

**SOUTH VERNON PARISH
WATERWORKS DISTRICT #1**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
RHONDA L. RACHAL, CPA
STEVEN E. KIMBALL, CPA
RICHARD BESSON, CPA
STEVEN MCKAY, CPA

MAILING ADDRESS
POST OFFICE Box 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

M. DALE HARRINGTON, CPA
RETIRED - 2005

May 18, 2017

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, 2016, 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.

-Members-

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South Vernon Parish Waterworks District #1

May 18, 2017

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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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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 other supplemental information listed in the table of contents is 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 May 18, 2017, on our consideration of the South Vernon Waterworks 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, HARRINGTON, & MCKAY
Certified Public Accountants

South Vernon Parish Waterworks District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

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, 2016.

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, 2016	December 31, 2015
<u>Assets:</u>		
Current and Other Assets	\$ 591,674	\$ 577,917
Capital Assets	3,613,792	3,762,799
Total Assets	4,205,466	4,340,716
<u>Liabilities:</u>		
Current and Other Liabilities	142,511	197,205
Long-term Liabilities	2,218,580	2,327,374
Total Liabilities	2,361,091	2,524,579
<u>Net Position:</u>		
Net Investment in Capital Assets	1,302,109	1,285,567
Restricted for Debt Service	321,736	271,135
Unrestricted	220,530	259,435
Total Net Position	\$ 1,844,375	\$ 1,816,137

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, 2016

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, 2016	December 31, 2015
<u>Revenues:</u>		
Operating Revenues	\$ 620,473	\$ 622,302
Operating Expenses	563,533	591,307
Operating Income (Loss)	56,940	30,995
<u>Nonoperating Revenues (Expenses)</u>		
Interest and other revenue	727	744
Ad Valorem Taxes	67,929	65,169
Revenue Sharing	10,314	10,372
Other	5,725	10,321
Interest Expense	(113,397)	(116,036)
Total Nonoperating Revenues (Expenses)	(28,702)	(29,430)
Change in Net Position	28,238	1,565
Net Position – Beginning	1,816,137	1,814,572
Net Position - Ending	\$ 1,844,375	\$ 1,816,137

As the accompanying presentation demonstrates, the District has experienced favorable financial trends. Net Position has increased \$28,238.

CAPITAL ASSET ADMINISTRATION

Capital asset acquisitions were limited to a new trailer and paving the parking lot at the main office.

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, 2016

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 134,531
Receivables (net)	120,743
Prepaid expenses	14,664
Restricted cash	321,736
Total current assets	<u>591,674</u>
Non Current Assets:	
Land	15,000
Depreciable capital assets, net	<u>3,598,792</u>
Total assets	<u><u>4,205,466</u></u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts and other payables	11,413
Deposits due others	33,195
Liabilities payable from restricted assets	
Accrued interest payable	5,978
Current portion of long term debt	91,925
Total Current Liabilities	<u>142,511</u>
Long-term debt due in more than one year	
Compensated Absences	4,800
Revenue Bonds	<u>2,213,780</u>
Total liabilities	<u>2,361,091</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,302,109
Restricted:	
Debt Service	321,736
Unrestricted	<u>220,530</u>
Total net position	<u>1,844,375</u>
Total Liabilities and Net Position	<u><u>\$ 4,205,466</u></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, 2016

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<u>Operating Revenues:</u>	
Charges for services pledged as security	\$ 573,504
Meter connections and other charges	46,969
Total Operating Revenues	<u>620,473</u>
<u>Operating Expenses:</u>	
Salaries	183,554
Payroll taxes and benefits	19,378
Utilities	31,813
Insurance	68,500
Office expense	26,178
Repairs, maintenance, and operations	58,540
Depreciation	168,282
Other Expenses	7,288
Total Operating Expenses	<u>563,533</u>
Operating Income (Loss)	<u>56,940</u>
<u>Nonoperating Revenues (Expenses):</u>	
Interest revenue	727
Ad Valorem taxes	67,929
Revenue sharing	10,314
Other Income	5,725
Interest expense	<u>(113,397)</u>
Change in Net Position	<u>28,238</u>
Total net position - beginning	<u>1,816,137</u>
Total net position - ending	<u>\$ 1,844,375</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, 2016

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
<u>Cash flow from operating activities:</u>	
Cash received from customers	\$ 616,273
Cash payments to suppliers of goods and services	(192,023)
Cash payments to employees for services	(183,554)
Net cash provided (used) by operating activities	<u>240,696</u>
<u>Cash flows from non-capital financing activities:</u>	
Ad Valorem taxes and revenue sharing received	78,243
Net cash provided (used) by non-capital financing activities	<u>78,243</u>
<u>Cash flows from capital and related financing activities:</u>	
Acquisition of capital assets	(19,275)
Principal paid on debt instruments	(165,549)
Interest paid on debt instruments	(113,397)
Net cash provided (used) by capital and related financing activities	<u>(298,221)</u>
<u>Cash flows from investing activities:</u>	
Interest and other income	6,452
Net cash provided (used) by investing activities	<u>6,452</u>
Net increase (decrease) in cash	27,170
Beginning cash balance	429,097
Ending cash balance	456,267
Restricted cash	321,736
Cash and cash equivalents	<u>\$ 134,531</u>
<u>Reconciliation of operating income (loss) to net cash</u>	
Operating income (loss)	\$ 56,940
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	168,282
(Increase) decrease in accounts receivable	(2,669)
(Increase) decrease in prepaid expenses	16,082
(Decrease) increase in operating accounts payable	3,592
(Decrease) increase in compensated absences	-
(Decrease) increase in customer deposits	(1,531)
Net cash provided (used) by operating activities	<u>\$ 240,696</u>

Supplemental Disclosure of Cash Flow Information:

During the year ended December 31, 2016, 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, 2016

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 criteria 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.

South Vernon Parish Waterworks District #1

Notes to Financial Statements

December 31, 2016

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.

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.

South Vernon Parish Waterworks District #1

Notes to Financial Statements ***December 31, 2016***

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, 2016, cash and cash equivalents were \$456,267 (book balance), which includes restricted cash of \$321,736.

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, 2016, the District has \$456,566 in deposits (collected bank balance). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$261,490 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, 2016, taxes of 8.91 mills totaling \$67,929 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, 2016, are as follows:

Utility Customers	\$	44,705
Other		1,000
<u>Due From Other Governmental Units</u>		
Ad Valorem Taxes		68,162
Revenue Sharing		6,876
Total due From Other Governments		<u>75,038</u>
Total Receivables	\$	<u>120,743</u>

South Vernon Parish Waterworks District #1

Notes to Financial Statements December 31, 2016

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

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Non Depreciable Capital Assets				
Land	\$ 15,000	\$ ----	\$ ----	\$ 15,000
Depreciable Capital Assets				
Distribution System	5,290,296	----	----	5,290,296
Buildings	114,483	15,780	----	130,263
Vehicles	62,410	----	----	62,410
Furniture, Fixtures & Equipment	130,394	3,495	----	133,889
Accumulated Depreciation	(1,849,784)	(168,282)	----	(2,018,066)
Total Depreciable Capital Assets	<u>3,747,799</u>	<u>(149,007)</u>	<u>----</u>	<u>3,598,792</u>
Total Capital Assets	<u>\$ 3,762,799</u>	<u>\$ (149,007)</u>	<u>\$ ----</u>	<u>\$ 3,613,792</u>

Depreciation expense for the year ended December 31, 2016 is \$168,282.

NOTE 6 – LONG-TERM LIABILITIES

Changes in the District's long-term debt for the year ended December 31, 2016, are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Borrowings:</u>				
Revenue Bonds	\$ 2,471,254	\$ ----	\$ 165,549	\$ 2,305,705
Compensated Absences	4,800	----	----	4,800
Total Debts	<u>\$ 2,476,054</u>	<u>\$ ----</u>	<u>\$ 165,549</u>	<u>\$ 2,310,505</u>

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, 2016, 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. \$ 1,930,799

South Vernon Parish Waterworks District #1

Notes to Financial Statements December 31, 2016

\$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.	374,906
Total Revenue Bonds	2,305,705
Portion due within one year	(91,925)
Portion due in more than one year	\$ 2,213,780

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>
2017	\$ 91,925	\$ 104,264
2018	95,113	100,253
2019	100,458	96,082
2020	103,971	91,683
2021	108,659	87,111
2022-2026	551,375	359,114
2027-2031	676,408	224,101
2032-2035	577,796	57,920
Total Governmental	\$ 2,305,705	\$ 1,120,528

Interest expense for the current year totaled \$113,397.

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.

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, 2016, the District contributed \$4,226.

South Vernon Parish Waterworks District #1

Notes to Financial Statements December 31, 2016

NOTE 9 – ACCOUNTS PAYABLE

The accounts payable at December 31, 2016 is as follows:

Payable to Vendors	\$	9,327
Other		2,086
Total	\$	11,413

SOUTH VERNON WATERWORKS DISTRICT #1

Schedule of Compensation Paid to Board Members

Year Ended December 31, 2016

Barbara Bartlett	\$	540
Elaine Fontenot		660
Stanley Hebert		600
Thomas Dixon		780
Erik Churchman		<u>660</u>
Total Compensation	\$	<u>3,240</u>

SOUTH VERNON WATERWORKS DISTRICT #1

***Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
Year Ended December 31, 2016***

<u>Purpose</u>	Tom Dixon
Per Diem	\$ 780

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.

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
RHONDA L. RACHAL, CPA
STEVEN E. KIMBALL, CPA
RICHARD BESSON, CPA
STEVEN MCKAY, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

M. DALE HARRINGTON, CPA
RETIRED - 2005

May 18, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated May 18, 2017.

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.

-Members-

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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.

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, HARRINGTON & MCKAY
Certified Public Accountants

South Vernon Parish Waterworks District #1

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

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, 2016, 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.
- The District was not required to have a Single Audit; therefore, none of the reporting requirements of Circular A-133 were required.

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

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- There are no matters to report.

South Vernon Parish Waterworks District #1

Managements Corrective Action Plan

For the Year Ended December 31, 2016

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 and Questioned Costs

For the Year Ended December 31, 2016

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.