VERMILION PARISH
WATERWORKS DISTRICT NO. 1

Maurice, Louisiana

Financial Report

Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Vermilion Parish Waterworks District No. 1
Maurice, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Vermilion Parish Waterworks District No. 1 (the District), a component unit of the Vermilion 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 of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the District, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 26, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 26, 2020

BASIC FINANCIAL STATEMENTS

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Net Position
December 31, 2019

ASSETS

Current assets:	
Cash and cash equivalents	$ 3,413,214
Receivables, net of allowance for uncollectibles	336,402
Prepaid expenses	54,111
Total current assets	3,803,727
Restricted assets -	
Revenue bond and interest sinking account	73,504
Revenue bond reserve account	549,914
Revenue bond contingency account	533,051
Revenue bond short lived asset account	395,328
Customer deposits	75,250
Total restricted assets	1,627,047
Capital assets, net	25,464,682
Total assets	30,895,456

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions	310,096

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Net Position (Continued)
December 31, 2019

LIABILITIES

Current liabilities (payable from current assets):	
Accounts payable	$ 27,717
Accrued liabilities	14,892
Retainage payable	6,749
Other liabilities	51,336
Total current liabilities (payable from current assets)	100,694
Current liabilities (payable from restricted assets):	
Customer deposits	75,250
Accrued interest on bonds	30,785
Current portion of long term debt	306,614
Total current liabilities (payable from restricted assets)	412,649
Total current liabilities	513,343
Noncurrent liabilities:	
Revenue bonds payable	14,392,528
Net pension liability	342,357
Total noncurrent liabilities	14,734,885
Total liabilities	15,248,228

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	32,847

NET POSITION

Net investment in capital assets	10,765,540
Restricted for debt service	1,521,012
Unrestricted	3,637,925
Total net position	$ 15,924,477

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019

Operating revenues:	
Charges for services -	
Water sales	$ 2,748,767
Penalties	50,279
Reconnection fees	36,100
Meter fees	82,220
Other fees	1,420
Miscellaneous	5,127
Total operating revenues	2,923,913
Operating expenses:	
Salaries	498,680
Payroll taxes	6,452
Group and life insurance	101,655
Retirement	130,900
Insurance	77,412
Supplies	20,147
Telephone and utilities	105,612
Chemicals	135,920
Meter installation and reading	276,816
Depreciation	906,228
Professional fees	37,111
Maintenance and repairs	77,741
Automobile expense	15,221
Printing, postage and publications	60,817
Temporary services	28,935
Plant lease	5,550
Other	26,882
Total operating expenses	2,512,079
Operating income	411,834
Nonoperating revenues (expenses):	
Interest income	40,873
Gain on disposal of assets	3,579
Nonemployer pension contribution	5,894
Interest expense	(586,860)
Total nonoperating revenues (expenses)	(536,514)
Loss before contributions	(124,680)
Capital contributions	824,574
Change in net position	699,894
Net position, beginning	15,224,583
Net position, ending	$ 15,924,477

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Receipts from customers	$ 2,925,564
Payments to suppliers	(798,558)
Payments to employees and related costs	(735,314)
Other receipts	5,127
Net cash provided by operating activities	1,396,819
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(294,556)
Interest paid on long-term debt	(587,488)
Proceeds from sale of capital assets	4,177
Acquisition and construction of capital assets	(115,328)
Net cash used by capital and related financing activities	(993,195)
Cash flows from investing activities:	
Interest income	40,873
Net increase in cash and cash equivalents	444,497
Cash and cash equivalents, beginning of period	4,595,764
Cash and cash equivalents, end of period	$ 5,040,261

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2019

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 411,834
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	906,228
Provision for bad debts	(1,318)
Other	74,449
(Increase) decrease in operating assets -	
Receivables, gross	4,643
Prepaid expenses	(221)
Increase (decrease) in operating liabilities -	
Accounts payable	(3,304)
Accrued liabilities	2,373
Customer deposits	1,750
Other liabilities	385
Net cash provided by operating activities	$ 1,396,819

Cash and cash equivalents, end of period -	
Current	$ 3,413,214
Restricted	1,627,047
	$ 5,040,261

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

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of Vermilion Parish Waterworks District No. 1 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

The District was created in 1986 under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of Vermilion Parish. The District is governed by a board of commissioners composed of five members appointed by the Vermilion Parish Police Jury.

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 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.

Because the Vermilion Parish Police Jury appoints the District's governing body, the District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vermilion Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

C. Fund Accounting

The accounts of the District 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 minimum number of funds is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

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

D. Measurement Focus/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

The 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 (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits. They are stated at cost, which approximates market.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts. The allowance amount at December 31, 2019 is $28,816.

Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the District during the year was $586,860, all of which was expensed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	40 years
Equipment	5-10 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

b. Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Revenues and Expenses

Operating Revenues and Expenses

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

G. Use of Estimates

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

H. Restricted or Unrestricted Resources

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

I. Pensions

The net pension liability/asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the financial statements.

(2) Cash and Cash Equivalents

Under state law, the District 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 District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover the collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk; however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2019, are as follows:

Bank balances	$5,075,461
Deposits are secured as follows:	
Insured deposits	500,000
Pledged securities	4,575,461
Total	$5,075,461

(3) Receivables

Receivables at December 31, 2019 consist of the following:

Accounts receivable	$ 202,704
Unbilled water	131,840
Grants	30,674
	365,218
Less: allowance for uncollectible receivables	(28,816)
Total	$ 336,402

The aging of the accounts receivable is as follows:

Current	$ 150,010
0 - 30 days	18,927
31 - 60 days	2,637
Over 60 days	31,130
Total	$ 202,704

(4) Restricted Assets

Restricted assets consisted of the following at December 31, 2019:

Revenue bond and interest sinking account	$ 73,504
Revenue bond reserve account	549,914
Revenue bond contingency account	533,051
Revenue bond short lived asset account	395,328
Customer deposits	75,250
Total restricted assets	$ 1,627,047

(5) Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	$ 100	$ -	$ -	$ 100
Construction in process	6,674	72,693	79,367	-
Capital assets being depreciated:				
Treatment plants and buildings	437,681	-	-	437,681
Furniture, fixtures and equipment	1,259,104	28,541	17,950	1,269,695
Water distribution system	33,050,177	892,738	-	33,942,915
Total capital assets	34,753,736	993,972	97,317	35,650,391
Less accumulated depreciation for:				
Treatment plants and buildings	129,147	12,547	-	141,694
Furniture, fixtures and equipment	484,324	53,359	17,353	520,330
Water distribution system	8,683,363	840,322	-	9,523,685
Total accumulated depreciation	9,296,834	906,228	17,353	10,185,709
Capital assets, net	$25,456,902	$ 87,744	$ 79,964	$25,464,682

(6) Changes in Long-Term Debt

The following changes occurred in long-term debt for the year ended December 31, 2019:

Long-term debt payable at December 31, 2018	$ 14,993,698
Long-term debt retired	(294,556)
Long-term debt payable at December 31, 2019	$ 14,699,142
Less portion of long-term debt due within one year	(306,614)
Portion of long-term debt due in more than one year	$ 14,392,528

Long-term debt payable at December 31, 2019 is composed of the following issues:

$1,530,000 Water Revenue Bonds issued October 12, 2000 in two series as follows:	
$1,368,000, due in monthly installments of $6,430 over forty years starting November 2001 through October 2040; interest at 4.75 percent	$ 1,017,723
$162,000, due in monthly installments of $789 over forty years starting November 2001 through October 2040; interest at 5 percent	121,652
$1,256,000 Water Revenue Bonds, Series 2002, issued November 26, 2002, due in monthly installments of $5,803 over forty years starting December 2003 through November 2042; interest at 4.625 percent	980,999
$2,265,000 Water Revenue Bonds, Series 2004A, issued February 19, 2004, due in monthly installments of $10,283 over forty years starting March 2005 through February 2044; interest at 4.5 percent	1,792,433
$2,193,000 Water Revenue Bonds, Series 2004B, issued April 14, 2004, due in monthly installments of $9,781 over forty years starting May 2005 through April 2044; interest at 4.375 percent	1,735,216
$725,000 Water Revenue Bonds, Series 2005, issued January 14, 2005, due in monthly installments of $3,292 over forty years starting February 2006 through April 2045; interest at 4.5 percent	591,917
$4,572,000 Water Revenue Bonds, Series 2009 issued November 3, 2009, due in monthly installments of $20,025 over forty years starting November 2010 through October 2049; interest at 4.25 percent	4,057,651
$2,049,000 Water Revenue Bonds, Series 2010 issued November 3, 2009, due in monthly installments of $7,889 over forty years starting October 12, 2010 through October 2049; interest at 3.375 percent	1,775,424
$2,750,000 Water Revenue Bonds, Series 2016 issued March 9, 2016, due in monthly installments of $9,213 over forty years starting February 2017 through February 2056; interest at 2.5 percent, $2,615,696 issued as of December 31, 2017	2,626,127
	$ 14,699,142

The annual requirement to amortize all debt outstanding at December 31, 2019 is as follows:

	Principal	Interest	Total
2020	$ 306,614	$ 575,429	$ 882,043
2021	319,242	562,801	882,043
2022	332,408	549,635	882,043
2023	346,138	535,905	882,043
2024	360,454	521,589	882,043
2025 - 2029	2,039,374	2,370,845	4,410,219
2030 - 2034	2,501,370	1,908,849	4,410,219
2035 - 2039	3,071,802	1,338,417	4,410,219
2040 - 2044	2,894,735	688,345	3,583,080
2045 - 2049	1,902,768	253,640	2,156,408
2050 - 2054	504,972	47,808	552,780
2055 - 2057	119,265	3,063	122,328
Total	$ 14,699,142	$ 9,356,326	$ 24,055,468

(7) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the various bond indentures on outstanding Water Revenue Bonds, all income and revenue of every nature, earned or derived from operations of the Water System are pledged and dedicated to the retirement of said bonds and are to be deposited in funds in the following order of priority and for the following express purposes:

All revenue must be deposited into a “Water Revenue Fund” to be first used for the payment of all reasonable and necessary expenses of operating and maintaining the System.

A "Water Revenue Bond and Interest Sinking Fund" (the “Sinking Fund”) shall be established and maintained by transferring monthly an amount sufficient to pay promptly and fully the principal of and the interest on the Bonds on or before the 20th day of each month of each year payment is required on the Bonds.

A “Water Revenue Bond Reserve Fund” (the “Reserve Fund”) shall be established and maintained by transferring monthly, on or before the 20th day of each month of each year, a sum at least equal to 5% of the amount to be paid into the Sinking Fund. Payments into the Reserve Fund shall continue until such time as there is accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable from the Sinking Fund. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

A "Water Depreciation and Contingency Fund" (the "Contingency Fund") shall be established and maintained to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, by transferring monthly, on or before the 20th day of each month of each year, a sum at least equal to 5% of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid into the Sinking Fund.

A "Water Short-Lived Assets Depreciation Fund" (the "Short-Lived Assets Fund") shall be established and maintained to provide for the maintenance and replacement of short lived assets of the System, by transferring monthly, on or before the 20th day of each month of each year, a sum of $5,106 until $327,500 is on deposit.

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

All required transfers were made for the year ended December 31, 2019.

(8) 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. For purposes of measuring the net pension liability/asset, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan, and additions to/deduction 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.

Substantially all of the District'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 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. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically, and other general laws of the State of Louisiana.

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of the System.

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 District are members of Plan A.

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 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.

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 A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. 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 A shall consist of an amount equal to three percent 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: Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

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.

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 DROP 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 A, a member shall be eligible to retire and receive a disability benefit if they were 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 three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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 sixty-five 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, 2017, the actuarially determined contribution rate was 9.99% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2018 was 11.5% for Plan A.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System 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. The District recognized $5,894 of non-employer contributions.

Pension Liabilities/Assets, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2019, the District reported a liability of $342,357 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the District's proportion was .077%, which was a decrease of .012% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the District recognized pension expense of $130,900.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 163,888	$ 20,857
Change of assumptions	85,601	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	4,156	4,788
Net differences between projected and actual earnings on plan investments	-	7,202
Contributions subsequent to the measurement date	56,451	-
Total	$ 310,096	$ 32,847

Deferred outflows of resources of $56,451 related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2019	$ 75,452
2020	39,659
2021	33,287
2022	72,400
	$ 220,798

Actuarial Methods and Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments 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.

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

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.50%, net of investment expense, including inflation
Expected Remaining Service lives	4 years
Projected Salary Increases	Plan A – 4.75%
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	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-2019 Public Retirement Plans Mortality Table for General Employees multiplied by 103% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.
Inflation Rate	2.40%

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

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

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

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Totals	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

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 then 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 Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 124% for females, each with full generational projection using the MP2018 scale.

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 6.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.50% or one percentage point higher 7.50% than the current rate.

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability:	$ 727,075	$ 342,357	$ 20,767

(9) Compensation of Board Members

The following is a list of the commissioners and compensation paid for the year ended December 31, 2019.

Commissioner	Term expiration date	Compensation
Hubert Faulk, Chairman	October 15, 2022	$ 3,600
Glenn Duhon	April 7, 2023	720
Norman Duhon	April 7, 2023	360
Danny Richard	March 5, 2023	600
Kendrick Trahan	April 4, 2020	600
		$ 5,880

The Chairman of the Board of Commissioners is considered the agency head. The District did not pay any benefits on his behalf for the year ended December 31, 2019. In addition, the only payments he received were the compensation disclosed above.

(10) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

(11) Pending Litigation

The District is subject to various lawsuits and claims, many of which arise in the normal course of business. Although their outcome is not presently determinable, it is the opinion of legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

(12) Leases

The District has the following leases in effect for the year ended December 31, 2019:

a. Lease of property to operate the main water plant in Maurice, Louisiana. The lease originated December 16, 1999, with an initial term of ten (10) years and was subject to a statutory extension of thirty one (31) years. The lease calls for an annual lease payment of $300, due at the beginning of each year.

b. Lease of property to operate the water system in Intracoastal City, Esther, and Forked Island (IEF), Louisiana. The lease was entered into August 14, 2001 with a term of forty (40) years. At the end of the period, there is an option to renew for an additional term of forty (40) years. The lease calls for monthly lease payments of $400.

c. Lease of property to operate the water system in Kaplan, Louisiana. The lease was entered into February 24, 2005. The first payment was due and payable at the time the District completed the closing procedures with USDA – Rural Development for the project which was in the 2011 fiscal year. The lease has an initial term of ten years and is subject to a statutory extension of thirty one (31) years. The lease calls for an annual lease payment of $450.

Total lease payments made for the year ending December 31, 2019 was $5,550.

The minimum future lease payments under this obligation are as follows:

2020	$ 5,550
2021	5,550
2022	5,550
2023	5,550
2024	5,550
2025 - 2029	27,750
2030 - 2034	27,750
2035 - 2039	27,750
2040 - 2044	13,750
2045 - 2049	2,250
2050 - 2051	900
	$ 127,900

(13) New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after December 15, 2021. The effect of implementation on the City's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Employer's Share of Net Pension Liability/Asset -
Parochial Employees' Retirement System
For the Year Ended December 31, 2019

* Year ended December 31,	Employer Proportion of the Net Pension Liability/ Asset	Employer Proportionate Share of the Net Pension Liability/ Asset	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/ Asset
2015	0.067%	$ 18,671	$ 369,555	5.05%	99.15%
2016	0.070%	$ 185,239	$ 403,482	45.91%	92.23%
2017	0.070%	$ 144,572	$ 416,309	34.73%	94.15%
2018	0.089%	$ (66,430)	$ 436,313	15.23%	101.98%
2019	0.770%	$ 342,357	$ 474,205	72.20%	88.86%

* The amounts presented have a measurement date of the previous fiscal year end.

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Employer Contributions -
Parochial Employees' Retirement System
For the Year Ended December 31, 2019

Year ended December 31,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	$ 58,505	$ 58,505	$ -	$ 403,482	14.50%
2016	$ 54,120	$ 54,120	$ -	$ 416,309	13.00%
2017	$ 54,539	$ 54,539	$ -	$ 436,313	12.50%
2018	$ 54,533	$ 54,533	$ -	$ 474,205	11.50%
2019	$ 56,451	$ 56,451	$ -	$ 490,879	11.50%

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

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Notes to Retirement System Schedules

(1) Pension Plan

Changes of benefit terms –

There were no changes of benefit terms

Changes of assumptions –

* Year ended December 31,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.25%	7.25%	3.00%	4	5.75%
2016	7.00%	7.00%	2.50%	4	5.25%
2017	7.00%	7.00%	2.50%	4	5.25%
2018	6.75%	6.75%	2.50%	4	5.25%
2019	6.50%	6.50%	2.40%	4	4.75%

* The amounts presented have a measurement date of the previous fiscal year end.

OTHER SUPPLEMENTARY INFORMATION

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Number of Utility Customers
December 31, 2019

Records maintained by the Vermillion Parish Waterworks District No. 1 indicated the following number of customers were being serviced during the month of December, 2019:

Residential	7,280
Commercial	244
	7,524

The water rates of the District are as follows:

Residential rates:
$16.00 per month for the first 2,000 gallons, then
$ 4.40 per 1,000 gallons or part thereof over 2,000 gallons

Commercial rates:
$16.00 per month for the first 2,000 gallons, then
$ 4.40 per 1,000 gallons or part thereof over 2,000 gallons

Penalty for paying water bill after due date:
Additional ten percent (10%) of total water charge

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Insurance in Force
December 31, 2019

Coverage Provided For	Limits of Coverage (in dollars)		Description of limits	Expiration Date
Employee Fidelity Bond	$	800,000	Employee theft	04/03/20
Commercial General Liability	$	1,000,000	Bodily injury and property damage/occurrence	12/14/20
	$	1,000,000	Personal and advertising injury limit/occurrence	
	$	1,000,000	Damage to rented premises/occurrence	
	$	1,000,000	Employee benefits liability/occurrence	
	$	3,000,000	Aggregate on each coverage above	
	$	10,000	Medical payments	
Commercial Property	$	6,781,868	Blanket limit	12/14/20
	$	25,000	Fire hydrants throughout service area	
Commercial Auto Coverage	$	1,000,000	Liability	12/14/20
	$	1,000,000	Uninsured motorist	
	$	1,000,000	Hired and non-owned auto liability	
Workers Compensation	$	1,000,000	Bodily injury	12/14/20
Commercial Flood Coverage	$	500,000	Buildings	04/19/20
	$	160,100	Contents	
Crime Coverage	$50,000-$100,000		Various Theft	12/14/20
Wrongful Acts and Professional Liability	$	1,000,000	Per claim	12/14/20
	$	3,000,000	Aggregate	

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,413,214	$ 3,098,924
Receivables, net of allowance for uncollectibles	336,402	309,053
Prepaid expenses	54,111	53,890
Total current assets	3,803,727	3,461,867
Restricted assets -		
Revenue bond and interest sinking account	73,504	73,504
Revenue bond reserve account	549,914	505,009
Revenue bond contingency account	533,051	488,171
Revenue bond short lived asset account	395,328	356,656
Customer deposits	75,250	73,500
Total restricted assets	1,627,047	1,496,840
Capital assets, net	25,464,682	25,456,902
Net pension benefit	-	66,430
Total assets	30,895,456	30,482,039
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	310,096	133,587

(continued)

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Net Position (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	$ 27,717	$ 32,392
Accrued liabilities	14,892	12,519
Retainage payable	6,749	-
Other liabilities	51,336	50,951
Total current liabilities (payable from current assets)	100,694	95,862
Current liabilities (payable from restricted assets):		
Customer deposits	75,250	73,500
Accrued interest on bonds	30,785	31,413
Current portion of long term debt	306,614	294,501
Total current liabilities (payable from restricted assets)	412,649	399,414
Total current liabilities	513,343	495,276
Noncurrent liabilities:		
Revenue bonds payable	14,392,528	14,699,197
Net pension liability	342,357	-
Total noncurrent liabilities	14,734,885	14,699,197
Total liabilities	15,248,228	15,194,473
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	32,847	196,570
NET POSITION		
Net investment in capital assets	10,765,540	10,463,204
Restricted for debt service	1,521,012	1,391,927
Unrestricted	3,637,925	3,369,452
Total net position	$ 15,924,477	$ 15,224,583

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues:		
Charges for services -		
Water sales	$ 2,748,767	$ 2,756,637
Penalties	50,279	56,863
Reconnection fees	36,100	36,750
Meter fees	82,220	76,355
Other fees	1,420	1,340
Miscellaneous	5,127	4,924
Total operating revenues	2,923,913	2,932,869
Operating expenses:		
Salaries	498,680	481,237
Payroll taxes	6,452	6,246
Group and life insurance	101,655	102,595
Retirement	130,900	80,909
Insurance	77,412	76,928
Supplies	20,147	18,741
Telephone and utilities	105,612	110,087
Chemicals	135,920	124,965
Meter installation and reading	276,816	248,725
Depreciation	906,228	890,537
Professional fees	37,111	42,703
Maintenance and repairs	77,741	79,760
Automobile expense	15,221	18,344
Printing, postage and publications	60,817	60,734
Temporary services	28,935	27,710
Plant lease	5,550	5,550
Other	26,882	23,116
Total operating expenses	2,512,079	2,398,887
Operating income	411,834	533,982
Nonoperating revenues (expenses):		
Interest income	40,873	6,521
Gain on disposal of assets	3,579	4,500
Nonemployer pension contribution	5,894	6,654
Interest expense	(586,860)	(597,972)
Total nonoperating revenues (expenses)	(536,514)	(580,297)
Loss before contributions	(124,680)	(46,315)
Capital contributions	824,574	-
Change in net position	699,894	(46,315)
Net position, beginning	15,224,583	15,270,898
Net position, ending	$ 15,924,477	$ 15,224,583

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

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

The Board of Commissioners
Vermilion Parish Waterworks District No. 1
Maurice, Louisiana

We have audited, 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, the financial statements of the business-type activities of the Vermilion Parish Waterworks District No. 1 (the District), a component unit of the Vermilion 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 and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2019-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Vermilion Parish Waterworks District No. 1's Response to Finding

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 26, 2020

VERMILION PARISH WATERWORKS DISTRICT NO. 1
Maurice, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2019

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of Accounting Functions

CONDITION: The Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions over cash collections and payroll.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

> "Internal control is a process, affected 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."

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

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: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The District has provided as much segregation as possible with the resources available.

B. Compliance

There are no compliance findings to the report.

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2019

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of Accounting Functions

CONDITION: The Vermilion Parish Waterworks District No. 1 did not have adequate segregation of functions over cash collections.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2019-001.

B. Compliance

There were no compliance findings to the report.