

**SOUTH TOLEDO BEND WATERWORKS DISTRICT  
MANY, LOUISIANA**

**ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2018**

South Toledo Bend Waterworks District  
Many, Louisiana

Financial Report  
September 30, 2018

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# SOUTH TOLEDO BEND WATERWORKS DISTRICT

## MANY, LOUISIANA 71449

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Toledo Bend Waterworks District'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 South Toledo Bend Waterworks District

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	\$ 893,132	\$ 744,898
Capital Assets, Net of Accumulated Depreciation	<u>4,816,430</u>	<u>4,889,301</u>
Total Assets	<u>\$5,709,562</u>	<u>\$5,634,199</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 51,162</u>	<u>\$ 94,399</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 128,364	\$ 196,135
Long-Term Debt	<u>2,532,604</u>	<u>2,621,146</u>
Total Liabilities	<u>\$2,660,968</u>	<u>\$2,817,281</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 78,170</u>	<u>\$ 13,652</u>
NET POSITION:		
Net Investment in Capital Assets	\$2,283,826	\$2,268,155
Restricted	263,523	629,510
Unrestricted	<u>474,237</u>	<u>0</u>
Total Net Position	<u>\$3,021,586</u>	<u>\$2,897,665</u>

## Summary of Statement of Revenue and Expenses

	<u>2018</u>	<u>2017</u>
REVENUES:		
Operating Revenues	\$1,077,676	\$ 858,033
Non-Operating Revenues	60,732	114,633
Capital Contributions	<u>22,325</u>	<u>12,341</u>
Total Revenues	<u>\$1,160,733</u>	<u>\$ 985,007</u>
EXPENSES:		
Operating Expenses	\$ 907,952	\$ 881,123
Interest	<u>128,860</u>	<u>133,218</u>
Total Expenses	<u>\$1,036,812</u>	<u>\$1,014,341</u>
Change in Net Position	<u>\$ 123,921</u>	<u>\$ (29,334)</u>

### Sources of Revenue

Charges for water service totaled \$1,010,608 or 87% 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 \$226,691 which is 25% of total operating expenses. Depreciation totaled \$289,355 which is 32% 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 have any knowledge of significant changes of water sales 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 3260 Little Flock Road, Many, LA 71449.

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

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

Mark D. Thomas, CPA – A Professional Corporation  
Roger M. Cunningham, CPA – A Professional Corporation  
Jessica H. Broadway, CPA – A Professional Corporation  
Ryan E. Todtenbier, CPA – A Professional Corporation

321 Bienville Street  
Natchitoches, Louisiana 71457  
(318) 352-3652  
Fax (318) 352-4447  
[www.tcbtcpa.com](http://www.tcbtcpa.com)

**INDEPENDENT AUDITOR’S REPORT**

Mr. Malcolm Franks, President  
and Members of the Board  
South Toledo Bend Waterworks District  
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 South Toledo Bend Waterworks District (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, Schedule of Employer's Share of Net Pension Liability, and Schedule of Employer Contributions as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is 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 listed as required supplementary information in the Table of Contents is presented for purposes of additional analysis and is required by Louisiana Revised Statute R.S. 24:513 A.(3). 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 Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 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 12, 2019, on our consideration of the South Toledo Bend Water 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 South Toledo Bend Water 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 12, 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 12, 2019  
Natchitoches, Louisiana

South Toledo Bend Waterworks District  
Statement of Net Position  
Proprietary Fund  
September 30, 2018

Assets-

Current Assets-

Cash & Cash Equivalents	\$ 430,529
Receivables	
Less, Allowance for Doubtful Accounts	102,675
Inventory at Cost	13,759
Prepaid Expenses	<u>39,803</u>
Total Current Assets	<u>\$ 586,766</u>

Restricted Asset-

Cash & Cash Equivalents	<u>\$ 263,523</u>
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Capital Assets-

Plant & Distribution System	\$ 9,717,317
Land & Improvements	82,652
Machinery & Equipment	183,142
Accumulated Depreciation	<u>(5,166,681)</u>
Total Capital Assets	<u>\$ 4,816,430</u>

Other Assets-

Deposits	\$ 200
Bond Issue Costs	
Less Amortization	16,437
Net Pension Asset	<u>26,206</u>
Total Other Assets	<u>\$ 42,843</u>

Total Assets	<u>\$ 5,709,562</u>
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Deferred Outflows of Resources	<u>\$ 51,162</u>
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Liabilities-

Current Liabilities-

Accounts Payable	\$ 71,792
Accrued Payroll	7,788
Accrued Expenses	17,507
Current Portion of Long-Term Debt	<u>85,500</u>
Total Current Liabilities	<u>\$ 182,587</u>

Continued next page.

South Toledo Bend Waterworks District  
Statement of Net Position  
Proprietary Fund  
September 30, 2018

Non-Current Liabilities-	
Customers' Deposits	\$ 31,277
Long-Term Debt	<u>2,447,104</u>
Total Non-Current Liabilities	<u>\$ 2,478,381</u>
Total Liabilities	<u>\$ 2,660,968</u>
Deferred Inflows of Resources	<u>\$ 78,170</u>
Net Position-	
Net Investment in Capital Assets	\$ 2,283,826
Restricted for Debt Service	263,523
Unrestricted	<u>474,237</u>
Total Net Position	<u>\$ 3,021,586</u>

See notes to financial statements.

South Toledo Bend Waterworks District  
Statement of Revenues, Expenses and Changes in Net Position-  
Proprietary Fund  
For the Year Ended September 30, 2018

OPERATING REVENUES:	
Charges for Services	\$1,010,608
Connection Fees	25,150
Late Fees	13,606
Miscellaneous	<u>28,312</u>
 Total Operating Revenues	 <u>\$1,077,676</u>
OPERATING EXPENSES:	
Amortization	\$ 879
Automobile Expense	12,408
Bad Debt Expense	426
Chemicals	22,561
Collection Expense	10,546
Commissioners' Fees	3,120
Computer Services	13,781
Depreciation	289,355
Insurance	36,193
Legal & Accounting	24,995
Licenses & Permits	23,088
Materials & Supplies	46,088
Meter Installation Costs	1,300
Miscellaneous	3,931
Office & Other Expenses	19,167
Payroll Taxes	6,531
Repairs & Maintenance	61,141
Retirement	30,861
Salaries	226,691
President & Secretary Services	7,200
Telephone	4,949
Utilities	42,491
Water Purchased	<u>20,250</u>
 Total Operating Expenses	 <u>\$ 907,952</u>
 Operating Income	 <u>\$ 169,724</u>

Continued next page.

South Toledo Bend Waterworks District  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended September 30, 2018

NON-OPERATING REVENUES (EXPENSES):	
Ad Valorem Taxes	\$ 4,970
Nonemployer Pension Revenue	2,625
Interest Income	630
Insurance Proceeds	52,237
Gain on Sale of Assets	270
Interest Expense	<u>(128,860)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(68,128)</u>
Income Before Contributions	\$ 101,596
CAPITAL CONTRIBUTIONS:	
Grants	<u>22,325</u>
Change in Net Position	\$ 123,921
Net Position-Beginning of Year	<u>2,897,665</u>
Net Position-End of Year	<u>\$3,021,586</u>

See notes to financial statements.

South Toledo Bend Waterworks District  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,038,636
Cash Received for Customer Deposits	7,600
Cash Payments to Suppliers for Goods and Services	(387,571)
Cash Payments to Employees	<u>(227,367)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>431,298</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Insurance Proceeds	\$ 158,737
Proceeds from Capital Contributions	22,325
Proceeds from Ad Valorem Taxes	4,970
Proceeds from Sale of Assets	270
Principal Paid on Capital Debt	(88,542)
Interest Paid on Capital Debt	(216,483)
Purchase of Capital Assets	<u>(129,035)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(247,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>630</u>
Net Increase in Cash and Cash Equivalents	\$ 184,170
Cash and Cash Equivalents-Beginning of Year	<u>509,882</u>
Cash and Cash Equivalents-End of Year	\$ <u>694,052</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ 169,724
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation	289,355
Amortization	879
Changes in Assets and Liabilities-	
(Increase) Decrease in Prepaid Expenses	(6,298)
(Increase) Decrease in Accounts Receivable	(39,040)
(Increase) Decrease in Other Assets	100
Increase (Decrease) in Accounts Payable	(8,085)
Increase (Decrease) in Accrued Payroll	(676)
Increase (Decrease) in Accrued Expenses	10,002
Increase (Decrease) in Net Pension Liability	7,737
Increase (Decrease) in Customer Deposits	<u>7,600</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>431,298</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

## INTRODUCTION

The South Toledo Bend Waterworks District was created by an ordinance of the Sabine Parish Police Jury on December 21, 1988. The District is governed by a Board of Commissioners consisting of five members appointed by the Sabine Parish Police Jury. Commissioners are residents of the parish and serve terms of 1-5 years.

The District was created for the purpose of providing water service to any user within the geographical bounds of the district.

### 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.

South Toledo Bend Waterworks District  
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 funds 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 South Toledo Bend Waterworks District, 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.

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

F. Compensated Absences-

All full-time employees are entitled to one week of vacation each year. Vacation time may not be carried over from one year to the next and does not vest or accumulate. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

G. Pensions-

For purposes of measuring the Net Pension Asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

H. Deferred Outflows/Inflows of Resources-

The Statement of Net Position reports a separate section for deferred outflows and (or) deferred inflows or financial resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

I. Capital Assets-

The capital assets of the South Toledo Bend Waterworks District enterprise fund 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.

J. 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 \$14,550.

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

K. 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 South Toledo Bend Waterworks District, was \$55,123. The amortization expense related to deferred debt expense was \$879 for the year ended September 30, 2018.

L. Inventories-

Inventories of supplies are valued at cost (moving average).

M. 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.

N. 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.

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

2. Levied Taxes:

Ad Valorem taxes are recorded in the year the taxes are assessed. Ad Valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. Ad valorem taxes are generally collected in December of the current year and January and February of the ensuing year.

For the year ended September 30, 2018, taxes of .9 mills were levied on property. Total taxes collected for 2018 were \$4,970.

3. 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 \$709,798. 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	\$ 709,798
FDIC	(250,000)
Pledged Securities	<u>(459,798)</u>
Uninsured	<u>\$ _____</u>

4. Revenue Receivable:

At year-end, the District has \$102,675 in receivables as follows:

Charges for Services	\$115,715
Other	1,510
Less, Allowance for Doubtful Accounts	<u>(14,550)</u>
Total Accounts Receivable	<u>\$102,675</u>

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

5. Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets:</b>				
Construction in Progress	\$ 6,860	\$ -	\$ (6,860)	\$ -
Land & Improvements	82,652	-	-	82,652
Plant & Distribution System	9,493,974	223,343	-	9,717,317
Machinery & Equipment	196,446	-	(13,304)	183,142
<b>Total Assets</b>	<b>\$ 9,779,932</b>	<b>\$ 223,343</b>	<b>\$ (20,164)</b>	<b>\$ 9,983,111</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	\$ 7,999	\$ 667	\$ -	\$ 8,666
Plant & Distribution System	4,754,419	\$ 268,758	-	5,023,177
Machinery & Equipment	128,212	\$ 19,930	(13,304)	134,838
<b>Total Accumulated Depreciation</b>	<b>\$ 4,890,630</b>	<b>\$ 289,355</b>	<b>\$ (13,304)</b>	<b>\$ 5,166,681</b>
<b>Total Net Assets</b>	<b>\$ 4,889,302</b>	<b>\$ (66,012)</b>	<b>\$ (6,860)</b>	<b>\$ 4,816,430</b>

Depreciation expense of \$289,355 was recorded for the year ended September 30, 2018.

6. Restricted Assets:

Restricted assets of the District were applicable to the following at September 30, 2018:

	<u>2018</u>
Contingency Fund	\$125,652
Reserve Fund	<u>137,871</u>
<b>Total</b>	<b><u>\$263,523</u></b>

7. Compensation of Board Members:

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

Malcolm Franks	\$ 4,320
Geri Alford	4,260
Megan Quinn	180
Tim Collins	360
Michael Walker	600
Rodney DeRouen	<u>600</u>
<b>Total</b>	<b><u>\$10,320</u></b>

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

8. Pension Plan

*Plan Description*

The District contributes to Parochial Employees' Retirement System of Louisiana (System) which is a cost-sharing multiple employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically, and other general laws of the State of Louisiana. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at [www.persla.org](http://www.persla.org).

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

*Benefits Provided*

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**Retirement**

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

For employees hired prior to January 1, 2007:

- |              |  |
|--------------|--|
| • At any age | after 30 or more years of creditable service |
| • At age 55  | after 25 years of creditable service         |
| • At age 60  | after 10 years of creditable service         |
| • At age 65  | after 7 years of creditable service          |

For employees hired after January 1, 2007:

- |             |                                      |
|-------------|--------------------------------------|
| • At age 55 | after 30 years of creditable service |
| • At age 62 | after 10 years of creditable service |
| • At age 67 | after 7 years of creditable service  |

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

**Survivor's Benefits**

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

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

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

**Deferred Retirement Option Plan**

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in DROP in which they enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his/her option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP will be placed in liquid asset money market investments at the discretion of the Board of Trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of DROP must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of DROP are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

**Disability Benefits**

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007,

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

#### **Cost-of-Living Increases**

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (LA R.S. 11:1937) . Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

#### *Contributions*

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 12.74% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2017 was 10.52% for Plan A.

According to state statute, the System also receives  $\frac{1}{4}$  of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. The non-employer contribution is \$2,625. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

The District's contractually required composite contribution rate for the year ended September 30, 2018 was 11.50% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the District were \$23,005 for the year ended September 30, 2018.

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2018, the District reported an asset of \$(26,206) for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was .035306%, which was a decrease of .00181% from its proportion measured as of December 31, 2016.

For the year ended September 30, 2018, the District recognized pension expense of \$32,842 minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$203.

At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$16,964
Changes in assumption	33,076	0
Net difference between projected and actual earnings on pension plan investments	0	60,543
Changes in employer's proportion of beginning net pension liability	170	584
Differences between employer contributions and proportionate share of employer contributions	300	79
Subsequent Period Contributions	17,616	0
Total	\$51,162	\$78,170

The deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date in the amount of \$17,616, will be recognized as a reduction of the net pension assets in the year of September 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$ 4,004
2020	(4,046)
2021	(20,585)
2022	(23,996)
Total	\$(44,623)

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

*Actuarial Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2018 is as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years.
Investment Rate of Return	7.00%, net of investment expense, including inflation.
Inflation Rate	2.50% per annum.
Mortality	RP-2000 Employee Sex Distinct Table (set back 4 years for males and 3 years for females) was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Table (set forward 2 years for males and set forward 1 year for females) was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table (set back 5 years for males and set back 3 years for females) was selected for disabled annuitants.
	Experience study performed on plan data for the period January 1, 2010 through December 31, 2014.
Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 6.75% for Plans A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2018. The best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real Assets	2%	0.12%
Total	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

*Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the Net Pension Liability using the discount rate of 6.75%, as well as what the District's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

	1.0% Decrease (5.75%)	Current Discount Rate (6.75%)	1.0% Increase (7.75%)
Employer's proportionate share of net pension liability	\$129,204	\$(26,206)	\$(164,588)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued Parochial Employees' Retirement System of Louisiana Annual Financial Report at [www.persla.org](http://www.persla.org).

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

*Payables to the Pension Plan*

These financial statements include a payable to the pension plan of \$11,674, which is the legally required contribution due at September 30, 2018. This amount is recorded in accrued expenses.

9. Long-Term Debt

Revenue Bonds-The District issued \$3,600,000 of water revenue bonds at 5% interest for the purpose of constructing and acquiring a waterworks system. These bonds will mature on May 20, 2037. These debt issues are secured by the revenues of the District. These bonds were issued as follows:

- 1) \$2,999,000 issued on May 20, 1997
- 2) \$601,000 issued on May 20, 1997

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 85,500	\$ 124,670	\$ 210,170
2020	88,059	122,325	210,384
2021	92,631	117,753	210,384
2022	97,441	112,943	210,384
2023	102,500	107,884	210,384
2024-2028	598,070	453,849	1,051,919
2029-2033	770,310	281,610	1,051,920
2034-2038	<u>698,093</u>	<u>68,839</u>	<u>766,932</u>
Total	<u>\$2,532,604</u>	<u>\$1,389,873</u>	<u>\$3,922,477</u>

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2018</u>
Series 1998 Bonds	\$ 7,000	\$0	\$ 7,000	\$ 0
Water Revenue Bonds #1	2,177,729	0	67,929	2,109,800
Water Revenue Bonds #2	<u>436,417</u>	<u>0</u>	<u>13,613</u>	<u>422,804</u>
Total	<u>\$2,621,146</u>	<u>\$0</u>	<u>\$88,542</u>	<u>\$2,532,604</u>

South Toledo Bend Waterworks District  
Notes to Financial Statements  
September 30, 2018

10. 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.
3. There should also be set aside into a "Reserve Fund", an amount equal to 5% 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. Commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the Bonds, a sum of \$898 per month must be deposited into a "Contingency Fund". Such payments are to continue over the life of the Bonds.

11. Post-Employment Benefits:

The South Toledo Bend Waterworks does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required.

12. Subsequent Events:

Management has evaluated events through March 12, 2019, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

REQUIRED SUPPLEMENTARY  
INFORMATION

South Toledo Bend Waterworks District  
Schedule of Employer's Share of Net Pension Liability  
For the Year Ended September 30, 2018

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</u>
<i>Parochial Employees' Retirement System – Plan A</i>					
2015	.04048%	\$ 11,067	\$217,030	5.10%	99.15%
2016	.03677%	\$ 96,787	\$219,668	44.06%	92.23%
2017	.03712%	\$ 76,439	\$225,863	33.84%	94.15%
2018	.03531%	\$(26,206)	\$227,366	-11.53%	101.98%

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

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

See independent auditor's report.

South Toledo Bend Waterworks District  
Schedule of Employer Contributions  
For the Year Ended September 30, 2018

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
<i>Parochial Employees' Retirement System-Plan A</i>					
2015	\$32,345	\$32,345	\$0	\$217,030	14.90%
2016	\$29,339	\$29,339	\$0	\$219,668	13.36%
2017	\$29,339	\$29,339	\$0	\$225,863	12.99%
2018	\$23,005	\$23,005	\$0	\$227,366	10.12%

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

Changes of Assumptions:

- There were no changes of benefit assumptions for the year ended September 30, 2018.

See independent auditor's report.

South Toledo Bend Waterworks District  
Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer  
For the Year Ended September 30, 2018

Agency Head Name: Malcolm Franks, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$3,600
Expense Account	0
Benefits-Insurance	0
Benefits-Retirement	0
Deferred Compensation	0
Benefits-Other	0
Car allowance	0
Vehicle provided by government	0
Cell phone	0
Dues	0
Vehicle rental	0
Per Diem	720
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$4,320</u>

See independent auditor's report.

## OTHER REPORTS

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

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

Mark D. Thomas, CPA – A Professional Corporation  
Roger M. Cunningham, CPA – A Professional Corporation  
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Ryan E. Todtenbier, CPA – A Professional Corporation

321 Bienville Street  
Natchitoches, Louisiana 71457  
(318) 352-3652  
Fax (318) 352-4447  
[www.tcbtcpa.com](http://www.tcbtcpa.com)

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. Malcolm Franks, President  
and Members of the Board  
South Toledo Bend Waterworks District  
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 South Toledo Bend Waterworks District's (District) basic financial statements and have issued our report thereon dated March 12, 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.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and 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 24:513, 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 12, 2019  
Natchitoches, Louisiana

South Toledo Bend Waterworks District  
Schedule of Audit Results  
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 South Toledo Bend Waterworks District.
2. There were no material weaknesses noted in internal control during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the South Toledo Bend Waterworks District disclosed during the audit.

II. Findings in Accordance with *Government Auditing Standards*

*None identified.*

III. Prior Year Findings

*None identified.*

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

Mr. Malcolm Franks, President  
and the Members of the Board  
South Toledo Bend Waterworks District

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of the South Toledo Bend Waterworks 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. South Toledo Bend Waterworks 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 Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures 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***

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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. periodic 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 of statements, 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 two exceptions. The written policies and procedures did not address budgeting or contracting.

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

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2. We obtained and inspected the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent documents 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, bylaws, or other equivalent document.
  - Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - 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*

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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 and 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 one exception, which is that the records lacked evidence that a board member reviewed all bank reconciliation.

### *Collections*

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4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. We 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 selected. We obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observed that job duties were properly segregated at each collection 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 selected 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:

- a. We observed that receipts are sequentially pre-numbered.
- b. We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c. We traced the deposit slip total to the actual deposit per the bank statement.
- d. 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).
- e. We traced the actual deposit per the bank statement to the general ledger.
  - a) Procedure Results – We noted that employees do share cash drawers. Employees who make collections are also responsible for making deposits and recording transactions and are not bonded. The District uses an outside CPA for its billing and collections but receives some payments at their offices. The District enforces a “checks only” policy for all transactions.

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

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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, and obtained 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 mitigating factors for the exceptions in this area in the prior year.

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

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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), and 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 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.

- a) Procedure Results – We noted no exceptions.

### ***Travel and Expense Reimbursement***

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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 by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://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 was supported by documentation of the business/public purpose and other documentation required by written policy.
  - We observed that each reimbursement 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***

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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 selected 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***

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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 selected 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, we obtained attendance 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 – We noted no exceptions.

### ***Ethics***

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20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics compliance 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)***

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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 – Not required due to no exceptions in this area in the prior year.

### ***Other***

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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 to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. We observed whether 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 12, 2019  
Natchitoches, Louisiana

South Toledo Bend Waterworks District  
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 - The written policies and procedures did not address budgeting or contracting.

Response - We will strive to adopt policies and procedures concerning budgeting or contracting.

Item 3: Exception - The records lacked evidence that a board member reviewed all bank reconciliations.

Response - We will implement procedures to ensure that each bank reconciliation is reviewed.

Item 6: Exception - Employees share cash drawers. Employees who make collections are also responsible for making deposits and recording transactions and are not bonded.

Response - We do not feel that having multiple cash registers is economically feasible. We will strive to obtain a fidelity bond.