

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

**ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2019**

Sabine Parish Waterworks District No. 1  
Many, Louisiana

Financial Report  
September 30, 2019

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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, 2019. 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>2019</u>	<u>2018</u>
ASSETS:		
Assets	\$ 2,100,046	\$ 1,578,580
Capital Assets, Net of Accumulated Depreciation	<u>9,553,813</u>	<u>9,068,625</u>
Total Assets	<u>\$11,653,859</u>	<u>\$10,647,205</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 122,641	\$ 243,328
Long-Term Debt	<u>6,196,050</u>	<u>5,487,380</u>
Total Liabilities	<u>\$ 6,318,691</u>	<u>\$ 5,730,708</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 3,357,763	\$ 3,581,245
Restricted for Debt Service	506,116	210,263
Unrestricted	<u>1,471,289</u>	<u>1,124,989</u>
Total Net Position	<u>\$ 5,335,168</u>	<u>\$ 4,916,497</u>

## Summary of Statement of Revenue and Expenses

	<u>2019</u>	<u>2018</u>
REVENUES:		
Operating Revenues	\$1,660,508	\$1,550,367
Non-Operating Revenues	1,493	14,356
Capital Contributions	<u>349,525</u>	<u>275,000</u>
Total Revenues	<u>\$2,011,526</u>	<u>\$1,839,723</u>
EXPENSES:		
Operating Expenses	\$1,441,591	\$1,409,987
Interest	<u>151,264</u>	<u>152,284</u>
Total Expenses	<u>\$1,592,855</u>	<u>\$1,562,271</u>
Change in Net Position	<u>\$ 418,671</u>	<u>\$ 277,452</u>

### Sources of Revenue

Charges for water service totaled \$1,580,273 or 79% of total revenue of the District for the year ended September 30, 2019.

### Expenses

The majority of the District's total expenses is for payroll cost and depreciation. Salaries totaled \$189,283 which is 13% of total operating expenses. Depreciation totaled \$755,532 which is 52% of total operating expenses.

### Capital Assets

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

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Mark D. Thomas, CPA - A Professional Corporation

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express 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, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the District's primary government. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.



The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare 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 schedule of expenditures of federal awards 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 our report dated March 20, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated March 20, 2020, 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  
Natchitoches, Louisiana

March 20, 2020

Sabine Parish Waterworks District No. 1  
Statement of Net Position  
Proprietary Fund  
September 30, 2019

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$ 1,237,678
Accounts Receivable	
Less, Allowance for Bad Debts	200,868
Prepaid Expenses	<u>21,560</u>
Total Current Assets	\$ <u>1,460,106</u>

Restricted Assets-

Cash & Cash Equivalents	\$ <u>506,116</u>
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Capital Assets-

Land & Improvements	\$ 133,397
Buildings & Improvements	297,161
Water Distribution System	12,798,441
Furniture, Machinery & Equipment	322,346
Construction in Progress	1,615,305
Accumulated Depreciation	<u>(5,612,837)</u>
Total Capital Assets	\$ <u>9,553,813</u>

Other Assets-

Unamortized Bond Costs, net	\$ 127,096
Deposits	<u>6,728</u>
Total Other Assets	\$ <u>133,824</u>

Total Assets	\$ <u>11,653,859</u>
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LIABILITIES & NET POSITION:

Current Liabilities-

Accounts Payable & Accruals	\$ <u>92,481</u>
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Liabilities Payable from Restricted Assets-

Customer Deposits	\$ 30,160
Current Portion of Long-Term Debt	<u>293,687</u>

Total Payable from Restricted Assets	\$ <u>323,847</u>
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Sabine Parish Waterworks District No. 1  
Statement of Net Position (continued)  
Proprietary Fund  
September 30, 2019

Non-Current Liabilities-	
Relocation Loan-State of Louisiana	\$ 12,187
Long-Term Debt, net of current portion	<u>5,890,176</u>
Total Non-Current Liabilities	\$ <u>5,902,363</u>
Total Liabilities	\$ <u>6,318,691</u>
Net Position-	
Net Investment in Capital Assets	\$ 3,357,763
Restricted for Debt Service	506,116
Unrestricted	<u>1,471,289</u>
Total Net Position	\$ <u>5,335,168</u>

See independent auditor's report and notes to the 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, 2019

OPERATING REVENUES:	
Charges for Services	\$1,580,273
Connection Fees	18,095
Late Fees	27,838
Miscellaneous	<u>34,302</u>
Total Operating Revenues	<u>\$1,660,508</u>
OPERATING EXPENSES:	
Advertising	\$ 429
Amortization	5,785
Administrative Services	804
Bad Debts	7,938
Computer Services	8,293
Depreciation	755,532
Fuel & Gas	34,769
Insurance & Bonds	60,525
Legal & Accounting	23,998
Materials & Supplies	61,717
Miscellaneous	9,914
Office Supplies & Other	45,235
Payroll	189,283
Payroll Taxes	15,326
Professional Services	4,876
Rent	18,000
Repairs & Maintenance	62,602
Telephone	6,905
Utilities	123,261
Water Purchased	<u>6,399</u>
Total Operating Expenses	<u>\$1,441,591</u>
Operating Income	<u>\$ 218,917</u>

Continued next page.

Sabine Parish Waterworks District No. 1  
Statement of Revenues, Expenses and Changes in Net Position (continued)  
Proprietary Fund  
For the Year Ended September 30, 2019

NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 1,493
Interest Expense	<u>(151,264)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(149,771)</u>
Profit Before Contributions	\$ <u>69,146</u>
CAPITAL CONTRIBUTIONS:	
Capital Contributions	\$ <u>349,525</u>
Change in Net Position	\$ 418,671
Net Position-Beginning of Year	<u>4,916,497</u>
Net Position-End of Year	<u>\$5,335,168</u>

See independent auditor's report and notes to the financial statements.

Sabine Parish Waterworks District No. 1  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 1,638,240
Cash Payments to Suppliers for Goods and Services	(608,216)
Cash Payments to Employees	<u>(189,283)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>840,741</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from Capital Contributions	\$ 1,216,082
Principal Paid on Capital Debt	(157,887)
Interest Paid on Capital Debt	(151,264)
Acquisition and Construction of Capital Assets	<u>(1,240,720)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(333,789)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	\$ <u>1,493</u>
Net Increase in Cash and Cash Equivalents	\$ 508,445
Cash and Cash Equivalents-Beginning of Year	<u>1,235,349</u>
Cash and Cash Equivalents-End of Year	\$ <u>1,743,794</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income	\$ 218,917
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation & Amortization	755,532
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(18,133)
(Increase) Decrease in Inventory	2,813
(Increase) Decrease in Prepaids	(501)
(Increase) Decrease in Other Assets	2,800
Increase (Decrease) in Accounts Payable	(116,552)
Increase (Decrease) in Customer Deposits	<u>(4,135)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>840,741</u>

RECONCILIATION OF CASH & CASH EQUIVALENTS:

Cash & Cash Equivalents	\$1,237,678
Restricted Cash	<u>506,116</u>
Total	\$ <u>1,743,794</u>

See independent auditor's report and notes to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

## 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). Effective October 1, 2017, the District acquired the Robeline-Marthaville Water System, pursuant to a Sale with Assumption of Liabilities executed on September 28, 2017.

### 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, 2019

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.

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.

Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

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, 2019 was \$32,317.

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 \$127,096. The amortization expense related to deferred debt expense was \$5,785 for the year ended September 30, 2019.

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.

Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

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.

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.

Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

At September 30, 2019, the District had cash and cash equivalents (collected bank balances) totaling \$2,759,076. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at September 30, 2019, were secured as follows:

Cash and Cash Equivalents	\$ 2,759,076
FDIC	(250,000)
Letter of Credit	(1,000,000)
Pledged Securities	(1,509,076)
Amount Uninsured	<u>\$ 0</u>

3. Accounts Receivable:

At year-end, the District has \$200,868 in receivables which consists of \$233,185 of customer accounts receivable net of allowance for bad debt of \$32,317.

4. Restricted Assets:

At September 30, 2019, Sabine Parish Waterworks District No. 1 had the following restricted assets:

Cash and Cash Equivalents	<u>\$506,116</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, 2019 follows:

Keith Broussard	\$ 300
David Mains	480
Benny Funderburk	480
Chris Comeaux	<u>300</u>
Total	<u>\$1,560</u>

Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

6. Capital Assets:

Capital assets and depreciation activity as of and for the year ended September 30, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not depreciated				
Land	\$ 109,944	\$ 20,670	\$ -	\$ 130,614
Construction in Progress	395,255	1,220,050	-	1,615,305
Total Capital Assets, not depreciated	\$ 505,199	\$ 1,240,720	\$ -	\$ 1,745,919
Capital Assets, depreciated				
Land Improvements	\$ 2,784	\$ -	\$ -	2,784
Plant & Distribution System	12,798,442	-	-	12,798,442
Building & Building Improvements	297,160	-	-	297,160
Furniture, Machinery & Equipment	322,345	-	-	322,345
Total Capital Assets, depreciated	\$ 13,420,731	\$ -	\$ -	\$ 13,420,731
Total Capital Assets	\$ 13,925,930	\$ 1,240,720	\$ -	\$ 15,166,650
Accumulated Depreciation:				
Land Improvements	\$ 2,679	\$ 105	\$ -	\$ 2,784
Plant & Distribution System	4,617,512	708,789	-	5,326,301
Building & Building Improvements	24,483	8,376	-	32,859
Furniture, Machinery & Equipment	212,631	38,262	-	250,893
Total Accumulated Depreciation	\$ 4,857,305	\$ 755,532	\$ -	\$ 5,612,837
Total Capital Assets, Net	\$ 9,068,625	\$ 485,188	\$ -	\$ 9,553,813

Depreciation expense of \$755,532 was recorded for the year ended September 30, 2019.

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, 2019.

	Balance 10/1/18	Additions	Reductions	Balance 9/30/19
Revenue Bonds series 2010	\$ 97,197	\$ 0	\$ 10,000	\$ 87,197
Revenue Bonds series 2013	4,604,269	0	79,685	4,524,584
Revenue Bonds series 2015	647,000	0	29,000	618,000
Revenue Bonds series 2018	0	866,557	0	866,557
Sabine State Bank – 2017	95,973	0	20,636	75,337
Utility Relocation 1984	5,543	0	1,848	3,695
Utility Relocation 2009-Hwy 175	14,178	0	4,726	9,452
Utility Relocation 2005-Hwy 171	23,220	0	11,992	11,228
Total	\$5,487,380	\$866,557	\$157,887	\$6,196,050

Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

	<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
Revenue Bonds series 2018	2.9500%	2035	2,600,000
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	119,935
Total			<u>\$9,020,994</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>
2020	\$ 293,687	\$ 173,492	\$ 467,179
2021	255,886	164,720	420,606
2022	229,133	157,127	386,260
2023	216,284	150,187	366,471
2024	215,704	144,050	359,754
2025-2029	1,112,543	623,242	1,735,785
2030-2034	787,828	484,754	1,272,582
2035-2039	698,433	377,770	1,076,203
2040-2044	745,391	281,089	1,026,480
2045-2049	855,528	170,952	1,026,480
2050-2054	<u>785,633</u>	<u>46,922</u>	<u>832,555</u>
Total	<u>\$6,196,050</u>	<u>\$2,774,305</u>	<u>\$8,970,355</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, 2019

3. There should also be set aside into a "Reserve Fund", an amount equal to 10% (for series 2010) or 25% (for series 2015 and 2018) 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.
  6. For series 2015 and 2018, 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 \$300,000. 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. 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. 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, 2019

12. USDA Required Information on Operations:

Insurance coverage in force at September 30, 2019 was as follows:

a. Commercial General Liability (effective 4/26/19 to 4/26/20):

<b>American Alternative Ins. Corp.</b>	#GPPA-PF-6056232-02
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 4/26/19 to 4/26/20):

<b>American Alternative Ins. Corp.</b>	#GPPA-PF-6056232-02
Combined Single Limit (each accident)	\$ 1,000,000

c. Umbrella Liability (effective 4/26/19 to 4/26/20):

<b>American Alternative Ins. Corp.</b>	#GPPA-PF-6056232-02
Each Occurrence Limit	\$ 1,000,000
Products/Completed Operations	\$ 1,000,000
Aggregate Limit	\$ 1,000,000

d. Workers Compensation and Employers' Liability (effective 6/12/19 to 6/12/20):

<b>Louisiana Workers' Compensation Corporation</b>	#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 4/26/19 to 4/26/20):

<b>American Alternative Ins. Corp.</b>	#GPPA-PF-6056232-02
Per listing of properties	\$ 4,552,619



Sabine Parish Waterworks District No. 1  
Notes to Financial Statements  
September 30, 2019

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

	Minimum	After Minimum
Residential & Non-Residential rates Routes 1-7	\$34 first 1,000 gallons	\$4.00/1,000 gallons
Residential & Non-Residential rates Route 8	\$34 first 2,000 gallons	\$4.50/1,000 gallons
Commercial/Residential Large Meter rates	\$82 first 15,000 gallons	\$4.50/1,000 gallons
Agriculture rates	\$35 first 1,000 gallons	\$2.58/1,000 gallons
E Hill/Hodges	\$100 first 25,000 gallons	\$3.08/1,000 gallons
Wholesale rates	\$2.58 per 1,000 gallons	n/a

At September 30, 2019, the District's active water utility customers consisted of the following:

Residential	2,105
Wholesale/Commercial	35
Agricultural	38
Non-Residential	113

13. Board of Directors:

The Board of Directors of Sabine Parish Waterworks District No. 1 at September 30, 2019, 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, 2019

14. Risk Management and Litigation:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the District's insurance coverage.

The District's management is not aware of any potential judgments, claims or similar contingencies pending at September 30, 2019.

15. Subsequent Events:

Management has evaluated events through March 20, 2020 the date which the financial statements were available for issue. The following item is reported as a subsequent event:

The District has made an offer to purchase the Ajax-Beulah Water System, which has been accepted by the USDA and is awaiting approval by the Louisiana Bond Commission.

OTHER 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, 2019

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.

Sabine Parish Waterworks District No. 1  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2019

<u>Federal Grantor/Pass through Grantors/Program</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Environmental Protection: Passed through La. Department of Health & Hospitals- Drinking Water State Revolving Funds	66.468	\$866,557

See independent auditor's report.

Sabine Parish Waterworks District No. 1  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sabine Parish Waterworks District No. 1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

Basis of Accounting

The District's Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's financial statements for the year ended September 30, 2019. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain type of expenditures are not allowable or are limited to reimbursement.

Indirect Cost Rate

The District has not elected to use the 10 percent de minimus indirect cost as allowed under the *Uniform Guidance*.

Subrecipients

The District did not provide any funding to subrecipients.

## 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, 2019, 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 20, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 Results as *Item 2019-001 – 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 no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **Management's Response to Finding**

Sabine Parish Waterworks District No. 1's response to the finding identified in our audit is described in the accompanying Schedule of Audit Results. This response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
Natchitoches, Louisiana

March 20, 2020

**T | C | B | T**  
**THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the Sabine Parish Waterworks District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sabine Parish Waterworks District No. 1, Louisiana's major federal programs for the year ended September 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Sabine Parish Waterworks District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sabine Parish Waterworks District No. 1's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, the Sabine Parish Waterworks District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

### **Report on Internal Control over Compliance**

Management of the Sabine Parish Waterworks District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sabine Parish Waterworks District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sabine Parish Waterworks District No. 1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thomas, Cunningham, Broadway & Todtenbier, CPA's*  
Thomas, Cunningham, Broadway & Todtenbier, CPA's  
Natchitoches, Louisiana

March 20, 2020

Sabine Parish Waterworks District No. 1  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2019

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 2019-001 – *Segregation of Duties*.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
4. An unmodified opinion was issued on compliance for major programs.
5. The audit did not disclose any findings related to federal awards that are required to be reported under the Uniform Guidance.
6. The following program was considered major for the year ended September 30, 2019:

Drinking Water Revolving Loan Fund Program – CFDA# 66.468

7. \$750,000 was the threshold used to distinguish Type A and Type B programs.
8. The Sabine Parish Waterworks District No. 1 did not qualify as a low-risk auditee.

II. Findings in Accordance with *Government Auditing Standards* and the *Uniform Guidance*

Internal Control-

2019-001 *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.

Sabine Parish Waterworks District No. 1  
Schedule of Findings and Questioned Costs (continued)  
Year Ended September 30, 2019

*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.

III. PRIOR YEAR AUDIT FINDINGS

*2018-001 Segregation of Duties*

*Condition* – In reviewing the internal control structure, we noted that the District does not have adequate segregation of duties related to the accounting system.

*Status* - The condition was not cleared as of September 30, 2019. See *2019-001*.

*2018-002 Bond Commission Approval of Indebtedness*

*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.

*Status* – The condition was cleared as of September 30, 2019.

**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, 2018 through September 30, 2019. 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. Obtain and inspect the entity's written policies and procedures and observe whether those written policies and procedures address each of the following categories and subcategories (or note 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.
  - **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- a) Procedure Results – We noted that there are no written policies and procedures concerning receipts, travel and expense reimbursement, ethics, debt service, or disaster recovery. There were written policies and procedures for payroll/personnel, but they did not address payroll processing or reviewing and approving time/attendance records.

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***Board (or Finance Committee, if applicable)***

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*No procedures were required for this category due to no exceptions in the prior year.*

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***Bank Reconciliations***

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*No procedures were required for this category due to no exceptions in the prior year.*

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***Collections***

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*No procedures were required for this category due to no exceptions in the prior year.*

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

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*No procedures were required for this category due to no exceptions in the prior year.*

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

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*No procedures were required for this category due to no exceptions in the prior year.*



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***Travel and Expense Reimbursement***

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*No procedures were required for this category due to no exceptions in the prior year.*

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***Contracts***

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*No procedures were required for this category due to no exceptions in the prior year.*

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***Payroll and Personnel***

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*No procedures were required for this category due to no exceptions in the prior year.*

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***Ethics (excluding nonprofits)***

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*No procedures were required for this category due to no exceptions in the prior year.*

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***Debt Service (excluding nonprofits)***

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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 – No exceptions noted.

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***Other***

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23. Management represented no knowledge of misappropriations of public funds and assets during the fiscal period.
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.

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*

Thomas, Cunningham, Broadway & Todtenbier, CPA's  
Natchitoches, Louisiana

March 20, 2020



Sabine Parish Waterworks District No. 1  
Management's Response to Exceptions to  
Statewide Agreed-Upon Procedures  
For the Year Ended September 30, 2019

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, debt service, or disaster recovery. 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, debt service, and disaster recovery. The District has implemented new procedures for payroll processing, including review and approval of time/attendance records. The written policies will be updated.