

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

**ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2021**

Sabine Parish Waterworks District No. 1
Many, Louisiana

Financial Report
September 30, 2021

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Required Supplemental Information		
Management's Discussion & Analysis	-	1-3
Independent Auditors' Report	-	4-6
Financial Statements:		
Proprietary Fund-Enterprise Fund		
Statement of Net Position	A	8
Statement of Revenues, Expenses and Changes in Net Position	B	9
Statement of Cash Flows	C	10
Notes to Financial Statements	-	12-22
Other Required Supplementary Information		
Schedule of Compensation, Benefits and Other Payments to Agency Head	-	24
Schedule of Expenditures of Federal Awards	-	25
Notes to the Schedule of Expenditures of Federal Awards	-	26
Other Reports/Schedules		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	28-29
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	-	30-31
Schedule of Findings and Questioned Costs	-	32-34
Management's Response to Finding	-	35

SABINE PARISH WATERWORKS DISTRICT NO. 1
MANY, LOUISIANA 71449

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Sabine Parish Waterworks District No. 1’s (hereafter referred to as the District) annual financial report presents an overview and analysis of the District’s financial activities for the year ended September 30, 2021. 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) 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 (page 9). 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 10). The primary purpose of this statement is to provide information about the District’s cash from operations, investing and financing activities, and to provide answers to such questions as “where did cash come from?”, “what was cash used for?” and “what was the change in cash balance during the reporting period?”

Financial Analysis of the Sabine Parish Waterworks District No. 1

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

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

Summary of Statement of Net Position

	<u>2021</u>	<u>2020</u>
ASSETS:		
Assets	\$ 2,620,655	\$ 2,547,305
Capital Assets, Net of		
Accumulated Depreciation	<u>11,533,946</u>	<u>10,216,161</u>
Total Assets	<u>\$14,154,601</u>	<u>\$12,763,466</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 427,489	\$ 217,807
Long-Term Debt	<u>6,170,699</u>	<u>6,361,401</u>
Total Liabilities	<u>\$ 6,598,188</u>	<u>\$ 6,579,208</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 5,363,247	\$ 3,854,760
Restricted for Debt Service	587,028	546,550
Unrestricted	<u>1,606,138</u>	<u>1,782,948</u>
Total Net Position	<u>\$ 7,556,413</u>	<u>\$ 6,184,258</u>

Summary of Statement of Revenue and Expenses

	<u>2021</u>	<u>2020</u>
REVENUES:		
Operating Revenues	\$1,811,475	\$1,656,943
Non-Operating Revenues	1,991	2,246
Capital Contributions	<u>1,306,556</u>	<u>824,140</u>
Total Revenues	<u>\$3,120,022</u>	<u>\$2,483,329</u>
EXPENSES:		
Operating Expenses	\$1,576,034	\$1,478,571
Interest	<u>171,833</u>	<u>155,668</u>
Total Expenses	<u>\$1,747,867</u>	<u>\$1,634,239</u>
Change in Net Position	<u>\$1,372,155</u>	<u>\$ 849,090</u>

Sources of Revenue

Charges for water service totaled \$1,809,420 or 58% of total revenue of the District for the year ended September 30, 2021.

Expenses

The majority of the District's total expenses is for payroll cost and depreciation. Salaries totaled \$216,979 which is 14% of total operating expenses. Depreciation totaled \$689,770 which is 44% of total operating expenses.

Capital Assets

The District's investment in capital assets as of September 30, 2021 amounts to \$11,533,946 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and the water distribution system.

Major capital asset events during the current fiscal year included extensions to the water distribution system for the areas of Holly Grove Road, Highway 487, Many-Marthaville Road, and Allen-Beulah Road, as well as the acquisition of new meters and one vehicle.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term liabilities of \$6,170,699, which included bonds payable in the amount of \$6,158,512. These bonds were issued for the purpose of constructing and acquiring the waterworks system. The payments on these bonds and the applicable bond covenants are made on a timely basis.

Economic Factors

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

Contacting the Waterworks District's President

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

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

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

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

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447
www.tcbtcpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund information of the Sabine Parish Waterworks District No. 1 (District), a component unit of the Sabine Parish Police Jury, as of and for the year ended September 30, 2021, 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.

Opinion

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, 2021, 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 3 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 is required by Louisiana R.S. 24:513 A.(3). The Schedule is listed as required supplementary information in the Table of Contents and presented for purposes of additional analysis. This schedule is not a required part of the basic financial statements.

We have applied certain limited procedures to the Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on it because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to be basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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

February 4, 2022

FINANCIAL STATEMENTS

Sabine Parish Waterworks District No. 1
Statement of Net Position
Proprietary Fund
September 30, 2021

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$ 1,282,874
Accounts Receivable, less Allowance for Bad Debts	358,765
Other Receivable	246,309
Prepaid Expenses	<u>23,279</u>
Total Current Assets	\$ <u>1,911,227</u>

Restricted Assets-

Cash & Cash Equivalents	\$ <u>587,028</u>
-------------------------	-------------------

Capital Assets-

Land & Improvements	\$ 133,398
Buildings & Improvements	455,682
Water Distribution System	13,820,608
Furniture, Machinery & Equipment	452,134
Construction in Progress	3,698,902
Accumulated Depreciation	<u>(7,026,778)</u>
Total Capital Assets	\$ <u>11,533,946</u>

Other Assets-

Unamortized Bond Costs, net	\$ 115,672
Utility Deposits	<u>6,728</u>
Total Other Assets	\$ <u>122,400</u>

Total Assets \$14,154,601

LIABILITIES & NET POSITION:

Current Liabilities-

Accounts Payable & Accruals	\$ <u>390,354</u>
-----------------------------	-------------------

Liabilities Payable from Restricted Assets-

Customer Deposits	\$ 37,135
Current Portion of Long-Term Debt	<u>182,027</u>
Total Payable from Restricted Assets	\$ <u>219,162</u>

Non-Current Liabilities-

Long-Term Debt, net of current portion	\$ <u>5,988,672</u>
Total Liabilities	\$ <u>6,598,188</u>

Net Position-

Net Investment in Capital Assets	\$ 5,363,247
Restricted for Debt Service	587,028
Unrestricted	<u>1,606,138</u>
Total Net Position	\$ <u>7,556,413</u>

See independent auditors' report and notes to the financial statements.

Sabine Parish Waterworks District No. 1
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund
For the Year Ended September 30, 2021

OPERATING REVENUES:	
Charges for Services	\$1,809,420
Miscellaneous	<u>2,055</u>
Total Operating Revenues	<u>\$1,811,475</u>
OPERATING EXPENSES:	
Advertising	\$ 3,210
Amortization	5,712
Administrative Services	6,814
Bad Debts	24,499
Computer Services	40,233
Depreciation	689,770
Fuel & Gas	26,485
Insurance & Bonds	64,957
Legal & Accounting	17,351
Materials & Supplies	42,746
Miscellaneous	9,731
Office Supplies & Other	56,654
Payroll	216,979
Payroll Taxes	21,645
Professional Services	33,165
Rent	18,266
Repairs & Maintenance	135,933
Telephone	9,947
Utilities	141,275
Water Purchased	<u>10,662</u>
Total Operating Expenses	<u>\$1,576,034</u>
Operating Income	<u>\$ 235,441</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 1,991
Interest Expense	<u>(171,833)</u>
Total Non-operating Revenues (Expenses)	<u>\$ (169,842)</u>
Profit Before Capital Contributions	\$ 65,599
CAPITAL CONTRIBUTIONS:	
Capital Contributions	<u>1,306,556</u>
Change in Net Position	\$1,372,155
Net Position-Beginning of Year	<u>6,184,258</u>
Net Position-End of Year	<u>\$7,556,413</u>

See independent auditors' report and notes to the financial statements.

Sabine Parish Waterworks District No. 1
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,563,806
Cash Payments to Suppliers for Goods and Services	(456,234)
Cash Payments to Employees	<u>(216,979)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>890,593</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Capital Contributions & Debt	\$ 1,306,556
Principal Paid on Capital Debt	(190,702)
Interest Paid on Capital Debt	(171,833)
Acquisition and Construction of Capital Assets	<u>(2,007,554)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(1,063,533)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	\$ <u>1,991</u>
Net Increase in Cash and Cash Equivalents	\$ (170,949)
Cash and Cash Equivalents-Beginning of Year	<u>2,040,851</u>
Cash and Cash Equivalents-End of Year	\$ <u>1,869,902</u>

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

Operating Income	\$ 235,441
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-	
Depreciation & Amortization	689,770
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(248,394)
(Increase) Decrease in Prepays	(1,617)
(Increase) Decrease in Other Assets	5,711
Increase (Decrease) in Accounts Payable	208,957
Increase (Decrease) in Customer Deposits	<u>725</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>890,593</u>

RECONCILIATION OF CASH & CASH EQUIVALENTS:

Cash & Cash Equivalents	\$1,282,874
Restricted Cash	<u>587,028</u>
Total	\$ <u>1,869,902</u>

See independent auditors' report and notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

INTRODUCTION

The Sabine Parish Waterworks District No. 1, a political subdivision of the Sabine Parish Police Jury, was formed July 17, 1978, to provide water to the rural areas surrounding Many and Florien. It is operated by a board which consists of five commissioners appointed by the Police Jury to serve five-year terms (changed from original nine commissioners effective August 19, 2015). Effective October 1, 2017, the District acquired the Robeline-Marthaville Water System, pursuant to a Sale with Assumption of Liabilities executed on September 28, 2017.

1. Summary of Significant Accounting Policies:

A. Basis of Presentation-

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

B. Reporting Entity-

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

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

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Sabine Parish Police Jury does not appoint a voting majority but are fiscally dependent on the Sabine Parish Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

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

C. Fund Accounting-

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

The Sabine Parish Waterworks District No. 1, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

D. Basis of Accounting-

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

E. Cash and Cash Equivalents-

Under State law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The District may also purchase investments in securities backed by the full faith and credit of the United States Government. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

F. Compensated Absences-

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

G. Capital Assets-

The capital assets of the District enterprise fund are carried at historical costs and are included on the Statement of Net Position, along with accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for automobiles, and 5 to 10 years for machinery and equipment.

H. Bad Debts-

Uncollectible amounts due for customer's water receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectible portion of the particular receivable. Allowance for bad debts at September 30, 2021 was \$56,039.

I. Unamortized Bond Issue Costs-

Bond issue costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method. Total bond issue costs and bond discounts (deferred debt expense) paid by the District in the current year was \$1,470. The amortization expense related to deferred debt expense was \$5,712 for the year ended September 30, 2021.

J. Estimates-

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

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

K. Net Position-

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

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

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

L. Receivables-

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

2. Cash and Cash Equivalents:

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

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

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

2. Cash and Cash Equivalents (continued):

At September 30, 2021, the District had cash and cash equivalents (collected bank balances) totaling \$1,906,979. Cash and cash equivalents are stated at cost, which approximates market.

The deposits at September 30, 2021, were secured as follows:

Cash and Cash Equivalents	\$ 1,906,979
FDIC	(484,978)
Standby Letter of Credit (not to exceed \$2,000,000)	<u>(1,422,001)</u>
Amount Uninsured	<u>\$ 0</u>

3. Accounts Receivable:

At year-end, the District has net customer accounts receivables of \$358,765, which consists of an allowance for doubtful accounts of \$56,039. The District has additional grant receivables in the amount of \$246,309.

4. Restricted Assets:

At September 30, 2021, Sabine Parish Waterworks District No. 1 had the following restricted assets:

Cash and Cash Equivalents (Restricted)	<u>\$587,028</u>
----------------------------------------	------------------

5. Compensation of Board Members:

Compensation paid to individual board members for the year ended September 30, 2021, is as follows:

Keith Broussard	\$ 840
David Davis	660
David Mains	960
Benny Funderburk	<u>180</u>
Total	<u>\$2,640</u>

6. Risk Management and Litigation:

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

The District's management is not aware of any potential judgments, claims or similar contingencies pending at September 30, 2021.

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended September 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not depreciated				
Land	\$ 130,614	\$ -	\$ -	\$ 130,614
Construction in Progress	2,794,159	1,815,909	911,166	3,698,902
Total Capital Assets, not depreciated	<u>\$ 2,924,773</u>	<u>\$ 1,815,909</u>	<u>\$ 911,166</u>	<u>\$ 3,829,516</u>
Capital Assets, depreciated				
Land Improvements	\$ 2,784	\$ -	\$ -	2,784
Plant & Distribution System	12,798,442	1,022,166	-	13,820,608
Building & Building Improvements	442,792	12,890	-	455,682
Furniture, Machinery & Equipment	384,979	67,155	-	452,134
Total Capital Assets, depreciated	<u>\$ 13,628,997</u>	<u>\$ 1,102,211</u>	<u>\$ -</u>	<u>\$ 14,731,208</u>
Total Capital Assets	<u>\$ 16,553,770</u>	<u>\$ 2,918,120</u>	<u>\$ 911,166</u>	<u>\$ 18,560,724</u>
Accumulated Depreciation:				
Land Improvements	\$ 2,784	\$ -	\$ -	2,784
Plant & Distribution System	6,008,774	642,308	-	6,651,082
Building & Building Improvements	43,049	12,648	-	55,697
Furniture, Machinery & Equipment	282,401	34,814	-	317,215
Total Accumulated Depreciation	<u>\$ 6,337,008</u>	<u>\$ 689,770</u>	<u>\$ -</u>	<u>\$ 7,026,778</u>
Total Capital Assets, Net	<u>\$ 10,216,762</u>	<u>\$ 2,228,350</u>	<u>\$ 911,166</u>	<u>\$ 11,533,946</u>

Depreciation expense of \$689,770 was recorded for the year ended September 30, 2021.

8. Long-Term Debt:

The following is a summary of the long-term debt obligations of the Sabine Parish Waterworks District No. 1 for the year ended September 30, 2021.

	Balance 10/1/20	Additions	Reductions	Balance 9/30/21	Due In One Year
Revenue Bonds series 2010	\$ 22,197	\$ 0	\$ 22,197	\$ 0	\$ 0
Revenue Bonds series 2013	4,442,947	0	83,505	4,359,442	85,840
Revenue Bonds series 2015	588,000	0	31,000	557,000	32,000
Revenue Bonds series 2018	1,296,070	0	54,000	1,242,070	52,000
Utility Relocation 1984	1,847	0	0	1,847	1,847
Utility Relocation 2009-Hwy 175	4,726	0	0	4,726	4,726
Utility Relocation 2005-Hwy 171	5,614	0	0	5,614	5,614
Total	<u>\$6,361,401</u>	<u>\$ 0</u>	<u>\$190,702</u>	<u>\$6,170,699</u>	<u>\$182,027</u>

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

8. Long-Term Debt (continued):

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>
Revenue Bonds series 2010	5.0000%	2025	\$ 500,000
Revenue Bonds series 2013	2.7500%	2053	\$4,902,000
Revenue Bonds series 2015	2.9500%	2035	\$ 700,000
Revenue Bonds series 2018	2.9500%	2035	\$2,600,000
Utility Relocation 1984	0.0000%	On Demand	\$ 18,475
Utility Relocation 2009-Hwy 175	0.0000%	On Demand	\$ 47,263
Utility Relocation 2005-Hwy 171	0.0000%	On Demand	\$ 119,935

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

<u>Year Ending September 30</u>	<u>Long-Term Debt Principal</u>	<u>Long-Term Debt Interest</u>	<u>Total</u>
2022	\$ 182,027	\$ 135,417	\$ 317,444
2023	174,238	132,059	306,297
2024	179,704	128,605	308,309
2025	184,238	125,052	309,290
2026	188,844	121,400	310,244
2027-2031	1,029,924	548,302	1,578,226
2032-2036	1,132,894	439,870	1,572,764
2037-2041	998,308	340,243	1,338,551
2042-2046	787,634	238,847	1,026,481
2047-2051	904,012	122,468	1,026,480
2052-2056	<u>408,876</u>	<u>12,683</u>	<u>421,559</u>
Total	<u>\$6,170,699</u>	<u>\$2,344,946</u>	<u>\$8,515,645</u>

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:

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

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

9. Flow of Funds, Restriction on Use (continued):

- (iii) There should also be set aside into a “Reserve Fund”, an amount equal to 25% (for series 2013, 2015 and 2018) of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the Reserve Fund an amount equal to the maximum principal and interest requirements in any one maturity year.
- (iv) For series 2013, the District must deposit into a “Short Lived Assets Fund”, an amount equal to \$1,892 per month. The money in the Short Lived Assets Fund shall be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Such payments are to continue over the life of the Bonds.
- (v) For series 2013 and 2015, the District must deposit into a “Depreciation and Contingency Fund”, an amount equal to 5% of the amount paid into the Sinking Fund until the fund accumulates an amount equal to \$200,000. The money in the Depreciation and Contingencies Fund shall be used to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the system. Such payments are to continue over the life of the Bonds.
- (vi) For series 2018, the District must deposit into a “Depreciation and Contingency Fund”, an amount equal to 5% of the amount paid into the Sinking Fund until the fund accumulates an amount equal to \$300,000. The money in the Depreciation and Contingencies Fund shall be used to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the system. Such payments are to continue over the life of the Bonds.

10. Post-Employment Benefits:

The Sabine Parish Waterworks District No. 1 does not provide any post-employment benefits; therefore, no disclosure for GASB 75 is required.

11. Leases:

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

12. Relocation Loan – State of Louisiana:

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

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

13. USDA Required Information on Operations:

Insurance coverage in force at September 30, 2021 was as follows:

a. Commercial General Liability (effective 4/26/21 to 4/26/22):

Glatfelter Insurance Group	#GPNU-PF-0011015-00
General Aggregate Limit (Bodily Injury, Property Damage & Medical Expenses)	\$ 3,000,000
Products/Completed Operations Aggregate Limit	\$ 3,000,000
Personal Injury Limit	\$ 1,000,000
Each Occurrence Limit	\$ 1,000,000
Damage to Premises Rent to You Limit (Any One Premises)	\$ 1,000,000
Medical Expenses Limit (Any One Person)	\$ 10,000

b. Automobile Liability (effective 4/26/21 to 4/26/22):

Glatfelter Insurance Group	#GPNU-PF-0011015-00
Combined Single Limit (each accident)	\$ 1,000,000

c. Excess Liability (effective 4/26/21 to 4/26/22):

Glatfelter Insurance Group	#GPNU-PF-0011015-00
Each Occurrence Limit	\$ 1,000,000
Aggregate Limit	\$ 1,000,000

d. Workers Compensation and Employers' Liability (effective 6/12/21 to 6/12/22):

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

e. Property & Equipment (effective 4/26/21 to 4/26/22):

Glatfelter Insurance Group	#GPNU-PF-0011015-00
Per listing of properties	\$ 5,331,754

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

13. USDA Required Information on Operations (continued):

Revenues were derived from the sale of water at the following rates that were in effect as of September 30, 2021:

	Minimum	After Minimum
Residential & Non-Residential rates Routes 1-8	\$34 first 1,000 gallons	\$4.50/1,000 gallons
Residential & Non-Residential rates Route 8	\$34 first 2,000 gallons	\$4.50/1,000 gallons
Commercial/Residential Large Meter rates	\$82 first 15,000 gallons	\$4.50/1,000 gallons
Wholesale Road Construction	\$34 first 1,000 gallons	\$3.33/1,000 gallons
Wholesale – Town of Many	\$3.60 / 1,000 gallons	
Wholesale – Ebarb	\$3.60 / 1,000 gallons	
Wholesale – South Toledo	\$3.60 / 1,000 gallons	
Wholesale – Construction	\$34 first 1,000 gallons	\$4.50/1,000 gallons
Agriculture rates	\$35 first 1,000 gallons	\$3.60/1,000 gallons

At September 30, 2021, the District's active water utility customers consisted of the following:

Residential	2,050
Wholesale/Commercial	7
Agricultural	24
Non-Residential	121

14. Board of Directors:

The Board of Directors of Sabine Parish Waterworks District No. 1 at September 30, 2021, consisted of the following individuals:

<u>Name, Address, Telephone</u>	<u>Title</u>	<u>Term Expires</u>
Walter Mains 4415 Marthaville Road, Many, LA 71449 318-663-5187	President	08/2022
David Davis 400 Cedar Lane, Many, LA 71449 318-315-0686	Vice President	08/2024
Keith Broussard 264 Cedar Lane, Many, LA 71449 318-256-9831	Secretary/Treasurer	08/2025
David Mains 331 Cedar Lane, Many, LA 71449 318-256-0074	Member	08/2023
Charles Pennington P. O. Box 9, Florien, LA 71429 318-294-5453	Member	08/2026

Sabine Parish Waterworks District No. 1
Notes to Financial Statements
September 30, 2021

15. Impact of Recently Issued Accounting Principles Not Yet Implemented:

In June of 2017, the GASB issued Statement 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement 87 is effective for reporting periods beginning after June 15, 2021. The District has not implemented this Statement and has not determined the impact on its financial statements at this time.

16. Subsequent Events:

Management has evaluated events through February 4, 2022, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

Sabine Parish Waterworks District No. 1
 Schedule of Compensation, Benefits and Other Payments to Agency Head
 For the Year Ended September 30, 2021

Agency Head Name: Walter Mains, President

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

Sabine Parish Waterworks District No. 1
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

<u>Federal Grantor/Pass through Grantors/Program</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Environmental Protection: Passed through La. Department of Health & Hospitals- Drinking Water State Revolving Funds	66.468	\$1,263,556

Sabine Parish Waterworks District No. 1
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Note 1. Basis of Presentation

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

Basis of Accounting

The District's Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's financial statements for the year ended September 30, 2021. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain type of expenditures are not allowable or are limited to reimbursement.

Indirect Cost Rate

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

Subrecipients

The District did not provide any funding to subrecipients.

OTHER REPORTS/SCHEDULES

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

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

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

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447
www.tcbtcpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, the financial statements of the business-type activities and major fund as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Sabine Parish Waterworks District No. 1's (District) basic financial statements and have issued our report thereon dated February 4, 2022.

Internal Control over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency, described in the accompanying Schedule of Findings and Questioned Costs as *Item 2021-001*.

Compliance and Other Matters

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

Management's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

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

February 4, 2022

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

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

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

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447
www.tcbtcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Sabine Parish Waterworks District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sabine Parish Waterworks District No. 1, Louisiana's major federal programs for the year ended September 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Sabine Parish Waterworks District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Thomas, Cunningham, Broadway + Todtenbier, CPA's

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

February 4, 2022

Sabine Parish Waterworks District No. 1
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Sabine Parish Waterworks District No. 1.
2. The audit disclosed one significant deficiency in internal control that is required to be reported under *Government Auditing Standards*, which was not determined to be a material weakness.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
4. The audit did not disclose any instances of material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any instances of noncompliance related to federal awards that are required to be reported under the Uniform Guidance.
7. The following program was considered major for the year ended September 30, 2021:

Drinking Water Revolving Loan Fund Program – CFDA# 66.468
8. \$750,000 was the threshold used to distinguish Type A and Type B programs.
9. The Sabine Parish Waterworks District No. 1 did not qualify as a low-risk auditee.

II. Findings in Accordance with *Government Auditing Standards*

Internal Control-

2021-001 Segregation of Duties

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

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

Cause – The District does not have a sufficient number of employees to adequately separate accounting or billing duties.

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

Recommendation – The District should institute policies and procedures to adequately segregate duties related to the accounting system, including customer billing.#

Sabine Parish Waterworks District No. 1
Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2021

III. Findings in Accordance with *Uniform Guidance*

None identified.

IV. Prior Year Audit Findings

Internal Control-

2020-001 Segregation of Duties

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

Status – The condition was not cleared as of September 30, 2021. See Finding *2021-001*.

2020-002 Internal Control over Reconciliations

Condition – The books of account, including billing receipts and disbursements journals, and general ledgers were not prepared and maintained on a timely basis. General ledger accounts (primarily cash, accounts receivable, customer deposit balances, and accounts payable) were not being reconciled on a timely basis.

Status – The condition was cleared as of September 30, 2021.

2020-003 Internal Control over Financial Reporting

Condition – The District board members were not provided with current financial information for several months during the fiscal year.

Status – The condition was cleared as of September 30, 2021.

2020-004 Internal Control over Supporting Documentation

Condition – The District could not provide all supporting documentation requested for audit testing.

Status – The condition was cleared as of September 30, 2021.

Compliance-

2020-005 Availability of Minutes of Board Meetings

Condition – The District was unable to provide us with copies of all meeting minutes.

Status – The condition was cleared as of September 30, 2021.

Sabine Parish Waterworks District No. 1
Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2021

IV. Prior Year Audit Findings (continued)

Compliance-

2020-006 Failure to Report and Remit Safe Drinking Water Fees

Condition – The District did not report or remit the safe drinking water fee to the State of Louisiana Department of Health and Hospitals for three quarters during the year ending September 30, 2020.

Status – The condition was cleared as of September 30, 2021.

Sabine Parish Waterworks District No. 1
660 Hwy 171 Bypass
Many, LA 71449
Phone 318-256-6489

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

RE: Sabine Parish Waterworks District No. 1
Financial Audit – September 30, 2021

Dear Sir:

The following is our response to the audit findings issued to us by the firm Thomas, Cunningham, Broadway & Todtenbier, CPA's for the year ended September 30, 2021.

2021-001 Segregation of Duties

Response – The District has hired an additional office employee and has instituted new policies and procedures to provide more segregation of duties related to the accounting system and customer billing.

Thank you for your assistance and oversight in providing quality auditing guidelines. Please contact us if there are any questions regarding our responses.

Sincerely,

Walter Mains 2-4-2022

Walter Mains
Board President
Sabine Parish Waterworks District No. 1