District #1

Notes to Financial Statements **December 31, 2019**

In addition, the District's enterprise fund utilizes the accrual basis of accounting. Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposit is typically mitigated by purchasing instruments that mature in one year or less.

Statement Of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

Restricted Assets

Any amounts reported as restricted assets, represent resources that must be expended in a specific manner. Restrictions of this nature can be imposed by tax propositions and various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Capital Assets

Capital assets, which include property, equipment, and infrastructure, are reported as assets in the financial statements.

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 when received by the District.

Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

Real estate developers periodically contribute water distribution lines and related costs to the District by mutual agreement. Distribution system assets contributed to the District by these installers are capitalized at the installers' cost, which approximate fair value at the time of the District's acquisition, and recorded as capital contributions when received.

NOTE 2-CASH AND CASH EQUIVALENTS

At December 31, 2019, cash and cash equivalents were \$582,940 (book balance), which includes restricted cash of \$347,286.

South Vernon Parish Waterworks District #1

Notes to Financial Statements **December 31, 2019**

Deposits are stated at cost, which approximates market value. Under state law, these deposits 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. 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.

At December 31, 2019, the District has \$588,392 in deposits (collected bank balance). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$628,734 of pledged securities held by the custodial bank in the name of the fiscal agent bank. Even though the pledged securities are considered uncollateralized, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - AD VALOREM TAXES

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Vernon Parish Sheriff's Office and remitted to the District the month subsequent to collection.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended December 31, 2019, taxes of 8.91 mills totaling \$73,774 were levied and collected on property. This millage is for the general corporate purposes of the District and expires in 2020.

NOTE 4 - RECEIVABLES

The receivables at December 31, 2019, are as follows:

Utility Customers	\$ 50,770
Other	-
<u>Due From Other Governmental Units</u>	
Ad Valorem Taxes	68,076
Revenue Sharing	<u>6,734</u>
Total Due From Other Governments	<u>74,810</u>
Total Receivables	<u>\$ 125,580</u>

Management considers the amounts listed above to be fully collectible. Therefore, there is no allowance for doubtful accounts.

South Vernon Parish Waterworks District #1

Notes to Financial Statements **December 31, 2019**

NOTE 5 – CAPITAL ASSETS

Changes in business-type capital assets are presented as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Non Depreciable Capital Assets				
Land	\$ 15,000	\$ ---	\$ ---	\$ 15,000
Depreciable Capital Assets				
Distribution System	5,290,296	---	---	5,290,296
Buildings	130,263	---	---	130,263
Vehicles	89,808	---	---	89,808
Furniture, Fixtures & Equipment	133,889	70,550	---	204,439
Accumulated Depreciation	(2,334,513)	(165,918)	---	(2,500,431)
Total Depreciable Capital Assets	<u>3,309,743</u>	<u>(95,368)</u>	<u>---</u>	<u>3,214,375</u>
Total Capital Assets	<u>\$ 3,324,743</u>	<u>\$ (95,368)</u>	<u>\$ ---</u>	<u>\$ 3,229,375</u>

Depreciation expense for the year ended December 31, 2019 is \$165,918.

NOTE 6 – LONG-TERM LIABILITIES

Changes in the District's long-term debt for the year ended December 31, 2019, are presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds	\$ 2,113,211	\$ ---	\$ 101,248	\$ 2,011,963
Compensated Absences	7,052	10,038		17,090
Total	<u>\$ 2,120,263</u>	<u>\$ 10,038</u>	<u>\$ 101,248</u>	<u>\$ 2,029,053</u>

South Vernon Parish Waterworks District #1

Notes to Financial Statements **December 31, 2019**

Revenue Bonds

The District has issued revenue bonds that are secured by and payable solely from a pledge of funds generated by a specific revenue source. Revenue bonds outstanding at December 31, 2019, are described as follows:

\$2,712,000 Utility Revenue Bonds, dated February 1, 1994, with an effective rate of interest of 4.8750%. Principal is payable in 480 monthly installments of \$13,870 beginning July 27, 1998. Final maturity is scheduled for June 27, 2036, unless the District elects to redeem the bonds prior to maturity. \$ 1,724,054

\$473,906 of Water Revenue Bonds, Series 2012, bearing interest at a rate of 2.95%. The bond is payable in 20 annual installment of principal and interest in amounts ranging from \$16,000 to \$33,000. Final maturity is scheduled for August, 2032, unless the District elects to redeem the bonds prior to maturity. 287,909

Total Revenue Bonds 2,011,963
Portion due within one year (103,971)

Portion due in more than one year \$ 1,907,992

Maturity of Long-term Debt

A schedule of maturities of long-term debt is presented as follows:

<u>Year Ended December 31st</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 103,971	\$ 91,683
2021	108,659	87,111
2022	114,530	79,326
2023	101,595	77,287
2024-2028	587,402	336,680
2029-2032	720,017	159,262
2033-2035	275,789	14,719
Total	\$ 2,011,963	\$ 846,068

Interest expense for the current year totaled \$95,291.

NOTE 7- RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

South Vernon Parish Waterworks District #1

Notes to Financial Statements ***December 31, 2019***

NOTE 8 – RETIREMENT PLAN

The District participates in a defined contribution plan for its employees. The employees may contribute the maximum contribution allowed by law and the District matches 3% of employee compensation. The employees are immediately invested in both their and the employer contributions. For the year ended December 31, 2019, the District contributed \$5,116.

NOTE 9 – ACCOUNTS PAYABLE

The accounts payable to vendors at December 31, 2019 are \$5,743.

SOUTH VERNON WATERWORKS DISTRICT #1

Schedule of Compensation Paid to Board Members

Year Ended December 31, 2019

Steve Thomas	\$	360
Barbara Bartlett		600
Elaine Fontenot		780
Stanley Hebert		300
Thomas Dixon		720
Erik Churchman		<u>780</u>
Total Compensation	\$	<u>3,540</u>

SOUTH VERNON WATERWORKS DISTRICT #1

Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer Year Ended December 31, 2019

<u>Purpose</u>	<u>Tom Dixon</u>
Per Diem	\$ 720

Louisiana Law requires reporting compensation, benefits, and reimbursements provided for the Agency Head or Chief Executive Officer. The President of the Board of Directors of the South Vernon Parish Waterworks District serves as the Agency Head. The compensation presented above is the per diem received by the President of the Board. The Board President did not receive any other benefits or reimbursements.



June 11, 2020

**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**

Board of Commissioners
South Vernon Parish Waterworks District No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the South Vernon Parish Waterworks District No. 1 as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated June 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Vernon Parish Waterworks District'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 South Vernon Parish Waterworks District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Vernon Parish Waterworks District'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ROZIER, McKay, & Willis
Certified Public Accountants

South Vernon Parish Waterworks District #1

Schedule of Findings

For the Year Ended December 31, 2019

PART I – SUMMARY OF AUDITORS' RESULTS:

- The Independent Auditor's Report on the financial statements for the South Vernon Parish Waterworks District #1 as of December 31, 2019, and for the year then ended expressed an unmodified opinion.
- The results of the audit disclosed no instance of noncompliance that is considered to be material to the financial statements of the South Vernon Waterworks District #1.
- The audit disclosed no instance of a significant deficiency in internal control over financial reporting.

PART II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- There are no matters to report

South Vernon Parish Waterworks District #1

Managements Corrective Action Plan

For the Year Ended December 31, 2019

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
There were no findings of this nature reported.	Response – N/A.
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
There were no findings of this nature reported.	Response – N/A.
SECTION III – MANAGEMENT LETTER	
There were no findings of this nature reported.	Response – N/A

South Vernon Parish Waterworks District #1

Schedule of Prior Year Findings

For the Year Ended December 31, 2019

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
There were no findings of this nature reported.	Response – N/A.
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
There were no findings of this nature reported.	Response – N/A.
SECTION III – MANAGEMENT LETTER	
There were no findings of this nature reported.	Response – N/A

APPENDIX A
Statewide Agreed-Upon Procedures



**Rozier McKay
& Willis** | CERTIFIED PUBLIC
ACCOUNTANTS

Independent Accountant's Report
On Applying Agreed-Upon Procedures

To the Board of Commissioners
South Vernon Parish Waterworks District #1 and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the South Vernon Parish Waterworks District #1 (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated results are presented in the accompanying Schedule of Procedures, Results and Managements' Response.

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

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

Rozier, McKay, and Willis
Certified Public Accountants
Alexandria, Louisiana
June 11, 2020

South Vernon Parish Waterworks District #1

Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Written Policies and Procedures		
Agreed-Upon Procedure	Results	Managements' Response
<p>1 Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories.</p> <ul style="list-style-type: none">• Budgeting• Purchasing• Disbursements• Receipts• Payroll/Personnel• Contracting• Credit Cards• Travel and expense reimbursements• Ethics• Debt• Disaster Recovery/Business Continuity	<p>An analysis of written policies and procedures has resulted in the following conclusions:</p> <ul style="list-style-type: none">• The District is a component unit of the Vernon Parish Police Jury. As a result, the District officially adopts the policies that specifically relate to operations of the District. If policies unique to the District are required the Board adopts a specific policy.• The Payroll/Personnel and Travel and reimbursements policies contained the specific components suggested in the agreed-upon procedures.• The Budgeting policy is not applicable to the District.• There are no written policies for any of the other functions listed.	<p>Despite the absence of written details, the District has established policies and procedures that are clearly understood by personnel responsible for execution. In addition, we will consider the need to formally adopt the procedures that are in place and performing as intended.</p>

South Vernon Parish Waterworks District #1

Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Board (or Finance Committee)		
Agreed-Upon Procedure	Results	Managements' Response
<p>2 Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:</p> <p>a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.</p> <p>b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. <i>Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.</i></p>	<p>The governing board meet monthly with a quorum.</p> <p>The District is not required to adopt an annual budget.</p>	<p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p>

South Vernon Parish Waterworks District #1

Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Board (or Finance Committee)		
Agreed-Upon Procedure	Results	Managements' Response
c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.	The District does not maintain a general fund.	<i>The results did not include findings or criticisms.</i>

South Vernon Parish Waterworks District #1

Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Bank Reconciliations		
Agreed-Upon Procedure	Results	Managements' Response
3 Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that: a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged); b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.	<p>The District provided a listing of all bank accounts.</p> <p>The bank reconciliations were prepared within 2 months of the related statement closing date.</p> <p>There is no evidence that a board member reviewed each bank reconciliations.</p> <p>The operating account and the meter deposit account have amounts outstanding greater than 12 months. These amounts are modest and no research ahs occurred.</p>	<p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The Board closely monitors all monthly transactions through the monthly board meetings. Therefore, lack of management's signature is mitigated through very close oversight.</i></p> <p><i>We will review these amounts and remit them to the state.</i></p>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Collections		
Agreed-Upon Procedure	Results	Managements' Response
4 Obtain a listing of <u>deposit sites</u> for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).	In the prior year, the Entity's Agreed-Upon Procedures Report contained no exceptions in this category. As such, it has been excluded from testing in the current year.	<i>The results did not include findings or criticisms.</i>
5 For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that: a) Employees that are responsible for cash collections do not share cash drawers/registers.	See comments above.	<i>The results did not include findings or criticisms.</i>

South Vernon Parish Waterworks District #1

Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Collections		
Agreed-Upon Procedure	Results	Managements' Response
b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.	See comments above.	<i>The results did not include findings or criticisms.</i>
c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.	See comments above.	<i>The results did not include findings or criticisms.</i>
d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.	See comments above.	<i>The results did not include findings or criticisms.</i>
6 Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.	See comments above.	<i>The results did not include findings or criticisms.</i>
7 Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day) . Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily		

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Collections		
Agreed-Upon Procedure	Results	Managements' Response
revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:		
a. Observe that receipts are sequentially pre-numbered.	See comments above.	<i>The results did not include findings or criticisms.</i>
b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.	See comments above.	<i>The results did not include findings or criticisms.</i>
c. Trace the deposit slip total to the actual deposit per the bank statement.	See comments above.	<i>The results did not include findings or criticisms.</i>
d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).	See comments above.	<i>The results did not include findings or criticisms.</i>
e. Trace the actual deposit per the bank statement to the general ledger.	See comments above.	<i>The results did not include findings or criticisms.</i>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Non-Payroll Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)		
Agreed-Upon Procedure	Results	Managements' Response
<p>8 Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).</p> <p>9 For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:</p> <p>a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.</p> <p>b) At least two employees are involved in processing and approving payments to vendors.</p> <p>c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.</p> <p>d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.</p>	<p>In the prior year, the Entity's Agreed-Upon Procedures Report contained no exceptions in this category. As such, it has been excluded from testing in the current year.</p> <p>See comments above.</p> <p>See comments above.</p> <p>See comments above.</p> <p>See comments above.</p>	<p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Non-Payroll Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)		
Agreed-Upon Procedure	Results	Managements' Response
10 For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and: a. Observe that the disbursement matched the related original invoice/billing statement. b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.	See comments above. See comments above.	<i>The results did not include findings or criticisms.</i> <i>The results did not include findings or criticisms.</i>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Credit Cards/Debit Cards/Fuel Cards/P-Cards		
Agreed-Upon Procedure	Results	Managements' Response
11 Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.	In the prior year, the Entity's Agreed-Upon Procedures Report contained no exceptions in this category. As such, it has been excluded from testing in the current year.	<i>The results did not include findings or criticisms.</i>
12 Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:		
a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.	See comments above.	<i>The results did not include findings or criticisms.</i>
b. Observe that finance charges and late fees were not assessed on the selected statements.	See comments above.	<i>The results did not include findings or criticisms.</i>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Credit Cards/Debit Cards/Fuel Cards/P-Cards		
Agreed-Upon Procedure	Results	Managements' Response
13 Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).	See comments above.	<i>The results did not include findings or criticisms.</i>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response

Travel and Expense Reimbursement		
Agreed-Upon Procedure	Results	Managements' Response
<p>14 Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:</p> <p>a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).</p> <p>b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.</p> <p>c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).</p> <p>d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.</p>	<p>In the prior year, the Entity's Agreed-Upon Procedures Report contained no exceptions in this category. As such, it has been excluded from testing in the current year.</p> <p>See comments above.</p> <p>See comments above.</p> <p>See comments above.</p> <p>See comments above.</p>	<p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Contracts		
Agreed-Upon Procedure	Results	Managements' Response
<p>15 Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:</p> <p>a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.</p> <p>b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).</p> <p>c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.</p> <p>d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.</p>	<p>In the prior year, the Entity's Agreed-Upon Procedures Report contained no exceptions in this category. As such, it has been excluded from testing in the current year.</p> <p>See comments above.</p> <p>See comments above.</p> <p>See comments above.</p> <p>See comments above.</p>	<p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p> <p><i>The results did not include findings or criticisms.</i></p>

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Schedule of Procedures, Results and Managements' Response

Payroll and Personnel		
Agreed-Upon Procedure	Results	Managements' Response
16 Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.	A list of employees has been provided.	<i>The results did not include findings or criticisms.</i>
17 Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:		
a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).	All daily attendance and leave is documented.	<i>The results did not include findings or criticisms.</i>
b. Observe that supervisors approved the attendance and leave of the selected employees/officials.	Attendance and leave records for two employees were not approved by the supervisor.	<i>We will have the immediate supervisor sign the time sheets.</i>
c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.	Leave is properly reflected in the entity's cumulative leave records.	<i>The results did not include findings or criticisms.</i>
18 Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials'	There were no termination benefits paid.	<i>The results did not include findings or criticisms.</i>

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Statewide Agreed-Upon Procedures

Schedule of Procedures, Results and Managements' Response (Continued)

Payroll and Personnel		
Agreed-Upon Procedure	Results	Managements' Response
personnel files. 19 Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.	All required employee benefits are paid by the required deadlines.	<i>The results did not include findings or criticisms.</i>

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Ethics		
Agreed-Upon Procedure	Results	Managements' Response
20 Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and: a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.	Ethics documentation has been obtained. All employees received the one hour of ethics training. There is no formal ethics policy.	<i>The results did not include findings or criticisms.</i> <i>The results did not include findings or criticisms.</i> See responses in written policies and procedures section above.

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Statewide Agreed-Upon Procedures

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Debt Service		
Agreed-Upon Procedure	Results	Managements' Response
21 Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.	No new debt was issued.	<i>The results did not include findings or criticisms.</i>
22 Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.	The Entity is in compliance with all debt covenants.	<i>The results did not include findings or criticisms.</i>

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Other		
Agreed-Upon Procedure	Results	Managements' Response
23 Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.	No misappropriations were identified.	<i>The results did not include findings or criticisms.</i>
24 Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.	The notice is posted.	<i>The results did not include findings or criticisms.</i>