

**SABINE PARISH WATERWORKS DISTRICT NO. 1
MANY, LOUISIANA**

**ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2018**

Sabine Parish Waterworks District No. 1
Many, Louisiana

Financial Report
September 30, 2018

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SABINE PARISH WATERWORKS DISTRICT NO. 1

MANY, LOUISIANA 71449

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Sabine Parish Waterworks District No. 1's (hereafter referred to as the District) annual financial report presents an overview and analysis of the District's financial activities for the year ended September 30, 2018. Certain comparative information with the previous year is presented to provide an overview of the District's operations.

Financial Highlights

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board's (GASB) accounting principles. The Statement of Net Position (page 8-9) includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to District creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position (pages 10-11). This statement measures improvements in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its water service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows (page 12). The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

Financial Analysis of the Sabine Parish Waterworks District No. 1

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

A summary of the District's basic financial statements is as follows:

Summary of Statement of Net Position

	<u>2018</u>	<u>2017</u>
ASSETS:		
Assets	\$ 1,578,580	\$ 1,267,845
Capital Assets, Net of Accumulated Depreciation	<u>9,068,625</u>	<u>8,951,233</u>
Total Assets	<u>\$10,647,205</u>	<u>\$10,219,078</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 243,328	\$ 51,000
Long-Term Debt	<u>5,487,380</u>	<u>5,529,033</u>
Total Liabilities	<u>\$ 5,730,708</u>	<u>\$ 5,580,033</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 3,581,245	\$ 3,422,200
Restricted	1,335,252	1,216,845
Unrestricted	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 4,916,497</u>	<u>\$ 4,639,045</u>

Summary of Statement of Revenue and Expenses

	<u>2018</u>	<u>2017</u>
REVENUES:		
Operating Revenues	\$1,550,367	\$1,219,666
Non-Operating Revenues	14,356	1,025
Capital Contributions	<u>275,000</u>	<u>37,061</u>
Total Revenues	<u>\$1,839,723</u>	<u>\$1,257,752</u>
EXPENSES:		
Operating Expenses	\$1,409,987	\$1,199,418
Interest	<u>152,284</u>	<u>155,765</u>
Total Expenses	<u>\$1,562,271</u>	<u>\$1,355,183</u>
Change in Net Position	<u>\$ 277,452</u>	<u>\$ (97,431)</u>

Sources of Revenue

Charges for water service totaled \$1,550,367 or 84% of total revenue of the District for the year ended September 30, 2018.

Expenses

The majority of the District's total expenses is for payroll cost and depreciation. Salaries totaled \$214,834 which is 13% of total operating expenses. Depreciation totaled \$719,167 which is 46% of total operating expenses.

Capital Assets

The District's capital assets consist of the distribution system and related equipment, along with the land.

Long-Term Debt

The District issued bonds for the purpose of constructing and acquiring the waterworks system. The payments on these bonds and the applicable bond covenants are made on a timely basis.

Economic Factors

The District's major revenue source is from water sales. The District does not anticipate any significant changes for future years.

Contacting the Waterworks District's President

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or requests for additional information, contact the District's President at P.O. Box 660, Many, LA 71449.

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

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INDEPENDENT AUDITOR'S REPORT

Mr. Walter Mains President
and Members of the Board
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund information of the Sabine Parish Waterworks District No. 1 (District), a component unit of the Sabine Parish Police Jury, as of and for the year ended September 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. 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 presentation of the financial statements.

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

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 and major fund information of the District as of September 30, 2018, 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 Management's Discussion and Analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is presented for purposes of additional analysis and 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.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer is required by Louisiana R.S. 24:513 A.(3). The Schedule is listed as required supplementary information in the Table of Contents and presented for purposes of additional analysis. This schedule is not a required part of the basic financial statements.

We have applied certain limited procedures to the Management's Discussion and Analysis 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 it because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 be 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated March 26, 2019, on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's

March 26, 2019
Natchitoches, Louisiana

Sabine Parish Waterworks District No. 1
Statement of Net Position
Proprietary Fund
September 30, 2018

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$ 1,025,086
Accounts Receivable	
Less, Allowance for Bad Debts	182,735
Inventory at Cost	2,813
Prepaid Expenses	<u>21,059</u>
 Total Current Assets	 \$ <u>1,231,693</u>

Restricted Assets-

Cash & Cash Equivalents	\$ <u>210,263</u>
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Capital Assets-

Land & Improvements	\$ 112,727
Buildings & Improvements	297,161
Water Distribution System	12,798,441
Furniture, Machinery & Equipment	322,346
Construction in Progress	395,255
Accumulated Depreciation	<u>(4,857,305)</u>
 Total Capital Assets	 \$ <u>9,068,625</u>

Other Assets-

Unamortized Bond Costs, net	\$ 131,396
Deposits	<u>5,228</u>
 Total Other Assets	 \$ <u>136,624</u>

Total Assets	\$ <u>10,647,205</u>
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LIABILITIES & NET POSITION:

Current Liabilities-

Accounts Payable & Accruals	\$ <u>209,033</u>
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Liabilities Payable from Restricted Assets-

Customer Deposits	\$ 34,295
Current Portion of Long-Term Debt	<u>157,201</u>

Total Payable from Restricted Assets	\$ <u>191,496</u>
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Continued next page.

Sabine Parish Waterworks District No. 1
Statement of Net Position
Proprietary Fund
September 30, 2018

Non-Current Liabilities-	
Relocation Loan-State of Louisiana	\$ 24,375
Long-Term Debt, net of current portion	<u>5,305,804</u>
Total Non-Current Liabilities	\$ <u>5,330,179</u>
Total Liabilities	\$ <u>5,730,708</u>
Net Position-	
Net Investment in Capital Assets	\$ 3,581,245
Restricted for Debt Service	210,263
Unrestricted	<u>1,124,989</u>
Total Net Position	\$ <u>4,916,497</u>

See notes to financial statements.

Sabine Parish Waterworks District No. 1
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund
For the Year Ended September 30, 2018

OPERATING REVENUES:	
Charges for Services	\$1,480,272
Connection Fees	21,140
Late Fees	25,477
Miscellaneous	<u>23,478</u>
Total Operating Revenues	<u>\$1,550,367</u>
OPERATING EXPENSES:	
Advertising	\$ 334
Amortization	3,648
Administrative Services	1,741
Bad Debts	3,916
Computer Services	6,702
Depreciation	719,167
Fuel & Gas	29,316
Insurance & Bonds	62,141
Legal & Accounting	19,592
Materials & Supplies	70,966
Miscellaneous	9,533
Office Supplies & Other	49,177
Payroll	214,834
Payroll Taxes	16,381
Professional Services	2,232
Rent	18,667
Repairs & Maintenance	41,575
Telephone	9,150
Utilities	120,696
Water Purchased	<u>10,219</u>
Total Operating Expenses	<u>\$1,409,987</u>
Operating Income	<u>\$ 140,380</u>

Continued next page.

Sabine Parish Waterworks District No. 1
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2018

NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 1,093
Gain on Sale of Assets	13,263
Interest Expense	<u>(152,284)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(137,928)</u>
Profit Before Contributions	\$ <u>2,452</u>
CAPITAL CONTRIBUTIONS:	
Capital Contributions	\$ <u>275,000</u>
Change in Net Position	\$ 277,452
Net Position-Beginning of Year	<u>4,639,045</u>
Net Position-End of Year	<u>\$4,916,497</u>

See notes to financial statements.

Sabine Parish Waterworks District No. 1
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,511,091
Cash Payments to Suppliers for Goods and Services	(339,631)
Cash Payments to Employees	<u>(214,834)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 956,626</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Capital Contributions	\$ 293,914
Proceeds from Note Payable	110,635
Principal Paid on Capital Debt	(152,286)
Interest Paid on Capital Debt	(152,701)
Acquisition and Construction of Capital Assets	<u>(841,795)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (742,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>\$ 1,093</u>
Net Increase in Cash and Cash Equivalents	\$ 215,486
Cash and Cash Equivalents-Beginning of Year	<u>1,019,863</u>
Cash and Cash Equivalents-End of Year	<u>\$1,235,349</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ 140,380
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation & Amortization	719,167
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(56,021)
(Increase) Decrease in Inventory	1,976
(Increase) Decrease in Prepaids	(831)
(Increase) Decrease in Other Assets	(40,373)
Increase (Decrease) in Accounts Payable	175,583
Increase (Decrease) in Customer Deposits	<u>16,745</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 956,626</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

INTRODUCTION

The Sabine Parish Waterworks District No. 1 a political subdivision of the Sabine Parish Police Jury, was formed July 17, 1978, to provide water to the rural areas surrounding Many and Florien. It is operated by a board which consists of five commissioners appointed by the Police Jury to serve five year terms (changed from original nine commissioners effective August 19, 2015). The commissioners receive no compensation for their services.

1. Summary of Significant Accounting Policies:

A. Basis of Presentation-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity-

As the governing authority of the parish, for reporting purposes, the Sabine Parish Police Jury is the financial reporting entity for Sabine Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Sabine Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury 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 Police Jury.
2. Organizations for which the Sabine Parish Police Jury does not appoint a voting majority but are fiscally dependent on the Sabine Parish Police Jury.
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.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

Because the Sabine Parish Police Jury appoints the organization's governing body, and the ability of the Sabine Parish Police Jury to impose its will on the District, the District was determined to be a component unit of the Sabine Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Sabine Parish Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting-

The District uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Sabine Parish Waterworks District No. 1, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

E. Cash and Cash Equivalents-

The District has deposits in highly liquid investment vehicles such as certificates of deposit. Since all of the District's cash is readily available, these deposits are listed in the financial statements as "Cash & Cash Equivalents". Under State law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The District may also purchase investments in securities backed by the full faith and credit of the United States Government. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts.

F. Compensated Absences-

Full-time employees of the Sabine Parish Waterworks District No. 1 earn annual leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

G. Capital Assets-

The capital assets of the Sabine Parish Waterworks District No. 1 enterprise fund are carried at historical costs and are included on the Statement of Net Position, along with accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for automobiles, and 5 to 10 years for machinery and equipment.

H. Bad Debts-

Uncollectible amounts due for customer's water receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Allowance for bad debts at September 30, 2018 was \$24,590.

I. Unamortized Bond Issue Costs-

Bond issue costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method. Total bond issue costs and bond discounts (deferred debt expense) paid by Sabine Parish Waterworks District No. 1, was \$131,396. The amortization expense related to deferred debt expense was \$3,648 for the year ended September 30, 2018.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

J. Estimates-

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

K. Net Position-

In the government-wide statements, equity is classified as net position and displayed in three components:

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

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expenses.

L. Receivables-

All receivables are reported at their gross value, and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

2. Cash and Cash Equivalents:

The cash and cash equivalents of the District are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

At September 30, 2018, the District had cash and cash equivalents (collected bank balances) totaling \$1,236,957. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at September 30, 2018, were secured as follows:

Cash and Cash Equivalents	\$1,236,957
FDIC	(250,000)
Pledged Securities	<u>(986,957)</u>
Uninsured	<u>\$ 0</u>

3. Accounts Receivable:

At year-end, the District has \$182,735 in receivables which consists of \$207,325 of customer accounts receivable net of allowance for bad debt of \$24,590.

4. Restricted Assets:

At September 30, 2018, Sabine Parish Waterworks District No. 1 had the following restricted assets:

Cash and cash equivalents	<u>\$210,263</u>
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5. Compensation of Board Members:

A detail of compensation paid to individual board members for the year ended September 30, 2018 follows:

Keith Broussard	\$ 600
David Mains	540
Benny Funderburk	540
Chris Comeaux	<u>60</u>
Total	<u>\$1,740</u>

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

6. Capital Assets:

Capital assets and depreciation activity as of and for the year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not depreciated				
Land	\$ 107,944	\$ 2,000	\$ -	\$ 109,944
Construction in Progress	711,659	122,167	(438,571)	395,255
Total Capital Assets, not depreciated	\$ 819,603	\$ 124,167	\$ (438,571)	\$ 505,199
Capital Assets, depreciated				
Land Improvements	\$ 2,784	\$ -	\$ -	2,784
Plant & Distribution System	11,727,978	1,070,464	-	12,798,442
Building & Building Improvemnts	297,160	-	-	297,160
Furniture, Machinery & Equipment	260,781	85,736	(24,172)	322,345
Total Capital Assets, depreciated	\$ 12,288,703	\$ 1,156,200	\$ (24,172)	\$ 13,420,731
Total Capital Assets	\$ 13,108,306	\$ 1,280,367	\$ (462,743)	\$ 13,925,930
Accumulated Depreciation:				
Land Improvements	\$ 2,540	\$ 139	\$ -	\$ 2,679
Plant & Distribution System	3,948,635	668,877	-	4,617,512
Building & Building Improvemnts	16,107	8,376	-	24,483
Furniture, Machinery & Equipment	189,791	41,775	(18,935)	212,631
Total Accumulated Depreciation	\$ 4,157,073	\$ 719,167	\$ (18,935)	\$ 4,857,305
Total Capital Assets, Net	\$ 8,951,233	\$ 561,200	\$ (443,808)	\$ 9,068,625

Depreciation expense of \$719,167 was recorded for the year ended September 30, 2018.

7. Long-Term Debt

The following is a summary of the long-term debt obligations of the Sabine Parish Waterworks District No. 1 for the year ended September 30, 2018.

	<u>Balance 10/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/18</u>
Revenue Bonds series 2010	\$ 107,197	\$ 0	\$ 10,000	\$ 97,197
Revenue Bonds series 2013	4,681,795	0	77,526	4,604,269
Revenue Bonds series 2015	675,000	0	28,000	647,000
Sabine State Bank - 2015	3,530	0	3,530	0
Sabine State Bank – 2017	0	110,635	14,662	95,973
Utility Relocation 1984	7,391	0	1,848	5,543
Utility Relocation 2009-Hwy 175	18,904	0	4,726	14,178
Utility Relocation 2005-Hwy 171	35,214	0	11,994	23,220
Total	\$5,529,031	\$110,635	\$152,286	\$5,487,380

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>
Revenue Bonds series 2010	5.0000%	2025	\$ 500,000
Revenue Bonds series 2013	2.7500%	2053	4,902,000
Revenue Bonds series 2015	2.9500%	2035	700,000
Sabine State Bank - 2015	4.0000%	2018	22,686
Sabine State Bank - 2018	5.5000%	2023	110,635
Utility Relocation 1984	0.0000%	On Demand	18,475
Utility Relocation 2009-Hwy 175	0.0000%	On Demand	47,263
Utility Relocation 2005-Hwy 171	0.0000%	On Demand	<u>119,935</u>
Total			<u>\$6,420,994</u>

The annual debt service requirements to maturity for these loans are as follows:

<u>Year Ending September 30</u>	<u>Long-Term Debt Principal</u>	<u>Long-Term Debt Interest</u>	<u>Total</u>
2019	\$ 157,201	\$ 154,299	\$ 311,500
2020	215,796	148,193	363,989
2021	166,273	141,605	307,878
2022	142,133	136,490	278,623
2023	127,554	132,116	259,670
2024-2028	660,584	606,472	1,267,056
2029-2033	764,445	506,567	1,271,012
2034-2038	728,778	397,579	1,126,357
2039-2043	725,128	301,353	1,026,481
2044-2048	832,270	194,210	1,026,480
2049-2053	955,244	71,236	1,026,480
2054-2058	<u>11,974</u>	<u>2,719</u>	<u>14,693</u>
Total	<u>\$5,487,380</u>	<u>\$2,792,839</u>	<u>\$8,280,219</u>

8. Flow of Funds, Restriction on Use

Under the terms of the bond indentures relating to Revenue Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special accounts:

1. Out of revenue, to the "Operations and Maintenance Account", an amount sufficient to provide for expenses of the system.
2. Each month, there should be set aside into an account called the "Sinking Fund", an amount constituting 1/12 of the next maturing yearly installment principal and interest payments. These funds can only be used for payment of bond principal and interest.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

3. There should also be set aside into a "Reserve Fund", an amount equal to 10% of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the Reserve Fund an amount equal to the maximum principal and interest requirements in any one maturity year.
4. For series 2002 and series 2010, the District must deposit into a "Depreciation and Contingency Fund", an amount equal to 5% of the amount paid into the Sinking Fund until the fund accumulates an amount equal to \$200,000. The money in the Depreciation and Contingencies Fund shall be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system.
5. For series 2013, the District must deposit into a "Depreciation and Contingency Fund", an amount equal to \$1,892 per month. The money in the Depreciation and Contingencies Fund shall be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Such payments are to continue over the life of the Bonds.

9. Post-Employment Benefits:

The Sabine Parish Waterworks District No. 1 does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required.

10. Leases

The Sabine Parish Waterworks District No. 1 is obligated under an operating lease with Calvin Dale Miller and Janet R. Miller for the well site located in Florien, Louisiana. The lease agreement was executed on August 1, 2012, with terms for so long as the water produced from the wells on the leased premises fully complies with the health standards prescribed by the State of Louisiana for the amount of water produced from such wells, or a period of 99 years, whichever occurs first, unless sooner terminated by the mutual agreement of the parties. The consideration is the payment of \$1,500 per month for the term of the lease.

11. Litigation

There was no outstanding litigation against Sabine Parish Waterworks District No. 1 at September 30, 2018.

12. Relocation Loan – State of Louisiana

The Sabine Parish Waterworks District No. 1 was authorized to receive funds from the Department of Transportation and Development for the relocation of utility lines on State Projects. Act 319 of 1981 contains the following sentence: "If the Office of Highways provides for the removal or relocation, the municipality, parish or special district shall henceforth be prohibited from locating a utility installation in any state owned right of way until the municipality, parish or special district reimburses the state for the cost of the removal or relocation."

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

13. Government Acquisition

Effective October 1, 2017, the Sabine Parish Waterworks District No. 1 acquired the Robeline-Marthaville Water System, Inc., a non-profit organization, pursuant to a Sale with Assumption of Liabilities executed by both parties on September 28, 2017. The District agreed to assume all operations and maintenance of the RMWS system and will account for its operations in its proprietary fund. The acquisition included all of the assets of Robeline-Marthaville Water System, consisting of land, facilities, equipment, accounts receivable and cash. In consideration of the transfer of these assets, the District assumed the liability for all indebtedness of Robeline-Marthaville Water System, in the amount of \$145,083. The acquisition value of the net position acquired as of the acquisition date was determined to be -0-.

14. USDA Required Information on Operations

Insurance coverage in force at September 30, 2018 was as follows:

a. Commercial General Liability (effective 4/26/18 to 4/26/19):

American Alternative Ins. Corp.	#GPPA-PF-6056232-01
General Aggregate Limit (Bodily Injury, Property Damage & Medical Expenses)	\$ 3,000,000
Products/Completed Operations Aggregate Limit	\$ 3,000,000
Personal Injury Limit	\$ 1,000,000
Each Occurrence Limit	\$ 1,000,000
Damage to Premises Rent to You Limit (Any One Premises)	\$ 1,000,000
Medical Expenses Limit (Any One Person)	\$ 10,000

b. Automobile Liability (effective 4/26/18 to 4/26/19):

American Alternative Ins. Corp.	#GPPA-PF-6056232-01
Combined Single Limit (each accident)	\$ 1,000,000

c. Umbrella Liability (effective 4/26/18 to 4/26/19):

American Alternative Ins. Corp.	#GPPA-PF-6056232-01
Each Occurrence Limit	\$ 1,000,000
Products/Completed Operations	\$ 1,000,000
Aggregate Limit	\$ 1,000,000

d. Workers Compensation and Employers' Liability (effective 6/12/18 to 6/12/19):

Louisiana Workers' Compensation Corporation	#144610-S
Bodily Injury by Accident (each)	\$ 1,000,000
Bodily Injury by Disease (policy limit)	\$ 1,000,000
Bodily Injury by Disease (each employee)	\$ 1,000,000

e. Property & Equipment (effective 4/26/18 to 4/26/19):

American Alternative Ins. Corp.	#GPPA-PF-6056232-01
Per listing of properties	\$ 4,331,224

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

Revenues were derived from the sale of water at the following rates that were effective May 1, 2018:

	First 1,000 gallons or less per month	Over 1,000 gallons
Residential & Non-Residential rates	\$ 34	\$4.50/1,000 gallons
Agricultural rates	\$ 35	\$2.58/1,000 gallons
Wholesale	\$ 0	\$2.58/1,000 gallons
Large Commercial rates	\$.004	\$3.08/1,000 gallons

At September 30, 2018, the District's water utility customers consisted of the following:

	<u>Active</u>	<u>Inactive</u>
Residential	1,735	416
Wholesale/Commercial	10	5
Agricultural	17	7
Non-Residential	105	34

15. Board of Directors

The Board of Directors of Sabine Parish Waterworks District No. 1 at September 30, 2018, consisted of the following individuals:

<u>Name, Address, Telephone</u>	<u>Title</u>	<u>Term Expires</u>
Walter Mains 4415 Marthaville Road Many, LA 71449 318-663-5187	President	08/19/2020
Benny Funderburk 2719 Marthaville Road Many, LA 71449 318-256-3119	Vice President	08/19/2020
Keith Broussard 264 Cedar Lane Many, LA 71449 318-256-9831	Secretary/Treasurer	08/19/2020
Chris Comeaux 2423 Big N Ranch Robeline, LA 71469 318-256-1335	Member	08/19/2020
David Mains 331 Cedar Lane Many, LA 71449 318-256-0074	Member	08/19/2020

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2018

16. Subsequent Events:

Management has evaluated events through March 26, 2019, the date which the financial statements were available for issue. The following subsequent events were identified:

The District obtained \$2,600,000 in Taxable Water Revenue Bonds, Series 2018, with interest at the current rate of 2.45%, dated October 10, 2018, with a final maturity date of March 1, 2039. The Bonds were issued pursuant to a resolution adopted by the governing authority of the District on August 14, 2018, for the purpose of financing costs of acquiring, constructing and installing additions, extensions and improvements to the drinking water system of the District and paying costs of issuance, and pursuant to a Loan and Pledge Agreement dated as of October 1, 2018 by and between the District and the Louisiana Department of Health. The first payment advance of \$152,997.75 was received by SPWD on October 10, 2018.

The District executed an Act of Exchange dated October 18, 2018, whereby the District transferred the immovable property referred to as "The Plant" located on Nelson Road, Robeline, Louisiana, to the Natchitoches Parish Fire Protection District #7, in exchange for the transfer of 0.369 acres of immovable property located in Marthaville, Louisiana.

REQUIRED SUPPLEMENTARY
INFORMATION

Sabine Parish Waterworks District No. 1
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended September 30, 2018

Agency Head Name: Walter Mains, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$0
Benefits-Insurance	0
Benefits-Retirement	0
Deferred Compensation	0
Benefits-Other (Expense Allowance)	0
Car allowance	0
Vehicle provided by government	0
Cell phone	0
Dues	0
Vehicle rental	0
Per Diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$0</u>

See independent auditor's report.

OTHER REPORTS

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

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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*

Mr. Walter Mains, President
and Members of the Board
Sabine Parish Waterworks District No. 1
Many, Louisiana 71449

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, and the *Louisiana Governmental Audit Guide*, the financial statements of the business-type activities and major fund as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Sabine Parish Waterworks District No. 1's (District) basic financial statements and have issued our report thereon dated March 26, 2019.

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 opinion 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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. We did identify one deficiency in internal control that we consider to be a significant deficiency, described in the accompanying Schedule of Audit Findings as *Item 2018-001 – Segregation of Duties*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Audit Findings as *Item 2018-002 – Bond Commission Approval of Indebtedness*.

Management's Response to Finding

Sabine Parish Waterworks District No. 1's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings. These responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's

March 26, 2019
Natchitoches, Louisiana

Sabine Parish Waterworks District No. 1
Schedule of Audit Findings
Year Ended September 30, 2018

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Sabine Parish Waterworks District No. 1.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness, identified as finding 2018-001 – *Segregation of Duties*.
3. The audit disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, identified as finding 2018-002 – *Bond Commission Approval of Indebtedness*.

II. Findings in Accordance with *Government Auditing Standards*

Internal Control-

2018-001 *Segregation of Duties*

Criteria – Proper internal controls dictate that duties be segregated so that no one individual performs or controls all duties related to the accounting system.

Condition – In reviewing the internal control structure, we noted that the District does not have adequate segregation of duties with respect to all areas of the accounting function.

Cause – Due to a lack of funds, the District does not have a sufficient number of employees to adequately separate accounting duties or to prepare the District's annual financial statements with related note disclosures.

Effect – Without adequate segregation of duties and oversight, intentional or unintentional errors could be made and not detected within the accounting system.

Recommendation – Keeping in mind the limited number of employees to which the duties can be assigned, and since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

Management's Response – Management has provided as much segregation as possible with the resources available and will continue to monitor assignment and segregation of duties. In addition, we have evaluated the cost/benefit of establishing a system to prepare our annual financial statements and have determined it is in the best interest of the District to have our independent auditors prepare our financial statements. We understand that we should review the financial statements and notes and accept responsibility for their contents and presentation.

Sabine Parish Waterworks District No. 1
Schedule of Audit Findings (continued)
Year Ended September 30, 2018

II. Findings in Accordance with *Government Auditing Standards* (continued)

Compliance-

2018-002 *Bond Commission Approval of Indebtedness*

Criteria – Louisiana R.S. 39:1410.60 provides that no waterworks or subwaterworks district shall have authority to borrow money, incur debt, or to issue bonds, or other evidences of debt without the consent and approval of the State Bond Commission.

Condition – The District incurred indebtedness through a local bank for the purchase of water meters and equipment without obtaining proper consent and approval of the State Bond Commission.

Cause – The District believed that the indebtedness was actually a lease.

Effect – The District is not in compliance with Louisiana Revised Statutes.

Recommendation – When the District borrows money, incurs debt or issues bonds, consent and approval should be received by the State Bond Commission.

Management's Response – The District will obtain the consent and approval of the State Bond Commission for borrowing money, incurring debt or issuing bonds. In addition, the District has retained an attorney to attend board meetings to help board to achieve Louisiana R.S. 39:1410.60. He is in the process of providing the Louisiana State Bond Commission further documentation that this indebtedness was actually a lease.

III. Prior Year Findings

No findings identified.

T | C | B | T
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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES**

Mr. Walter Mains, President
and the Members of the Board
Sabine Parish Waterworks District No. 1
Many, LA 71449

We have performed the procedures enumerated below, which were agreed to by the Sabine Parish Waterworks District No. 1 (District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 2018. The District is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of Sabine Parish Waterworks District No. 1. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are enumerated below.

Written Policies and Procedures

1. We obtained and inspected the entity's written policies and procedures and observed whether those written policies and procedures address each of the following categories and subcategories (or noted that the entity does not have any written policies and procedures), as applicable:
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - ***Disbursements***, including processing, reviewing, and approving

- **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., period confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - a) Procedure Results – We noted that there are no written policies and procedures concerning receipts, travel and expense reimbursement, ethics and debt service. There were written policies and procedures for payroll/personnel, but they did not address payroll processing or reviewing and approving time/attendance records.

Board (or Finance Committee, if applicable)

2. We obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - Observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - For governmental entities, obtained the prior year audit report and observed the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.
 - a) Procedure Results – Not required due to no exceptions in this area in the prior year.

Bank Reconciliations

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We identified the entity's main operating account. We selected the entity's main operating account and randomly selected four additional accounts (or all if

less than five). We randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statement and reconciliation for the selected accounts, and observed that:

- Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
- Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed, dated, electronically logged); and
- Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

a) Procedure Results – We noted no exceptions.

Collections

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected the required amount of deposit sites (up to five).
5. We obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site. We obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observed that job duties are properly segregated at each location such that:
 - Employees that are responsible for cash collections do not share cash drawers/registers.
 - Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. We randomly select two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above. We obtained supporting documentation for each of the deposits selected and:
 - We observed that receipts are sequentially pre-numbered.
 - We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - We traced the deposit slip total to the actual deposit per the bank statement.

- We observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- We traced the actual deposit per the bank statement to the general ledger.
 - a) Procedure Results – Not required due to no exceptions in this area in the prior year.

Non-Payroll Disbursements – General (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. We obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. We randomly selected the required amount of disbursement locations (up to five).
9. For each location selected under #8 above, we obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and we observed that job duties are properly segregated such that:
 - At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.
 - The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, we obtained the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management’s representation that the population is complete. We randomly selected 5 disbursements for each location, obtain supporting documentation for each transaction and
 - We observed that the disbursement matched the related original invoice/billing statement.
 - We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
 - a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management’s representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected the required amount of cards (up to five) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:

- We observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected the required amount of transactions (up to ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identified precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).
- a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Travel and Expense Reimbursement

14. We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We randomly selected five reimbursements, and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- If reimbursed using a per diem, we agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - We observed that each reimbursement is supported by documentation of the business/public purpose and other documentation required by written policy.
 - We observed that each expense was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
- a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Contracts

15. We obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. We obtained management's representation that the listing is complete. We randomly selected the required amount of contracts (up to five) from the listing, and:
- We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - We observed that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g., change order), we observed that the original contract terms provided for such an amendment.

- We randomly select one payment from the fiscal period for each of the selected contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly select five employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

17. We randomly selected one pay period during the fiscal period. For the five employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- We observed that supervisors approved the attendance and leave of the selected employees/officials.
- We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. If applicable, we selected the two employees/officials, and obtained related documentation of the hours and pay rates used in management's termination payment calculations. If applicable, we agreed the hours to the employees/officials' cumulative leave records and the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

19. We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Ethics (excluding nonprofits)

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- We observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Debt Service (excluding nonprofits)

21. We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.
 - a) Procedure Results - Not required due to no exceptions in this area in the prior year.

Other

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. We observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.
 - a) Procedure Results - Not required due to no exceptions in this area in the prior year.

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

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

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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March 26, 2019
Natchitoches, Louisiana

Sabine Parish Waterworks District No. 1
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2018

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 1: Exception – We noted that there are no written policies and procedures concerning receipts, travel and expense reimbursement, ethics and debt service. There were written policies and procedures for payroll/personnel, but they did not address payroll processing or reviewing and approving time/attendance records.

Response – The District will strive to adopt written policies and procedures to address receipts, travel and expense reimbursement, ethics and debt service. And the written policies and procedures for payroll/personnel, will be amended to address payroll processing or reviewing and approving time/attendance records.