

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

**ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2017**

South Toledo Bend Waterworks District
Many, Louisiana

Financial Report
September 30, 2017

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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, 2017. 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>2017</u>	<u>2016</u>
ASSETS:		
Assets	\$ 744,898	\$ 640,219
Capital Assets, Net of Accumulated Depreciation	<u>4,889,301</u>	<u>5,082,051</u>
Total Assets	<u>\$5,634,199</u>	<u>\$5,722,270</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 94,399</u>	<u>\$ 131,055</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 196,315	\$ 204,673
Long-Term Debt	<u>2,621,146</u>	<u>2,705,719</u>
Total Liabilities	<u>\$2,817,281</u>	<u>\$2,910,392</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 13,652</u>	<u>\$ 15,934</u>
NET POSITION:		
Net Investment in Capital Assets	\$2,268,155	\$2,376,332
Restricted	629,510	550,667
Unrestricted	<u>0</u>	<u>0</u>
Total Net Position	<u>\$2,897,665</u>	<u>\$2,926,999</u>

Summary of Statement of Revenue and Expenses

	<u>2017</u>	<u>2016</u>
REVENUES:		
Operating Revenues	\$ 858,033	\$824,275
Non-Operating Revenues	114,633	11,843
Capital Contributions	<u>12,341</u>	<u>123,032</u>
Total Revenues	\$ <u>985,007</u>	\$ <u>959,150</u>
EXPENSES:		
Operating Expenses	\$ 881,123	\$856,860
Interest	<u>133,218</u>	<u>137,367</u>
Total Expenses	\$ <u>1,014,341</u>	\$ <u>994,227</u>
Change in Net Position	\$ <u>(29,334)</u>	\$ <u>(35,077)</u>

Sources of Revenue

Charges for water service totaled \$793,906 or 81% of total revenue of the District for the year ended September 30, 2017.

Expenses

The majority of the District's total expenses is for payroll cost and depreciation. Salaries totaled \$233,095 which is 23% of total operating expenses. Depreciation totaled \$278,735 which is 27% 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.

Johnson, Thomas & Cunningham

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
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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, 2017, 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, 2017, 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, the Budgetary Comparison Schedules, 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 Budgetary Comparison Schedules, 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 23, 2018, 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 23, 2018, 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.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

March 23, 2018
Natchitoches, Louisiana

South Toledo Bend Waterworks District
Statement of Net Position
Proprietary Fund
September 30, 2017

Assets-	
Current Assets-	
Cash & Cash Equivalents	\$ 501,641
Receivables	
Less, Allowance for Doubtful Accounts	170,135
Inventory at Cost	13,759
Prepaid Expenses	33,505
Total Current Assets	<u>\$ 719,040</u>
Restricted Asset-	
Cash & Cash Equivalents	<u>\$ 8,242</u>
Capital Assets-	
Plant & Distribution System	\$ 9,493,974
Land & Improvements	82,652
Machinery & Equipment	196,446
Construction in Progress	6,860
Accumulated Depreciation	<u>(4,890,631)</u>
Total Capital Assets	<u>\$ 4,889,301</u>
Other Assets-	
Deposits	\$ 300
Bond Issue Costs	
Less Amortization	<u>17,316</u>
Total Other Assets	<u>\$ 17,616</u>
Total Assets	<u>\$ 5,634,199</u>
Deferred Outflows of Resources	<u>\$ 94,399</u>
Liabilities-	
Current Liabilities-	
Accounts Payable	\$ 79,877
Accrued Payroll	8,464
Accrued Expenses	7,680
Current Portion of Long-Term Debt	<u>88,600</u>
Total Current Liabilities	<u>\$ 184,621</u>

Continued next page.

South Toledo Bend Waterworks District
Statement of Net Position
Proprietary Fund
September 30, 2017

Non-Current Liabilities-	
Customers' Deposits	\$ 23,677
Net Pension Liability	76,437
Long-Term Debt	<u>2,532,546</u>
Total Non-Current Liabilities	<u>\$ 2,632,660</u>
Total Liabilities	<u>\$ 2,817,281</u>
Deferred Inflows of Resources	<u>\$ 13,652</u>
Net Position-	
Net Investment in Capital Assets	\$ 2,268,155
Restricted for Debt Service	629,510
Unrestricted	<u>0</u>
Total Net Position	<u>\$ 2,897,665</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, 2017

OPERATING REVENUES:	
Charges for Services	\$ 793,906
Connection Fees	26,450
Late Fees	15,231
Miscellaneous	<u>22,446</u>
 Total Operating Revenues	 \$ <u>858,033</u>
OPERATING EXPENSES:	
Amortization	\$ 879
Automobile Expense	12,815
Bad Debt Expense	1,272
Chemicals	31,707
Collection Expense	10,343
Commissioners' Fees	3,000
Computer Services	13,462
Depreciation	278,735
Insurance	31,318
Legal & Accounting	24,610
Licenses & Permits	17,335
Materials & Supplies	47,185
Meter Installation Costs	1,400
Miscellaneous	5,848
Office & Other Expenses	22,564
Payroll Taxes	4,744
Repairs & Maintenance	27,580
Retirement	45,262
Salaries	233,095
President & Secretary Services	7,200
Telephone	4,242
Utilities	42,733
Water Purchased	<u>13,794</u>
 Total Operating Expenses	 \$ <u>881,123</u>
 Operating Loss	 \$ <u>(23,090)</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, 2017

NON-OPERATING REVENUES (EXPENSES):	
Ad Valorem Taxes	\$ 4,878
Nonemployer Pension Revenue	2,742
Interest Income	513
Insurance Proceeds	106,500
Interest Expense	<u>(133,218)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(18,585)</u>
Loss Before Contributions	\$ (41,675)
CAPITAL CONTRIBUTIONS:	
Grants	<u>12,341</u>
Change in Net Position	\$ (29,334)
Net Position-Beginning of Year	<u>2,926,999</u>
Net Position-End of Year	<u>\$2,897,665</u>

See notes to financial statements.

South Toledo Bend Waterworks District
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 850,915
Cash Received for Customer Deposits	100
Cash Payments to Suppliers for Goods and Services	(343,880)
Cash Payments to Employees	<u>(231,477)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 275,658</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Capital Contributions	\$ 12,341
Proceeds from Ad Valorem Taxes	4,878
Principal Paid on Capital Debt	(84,573)
Interest Paid on Capital Debt	(133,387)
Purchase of Capital Assets	<u>(85,986)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$(286,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>513</u>
Net Decrease in Cash and Cash Equivalents	\$ (10,556)
Cash and Cash Equivalents-Beginning of Year	<u>520,439</u>
Cash and Cash Equivalents-End of Year	<u>\$ 509,833</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	\$ (23,090)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation	278,735
Amortization	879
Changes in Assets and Liabilities-	
(Increase) Decrease in Prepaid Expenses	(3,996)
(Increase) Decrease in Accounts Receivable	(7,118)
(Increase) Decrease in Inventory	1,500
Increase (Decrease) in Accounts Payable	21,912
Increase (Decrease) in Accrued Payroll	1,618
Increase (Decrease) in Accrued Expenses	(11,648)
Increase (Decrease) in Net Pension Liability	16,766
Increase (Decrease) in Customer Deposits	<u>100</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 275,658</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

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, 2017

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.

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.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

E. Cash and Cash Equivalents-

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

F. Compensated Absences-

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 Liability, 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.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

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, 2017 was \$14,124.

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, 2017.

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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

and legal requirements. This decision is typically made by management at the incurrence of the expenses.

2. Levied Taxes:

For the year ended September 30, 2017, taxes of .9 mills were levied on property. Total taxes collected for 2017 were \$4,878.

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, 2017, the District had cash and cash equivalents (collected bank balances) totaling \$549,823. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at September 30, 2017, were secured as follows:

Cash and Cash Equivalents	\$ 515,625
FDIC	(250,000)
Pledged Securities	<u>(265,625)</u>
Uninsured	<u>\$ 0</u>

4. Revenue Receivable:

At year-end, the District has \$170,135 in receivables as follows:

Charges for Services	\$ 77,403
Other	106,856
Less, Allowance for Doubtful Accounts	<u>(14,124)</u>
Total Accounts Receivable	<u>\$170,135</u>

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

5. Capital Assets:

Capital assets and depreciation activity as of and for the year ended September 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Construction in Progress	\$ 1,491	\$ 5,369	\$ -	\$ 6,860
Land & Improvements	82,652	-		82,652
Plant & Distribution System	9,473,898	20,076		9,493,974
Machinery & Equipment	135,905	60,541	-	196,446
Total Assets	\$ 9,693,946	\$ 85,986	\$ -	\$ 9,779,932
Accumulated Depreciation:				
Land Improvements	\$ 7,333	\$ 667	\$ -	\$ 8,000
Plant & Distribution System	4,493,605	\$ 260,814	-	4,754,419
Machinery & Equipment	110,958	\$ 17,254	-	128,212
Total Accumulated Depreciation	\$ 4,611,896	\$ 278,735	\$ -	\$ 4,890,631
Total Net Assets	\$ 5,082,050	\$ (192,749)	\$ -	\$ 4,889,301

Depreciation expense of \$278,735 was recorded for the year ended September 30, 2017.

6. Restricted Assets:

Restricted assets of the District were applicable to the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Sinking Fund	<u>\$8,242</u>	<u>\$10,942</u>

7. Compensation of Board Members:

A detail of compensation paid to individual board members for the year ended September 30, 2017 follows:

Malcolm Franks	\$ 660
Geri Alford	660
Megan Quinn	720
Robert Marshall	240
Rodney DeRouen	<u>720</u>
Total	<u>\$3,000</u>

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

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.

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 |

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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

For employees hired prior to January 1, 2007:

- At age 55 after 30 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.

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

Survivor'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.

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

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 or B 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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

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, 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.

For Plan B, 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, 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 B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

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, 2016, the actuarially determined contribution rate was 10.520% of member's compensation for Plan A and 7.20% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2016 was 13.00% for Plan A and 8.00% for Plan B.

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 \$2,742. 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, 2017 was 12.50% 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 \$28,496 for the year ended September 30, 2017.

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

At September 30, 2017, the District reported a liability of \$76,437 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 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, 2016, the District's proportion was .037115%, which was an increase of .000346% from its proportion measured as of December 31, 2015.

For the year ended September 30, 2017, the District recognized pension expense of \$45,404 minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$142.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

At September 30, 2017, 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	\$13,376
Changes in assumption	14,512	0
Net difference between projected and actual earnings on pension plan investments	59,318	0
Changes in employer's proportion of beginning net pension liability	335	276
Differences between employer contributions and proportionate share of employer contributions	(1,422)	0
Subsequent Period Contributions	21,656	0
Total	\$94,399	\$13,652

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$20,187
2018	20,187
2019	20,187
2020	20,187
Total	\$80,748

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 is as follows:

Valuation Date	December 31, 2016
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 was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Table was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table 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 7.00% for Plans A and B. 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, 2017

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016. 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 7.00%, 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 (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1.0% Decrease (6.00%)	Current Discount Rate (7.00%)	1.0% Increase (8.00%)
Employer's proportionate share of net pension liability	\$228,659	\$76,437	\$(52,268)

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.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$12,707, which is the legally required contribution due at September 30, 2017. This amount is recorded in accrued expenses.

9. Long-Term Debt

General Obligation-At September 30, 2017, the District had the following outstanding general obligation bond issues:

- 1) Series 1998 bonds were issued at a variable rate of interest for the purpose of paying a portion of the cost of constructing and acquiring a waterworks system. Total bond proceeds were \$95,000. These bonds will mature on February 1, 2018. The District pays the bonds from the annual levy and collection of ad valorem taxes on all the taxable property within the boundaries of the District.

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>
2018	88,600	130,996	219,596
2019	83,713	126,671	210,384
2020	88,059	122,325	210,384
2021	92,631	117,753	210,384
2022	97,441	112,943	210,384
2023-2027	568,551	483,369	1,051,920
2028-2032	732,289	319,631	1,051,920
2033-2037	<u>869,862</u>	<u>109,183</u>	<u>979,045</u>
Total	<u>\$2,621,146</u>	<u>\$1,522,871</u>	<u>\$4,144,017</u>

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2017

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	<u>Balance</u> <u>October 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30, 2017</u>
Series 1998 Bonds	\$ 14,000	\$0	\$ 7,000	\$ 7,000
Water Revenue Bonds #1	2,242,351	0	64,622	2,177,729
Water Revenue Bonds #2	449,368	0	12,951	436,417
Total	<u>\$2,705,719</u>	<u>\$0</u>	<u>\$84,573</u>	<u>\$2,621,146</u>

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 23, 2018, 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, 2017

<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	.040478%	\$11,049	\$217,030	5.09%	99.15%
2016	.036769%	\$96,787	\$219,668	44.06%	92.23%
2017	.037115%	\$76,437	\$225,863	33.84%	94.15%

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, 2017

<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	15.32%
2016	\$29,339	\$29,339	\$0	\$219,668	13.36%
2017	\$28,496	\$28,496	\$0	\$225,863	12.62%

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, 2017.

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, 2017

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	660
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$4,260</u>

See independent auditor's report.

OTHER REPORTS

Johnson, Thomas & Cunningham

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

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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. 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, 2017, 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 23, 2018.

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.

Johnson, Thomas + Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

March 23, 2018
Natchitoches, Louisiana

South Toledo Bend Waterworks District
Schedule of Audit Results
Year Ended September 30, 2017

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

Internal Control-

2016-001 *Employee Misappropriation*

Criteria – During the year ended September 30, 2016, an instance occurred in which an employee of the District misappropriated a \$200 cash collection. The District's internal control system was properly designed and this misappropriation was detected within twenty-four hours. The employee was terminated and the District Attorney and Louisiana Legislative Auditor were notified. Louisiana regulations require that an instance such as this be reported as a finding on the District's audit. However since the District's internal control was designed and working, we have no recommendation to make.

Status – The finding is cleared. The District's internal control system remains properly designed and working.

Johnson, Thomas & Cunningham

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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
Many, LA 71449

We have performed the procedures enumerated below, which were specified and agreed to by the South Toledo Bend Waterworks District (District) to assist the agency in complying with the requirements of the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended September 30, 2017. We are required to perform each procedure and report the results, including any exceptions. The District is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the District. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or noted that the entity does not have any written policies and procedures), as applicable:

- ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained but did not address the functions noted above.

- ***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.

Written policies and procedures did not address purchasing.

- **Disbursements**, including processing, reviewing, and approving

Written policies and procedures did not address disbursements.

- **Receipts**, including receiving, recording, and preparing deposits

Written policies and procedures did not address receipts.

- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and address the functions noted above.

- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Written policies and procedures did not address contracting.

- **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

Written policies and procedures did not address credit cards.

- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Written policies and procedures were obtained but did not address the documentation and required approvers functions noted above.

- **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. Note: Ethics requirements are not applicable to nonprofits.

Written policies and procedures were obtained but did not address the functions noted above.

- **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures did not address debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

- Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
- Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The District holds meetings monthly, minutes are maintained and posted on the District's website which reference non-budgetary financial information but does not explicitly state that a budget-to-actual comparison is presented. However, the District has only one proprietary fund and is not required to present a budget.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We were provided with the listing by management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- Bank reconciliations have been prepared;

The District has six bank accounts, and we selected two bank accounts. We obtained bank statements and reconciliations for all months in the fiscal period, noting that reconciliations have been prepared for all months, without exception.

- Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Some of the bank reconciliations obtained did not contain evidence that management reviewed the bank reconciliations.

- If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There were no items outstanding for more than 6 months at the end of the fiscal period.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the listing as requested.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). **For each cash collection location selected:**

- Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Management provided the documentation for the selected locations. There is only one cash register used by all employees that make collections. Employees who make collections are not bonded, are responsible for making bank deposits and recording transactions. The District uses an outside CPA for its billing and collections but receives some payments at their offices. The District also enforces a "checks only" policy for all transactions.

- Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Management provided the documentation for the collection location and the District does not have written policies and procedures related to the reconciling of cash collections to the general ledger, by a person who is not responsible for cash collections.

- Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Management provided the required documentation for the selected deposits. The District does not have set procedures that require deposits to be made within one day. We noted that all deposits reviewed were made within one to four business days of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained and no exceptions were noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Management does not have the written procedures for collections, however the District does have an unwritten policy which provides for completeness of all collections by a person who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We obtained the general ledger and sorted for disbursements. We obtained management's representation that the general ledger population was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The District does not use a purchase order system.

- Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Each selection showed evidence of approval by a person who did not initiate the purchase, without exception.

- Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

The District does not use a requisition or purchase order system; however, all invoices selected were reviewed and approved by two board members prior to payment.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The person responsible for processing payments is not prohibited from adding vendors to the District's purchasing system. The accounting system does not allow for this level of user restriction; however, the system is monitored by management.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We obtained the required documentation and noted that persons with signatory authority are not responsible for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We noted all unused checks are kept in locked drawers.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable – no signature stamps or machines are in use at the District's office.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the required listing.

Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Monthly statements were obtained and invoices were approved by someone other than the authorized card holder.

- Report whether finance charges and/or late fees were assessed on the selected statements.

Late fees were assessed on the statement reviewed.

15. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- For each transaction, we report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Original receipts were provided for each transaction selected.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions noted.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

- For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We noted no exceptions in the selected transactions.

- For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We compiled the listing of travel reimbursements from the general ledger. Management represented that the listing was complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Policies were obtained. No amounts listed exceed GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We noted no exceptions with the District's written policies in the selected transactions.

- Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We were provided with an itemized receipt for each of the selected transactions, without exception.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We noted all required documentation was provided with each of the selected transactions, without exception.

- Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

- Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing and representation.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Formal/written contracts were provided to support the agreements.

- Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No noncompliance noted.

- Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We noted no amendments to the contracts selected.

- Selected the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Changes made to hourly pay rates/salaries were approved in writing.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All of the 5 employees selected documented daily attendance and leave.

- a) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisory approvals were noted on all selections, without exception.

- b) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We observed the written leave records maintained for all selections, without exception.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No termination payments were made during the period. The District experienced one termination by retirement and no payments were due at the time of termination.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We obtained documentation relating to payroll taxes and retirement contributions. We discovered one pension payment was delinquent.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

The five randomly selected employees which were selected for payroll and personnel procedures, completed the required ethics training. No exceptions were noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per inquiry of management, there were no alleged ethics violations reported to the District during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable – No debt was issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The District made all required payments and met all debt covenants during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report whether any millages continue to be received for debt that has been paid off.

The District has one tax millage related to debt service. The millage is due to expire in February 2018.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, we obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per discussion with the District, there were no funds or assets misappropriated during the period.

32. We observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We viewed the notice required by R.S. 24:523.1 posted on the District's premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Not applicable – no exceptions noted.

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 the Statewide Agreed-Upon Procedures. 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.

This report is intended solely for the information and use of South Toledo Bend Waterworks District and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully,

Johnson, Thomas + Cunningham, CPA's

Johnson, Thomas & Cunningham, CPA's

March 23, 2018
Natchitoches, Louisiana

South Toledo Bend Waterworks District
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2017

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

- Item 1: The District will strive to adopt written policies and procedures to address the financial/business functions.
- Item 2: The District reviews quarterly budget-to-actual financials as provided by the outside CPA firm and feels that this process is adequate.
- Item 4: The District will implement procedures to ensure that each bank reconciliation is reviewed.
- Item 6: The District does not feel that having multiple cash registers is economically feasible.
- Item 9: The District does not use a purchase order system; however, two board members approve every invoice and payment made.
- Item 14: The District will strive to pay credit cards in a timely manner; however, the board approves all payments as a control measure. The meeting dates do not always allow for the payments to be made before the late charges are assessed.
- Item 25: The District will ensure that all payroll and retirement reports are submitted by the required deadlines.