

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

**ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020**

South Toledo Bend Waterworks District
Many, Louisiana

Financial Report
September 30, 2020

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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, 2020. 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 (pages 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>2020</u>	<u>2019</u>
ASSETS:		
Assets	\$1,414,506	\$1,094,895
Capital Assets, Net of Accumulated Depreciation	<u>4,272,727</u>	<u>4,546,403</u>
Total Assets	<u>\$5,687,233</u>	<u>\$5,641,298</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 45,269</u>	<u>\$ 126,991</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 182,943	\$ 172,723
Long-Term Debt, Net of Current Portion	<u>2,332,179</u>	<u>2,557,483</u>
Total Liabilities	<u>\$2,515,122</u>	<u>\$2,730,206</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 76,948</u>	<u>\$ 10,191</u>
NET POSITION:		
Net Investment in Capital Assets	\$1,915,935	\$2,099,512
Restricted	357,992	285,097
Unrestricted	<u>866,505</u>	<u>643,283</u>
Total Net Position	<u>\$3,140,432</u>	<u>\$3,027,892</u>

Summary of Statement of Revenue and Expenses

	<u>2020</u>	<u>2019</u>
REVENUES:		
Operating Revenues	\$1,150,009	\$1,059,624
Non-Operating Revenues	<u>4,211</u>	<u>3,851</u>
Total Revenues	<u>\$1,154,220</u>	<u>\$1,063,475</u>
EXPENSES:		
Operating Expenses	\$ 921,519	\$ 932,616
Interest	<u>120,161</u>	<u>124,553</u>
Total Expenses	<u>\$1,041,680</u>	<u>\$1,057,169</u>
Change in Net Position	\$ <u>112,540</u>	\$ <u>6,306</u>

Sources of Revenue

Charges for water service totaled \$1,079,832 or 94% of total revenue of the District for the year ended September 30, 2020.

Expenses

The majority of the District's total expenses is for payroll cost and depreciation. Salaries totaled \$244,943 which is 27% of total operating expenses. Depreciation totaled \$287,173 which is 31% of total operating expenses.

Capital Assets

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

Long-Term Debt

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

Economic Factors

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

Contacting the Waterworks District's President

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or requests for additional information, contact the District's President at 3260 Little Flock Road, Many, LA 71449.

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

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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, 2020, 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, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 listed as other supplementary information in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 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 January 25, 2021, 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.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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

January 25, 2021

South Toledo Bend Waterworks District
Statement of Net Position
Proprietary Fund
September 30, 2020

Assets-

Current Assets-

Cash & Cash Equivalents	\$ 872,406
Receivables	
Less, Allowance for Doubtful Accounts	113,934
Inventory at Cost	13,759
Prepaid Expenses	<u>41,536</u>
Total Current Assets	<u>\$ 1,041,635</u>

Restricted Asset-

Cash & Cash Equivalents	<u>\$ 357,992</u>
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Capital Assets-

Plant & Distribution System	\$ 9,717,317
Land & Improvements	96,150
Machinery & Equipment	188,254
Accumulated Depreciation	<u>(5,728,994)</u>
Total Capital Assets	<u>\$ 4,272,727</u>

Other Assets-

Deposits	\$ 200
Bond Issue Costs	
Less Amortization	<u>14,679</u>
Total Other Assets	<u>\$ 14,879</u>

Total Assets	<u>\$ 5,687,233</u>
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Deferred Outflows of Resources	<u>\$ 45,269</u>
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Liabilities-

Current Liabilities-

Accounts Payable	\$ 57,754
Accrued Payroll	13,944
Accrued Expenses	18,614
Current Portion of Long-Term Debt	<u>92,631</u>
Total Current Liabilities	<u>\$ 182,943</u>

Continued next page.

South Toledo Bend Waterworks District
Statement of Net Position
Proprietary Fund
September 30, 2020

Non-Current Liabilities-	
Customers' Deposits	\$ 66,377
Net Pension Liability	1,641
Long-Term Debt, Net of Current Portion	<u>2,264,161</u>
Total Non-Current Liabilities	<u>\$ 2,332,179</u>
Total Liabilities	<u>\$ 2,515,122</u>
Deferred Inflows of Resources	<u>\$ 76,948</u>
Net Position-	
Net Investment in Capital Assets	\$ 1,915,935
Restricted for Debt Service	357,992
Unrestricted	<u>866,505</u>
Total Net Position	<u>\$ 3,140,432</u>

See independent auditor's report and 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, 2020

OPERATING REVENUES:	
Charges for Services	\$1,079,832
Connection Fees	25,450
Late Fees	15,760
Miscellaneous	<u>28,967</u>
 Total Operating Revenues	 <u>\$1,150,009</u>
OPERATING EXPENSES:	
Amortization	\$ 879
Automobile Expense	12,615
Bad Debts	3,236
Chemicals	34,783
Collection Expense	10,803
Commissioners' Fees	3,180
Computer Services	13,761
Depreciation	287,173
Insurance	45,276
Legal & Accounting	21,433
Licenses & Permits	23,060
Materials & Supplies	41,810
Meter Installation Costs	1,950
Miscellaneous	2,247
Office & Other Expenses	24,872
Payroll Taxes	5,550
Repairs & Maintenance	38,709
Retirement	32,202
Salaries	244,943
President & Secretary Services	7,200
Telephone	5,810
Utilities	39,331
Water Purchased	<u>20,696</u>
 Total Operating Expenses	 <u>\$ 921,519</u>
 Operating Income	 <u>\$ 228,490</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, 2020

NON-OPERATING REVENUES (EXPENSES):	
Nonemployer Pension Revenue	\$ 2,821
Gain on Sale of Assets	451
Interest Income	939
Interest Expense	<u>(120,161)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(115,950)</u>
Change in Net Position	\$ 112,540
Net Position-Beginning of Year	<u>3,027,892</u>
Net Position-End of Year	<u>\$3,140,432</u>

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

South Toledo Bend Waterworks District
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,145,202
Cash Payments to Suppliers for Goods and Services	(385,463)
Cash Payments to Employees	<u>(234,905)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>524,834</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid on Capital Debt	\$ (90,098)
Interest Paid on Capital Debt	(120,161)
Gain on Sale of Capital Assets	451
Purchase of Capital Assets	<u>(13,498)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(223,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>939</u>
Net Increase in Cash and Cash Equivalents	\$ 302,467
Cash and Cash Equivalents-Beginning of Year	<u>927,931</u>
Cash and Cash Equivalents-End of Year	\$ <u>1,230,398</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ 228,490
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation	288,052
Changes in Assets and Liabilities-	
(Increase) Decrease in Prepaid Expenses	184
(Increase) Decrease in Accounts Receivable	(18,207)
Increase (Decrease) in Accounts Payable	(10,173)
Increase (Decrease) in Accrued Payroll	4,712
Increase (Decrease) in Accrued Expenses	13,050
Increase (Decrease) in Net Pension Liability	5,326
Increase (Decrease) in Customer Deposits	<u>13,400</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>524,834</u>

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

NOTES TO FINANCIAL STATEMENTS

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

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, 2020

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

C. Fund Accounting-

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

The South Toledo Bend Waterworks District, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

D. Basis of Accounting-

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

E. Cash and Cash Equivalents-

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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

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.

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, 2020 was \$17,454.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

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, 2020.

L. Inventories-

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

M. Estimates-

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

N. Net Position-

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

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

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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

2. Cash and Cash Equivalents:

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

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

At September 30, 2020, the District had cash and cash equivalents (collected bank balances) totaling \$1,230,809. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at September 30, 2020, were secured as follows:

Cash and Cash Equivalents	\$1,230,809
FDIC	(250,000)
Pledged Securities	<u>(980,809)</u>
Uninsured	<u>\$ 0</u>

3. Revenue Receivable:

At year-end, the District has \$113,934 in receivables as follows:

Charges for Services	\$131,168
Other	220
Less, Allowance for Doubtful Accounts	<u>(17,454)</u>
Total Accounts Receivable	<u>\$113,934</u>

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

4. Capital Assets:

Capital assets and depreciation activity as of and for the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Land & Improvements	\$ 82,652	\$ 13,498	\$ -	\$ 96,150
Plant & Distribution System	9,717,317	-	-	9,717,317
Machinery & Equipment	201,558	-	13,304	188,254
Total Assets	\$ 10,001,527	\$ 13,498	\$ 13,304	\$ 10,001,721
Accumulated Depreciation:				
Land Improvements	\$ 9,333	\$ 666	\$ -	\$ 9,999
Plant & Distribution System	5,294,808	269,966	-	5,564,774
Machinery & Equipment	150,984	16,541	13,304	154,221
Total Accumulated Depreciation	\$ 5,455,125	\$ 287,173	\$ 13,304	\$ 5,728,994
Total Net Assets	\$ 4,546,402	\$ (273,675)	\$ -	\$ 4,272,727

Depreciation expense of \$287,173 was recorded for the year ended September 30, 2020.

5. Restricted Assets:

Restricted assets of the District were applicable to the following at September 30, 2020:

Contingency Fund	\$147,438
Reserve Fund	<u>210,554</u>
Total	<u>\$357,992</u>

6. Compensation of Board Members:

A detail of compensation paid to individual board members for the year ended September 30, 2020 follows:

Malcolm Franks	\$ 4,260
Anna Ferguson	4,320
Tim Collins	600
Michael Walker	540
Rodney DeRouen	<u>660</u>
Total	<u>\$10,380</u>

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

7. 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 |

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to 3% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

Survivor's Benefits

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

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

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

Deferred Retirement Option Plan

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

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

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

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

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

Disability Benefits

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

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

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 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60.

Cost-of-Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 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, 2019, the actuarially determined contribution rate was 12.18% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2019 was 11.50% for Plan A.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. The non-employer contribution is \$2,821. 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, 2020 was 11.50% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the District were \$26,874 for the year ended September 30, 2020.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

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

At September 30, 2020, the District reported a liability of \$1,641 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2019 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, 2019, the District's proportion was .034860%, which was an increase of .00160% from its proportion measured as of December 31, 2018.

For the year ended September 30, 2020, the District recognized pension expense of \$31,792 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$412.

At September 30, 2020, 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	\$14,690
Changes in assumption	22,917	0
Net difference between projected and actual earnings on pension plan investments	0	61,510
Changes in employer's proportion of beginning net pension liability	1,768	722
Differences between employer contributions and proportionate share of employer contributions	282	27
Subsequent Period Contributions	20,302	0
Total	\$45,269	\$76,949

The deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date in the amount of \$20,302, will be recognized as a reduction of the net pension assets in the year of September 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:	
2021	\$(11,546)
2022	(14,912)
2023	2,165
2024	(27,689)
Total	\$(51,982)

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of September 30, 2020 is as follows:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years.
Investment Rate of Return	6.50%, net of investment expense, including inflation.
Inflation Rate	2.40% per annum.
Mortality	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants. Experience study performed on plan data for the period January 1, 2013 through December 31, 2017.
Salary Increases	4.75%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 6.50% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

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 7.18% for the year ended December 31, 2019. 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real Assets	2%	0.11%
Total	100%	5.18%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.18%

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

The following presents the District's proportionate share of the Net Pension Liability using the discount rate of 6.50%, as well as what the District's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.50%) or one percentage-point higher (7.50%) than the current rate:

	1.0% Decrease (5.50%)	Current Discount Rate (6.50%)	1.0% Increase (7.50%)
Employer's proportionate share of net pension liability	\$177,354	\$1,641	\$(145,603)

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, 2020

8. Long-Term Debt:

Revenue Bonds-The District issued \$3,600,000 of water revenue bonds at 5% interest for the purpose of constructing and acquiring a waterworks system. The bonds are secured by the pledge of income and revenues derived from the operation of the water 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>
2021	\$ 92,631	\$ 117,753	\$ 210,384
2022	97,441	112,943	210,384
2023	102,500	107,884	210,384
2024	107,821	102,563	210,384
2025	113,419	96,965	210,384
2026-2030	661,786	390,134	1,051,920
2031-2035	852,375	199,545	1,051,920
2036-2037	<u>328,819</u>	<u>15,092</u>	<u>343,911</u>
Total	<u>\$2,356,792</u>	<u>\$1,142,879</u>	<u>\$3,499,671</u>

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	<u>Balance October 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2020</u>
Water Revenue Bonds #1	\$2,038,397	\$0	\$75,058	\$1,963,339
Water Revenue Bonds #2	<u>408,493</u>	<u>0</u>	<u>15,040</u>	<u>393,453</u>
Total	<u>\$2,446,890</u>	<u>\$0</u>	<u>\$90,098</u>	<u>\$2,356,792</u>

South Toledo Bend Waterworks District
Notes to Financial Statements
September 30, 2020

9. 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.

10. Post-Employment Benefits:

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

11. Contingencies:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the District anticipates this could negatively affect its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

12. Subsequent Events:

Management has evaluated events through January 25, 2021, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

South Toledo Bend Waterworks District
Schedule of Employer's Share of Net Pension Liability
For the Year Ended September 30, 2020

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</u>
<i>Parochial Employees' Retirement System – Plan A</i>					
2015	.04048%	\$ 11,067	\$217,030	5.10%	99.15%
2016	.03677%	\$ 96,787	\$219,668	44.06%	92.23%
2017	.03712%	\$ 76,439	\$225,863	33.84%	94.15%
2018	.03531%	\$ (26,206)	\$227,366	-11.53%	101.98%
2019	.03326%	\$147,615	\$215,140	68.61%	88.86%
2020	.03486%	\$ 1,641	\$222,894	0.74%	99.89%

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 and notes to financial statements.

South Toledo Bend Waterworks District
Schedule of Employer Contributions
For the Year Ended September 30, 2020

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
<i>Parochial Employees' Retirement System-Plan A</i>					
2015	\$32,345	\$32,345	\$0	\$217,030	14.90%
2016	\$29,339	\$29,339	\$0	\$219,668	13.36%
2017	\$29,339	\$29,339	\$0	\$225,863	12.99%
2018	\$23,005	\$23,005	\$0	\$227,366	10.12%
2019	\$24,741	\$24,741	\$0	\$215,140	11.50%
2020	\$26,876	\$26,876	\$0	\$222,894	12.10%

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, 2020.

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

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, 2020

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

T | C | B | T
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Mr. 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, 2020, 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 January 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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

January 25, 2021

South Toledo Bend Waterworks District
Schedule of Audit Results
Year Ended September 30, 2020

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the South Toledo Bend Waterworks District.
2. There were no material weaknesses noted in internal control during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the South Toledo Bend Waterworks District disclosed during the audit.

II. Findings in Accordance with *Government Auditing Standards*

None identified.

III. Prior Year Findings

None identified.