

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2021

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Waterworks District No. 1 of the Parish of DeSoto
Grand Cane, Louisiana

Opinion

I have audited the accompanying financial statements of the governmental activities and major fund of the Waterworks District No. 1 of the Parish of DeSoto (the District), a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Waterworks District No. 1 of the Parish of DeSoto and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits and other payments to agency head, schedule of insurance coverage, schedule of board members, and schedule of rate structure and number of customers is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 my opinion, the other supplementary information 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*, I have also issued my report dated June 29, 2022 on my consideration of Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting and on my tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, I have issued a report, dated June 29, 2022 on the results of my statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

A handwritten signature in cursive script that reads "Marsha D. Milliean".

Certified Public Accountant
June 29, 2022

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

This section of the Waterworks District No. 1 of the Parish of DeSoto's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$14,805,976 at year end which represents a decrease from the prior year of \$144,161.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the District's Net Position and changes in Net Position. You can think of the District's Net Position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$14,805,976 at December 31, 2021.

The District's major assets are its fixed assets of \$15,168,632 representing its investment in its water distribution system and water treatment plant. The District owed \$3,020,000 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

Waterworks District No. 1 of the Parish of DeSoto Statement of Net Position December 31,

	<u>2021</u>	<u>2020</u>
Current assets	\$ 985,713	\$ 843,706
Other assets	2,182,622	2,750,148
Capital Assets, net of depreciation	<u>15,168,632</u>	<u>15,664,115</u>
Total Assets	<u>18,336,967</u>	<u>19,257,969</u>
Deferred outflows of resources	<u>149,199</u>	<u>123,167</u>
Accounts payable and accrued expenses	239,804	132,125
Long term debt	3,020,000	3,901,201
Other liabilities	<u>139,451</u>	<u>229,924</u>
Total Liabilities	<u>3,399,255</u>	<u>4,263,250</u>
Deferred inflows of resources	280,935	17,749
Invested in capital assets, net of related debt	12,148,632	11,762,914
Reserved for bond retirement	-	611,628
Board Designations	261,380	297,700
Unrestricted	<u>2,395,964</u>	<u>2,277,895</u>
	<u>\$ 14,805,976</u>	<u>\$ 14,950,137</u>

Waterworks District No. 1 of the Parish of DeSoto
Statement of Changes in Net Position
December 31,

	2021	2020
Operating Revenues	\$ 2,303,058	\$ 2,141,812
Operating Expenses	2,436,870	2,241,657
Operating Income	(133,812)	(99,845)
Non-operating Income/Expense	(10,349)	(121,537)
Changes in Net Position	\$ (144,161)	\$ (221,382)

The District's total operating revenues increased by \$161,246 from the previous year. The total operating expense increased by \$195,213 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$15,168,632 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$495,484 as a result of additions of \$196,344 and depreciation expense of \$691,828.

Capital Assets at Year End

	2021	2020
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	461,128	461,128
Office Building	329,773	329,773
Water System	25,036,663	24,840,318
Total	25,832,522	25,636,177
Less: Accumulated Depreciation	10,663,890	9,972,062
Net Fixed Assets	\$ 15,168,632	\$ 15,664,115

The District had \$3,020,000 in long-term debt as follows:

	Balance 1/1/2021	Borrowings	Payments	Balance 12/31/2021
2001 Revenue Bonds	\$ 1,020,923	\$ -	\$ 1,020,923	\$ -
DEQ Revenue Bonds	325,000	-	325,000	-
DEQ 2017 Revenue Bonds	1,630,278	-	1,630,278	-
DEQ 2010 Revenue Bonds	925,000	-	925,000	-
Revenue Bonds, Series 2021	-	3,020,000	-	3,020,000
Total	<u>\$ 3,901,201</u>	<u>\$3,020,000</u>	<u>\$ 3,901,201</u>	<u>\$ 3,020,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Looking back on 2021, we can truly say it was a year of transition. A transition back to some form of normal for our lives, our workers, and our system. We have seen continued growth in the Northern part of the Parish and demand from other systems continues to increase. Financially, we had a good year being able to pay off an existing debt early, and refinance the remaining debt at a lower rate. This will help us as we finalize plans for the enlargement of our treatment plant. Those plans involve doubling the size of our settling basins, adding an additional MIEX contractor, and doubling our membrane treatment facility capacity. DeSoto Waterworks continues to lead the State in new technology for water treatment to not only meet, but to surpass the standards required by the State and EPA drinking water standards. Our board has demonstrated their willingness to support the staff with a generous benefit package that has allowed us to keep our excellent staff and let them know how important they are to the future of the District. So as we continue to transition from Covid back to a form of normalcy, Waterworks continues to show the commitment we have to providing clean, safe, and affordable potable water for the residents of DeSoto Parish. It has been a joy and a privilege to lead the staff in this effort for the last 16 years and I know that the future is bright for DeSoto Parish Waterworks District #1.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a overview of the Waterworks District No. 1 of the Parish of Desoto's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to John Neilson, 320 Liberty Lane Grand Cane, Louisiana, 71032, or by calling (318) 872-0004.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Net Position

December 31, 2021**Assets**Current Assets

Cash	\$ 46,157
Taxes Receivable	713,919
Accounts Receivable (Net)	154,134
Other Recivables	14,025
Prepaid Expenses	57,478
Total Current Assets	<u>985,713</u>

Other Assets

Restricted Assets

Cash	39,692
Investments	261,380
Investments	1,745,813
Net pension asset	134,937
Deposits	800
Fixed Assets (Net)	<u>15,168,632</u>
Total Other Assets	<u>17,351,254</u>
Total Assets	<u>18,336,967</u>

Deferred Outflows of Resources	<u>149,199</u>
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LiabilitiesLiabilitiesCurrent Liabilities

Accounts Payable and Accrued Expenses	\$ 239,804
Current Portion of Long-Term Debt	155,000
Total Current Liabilities	<u>394,804</u>

Long-Term Liabilities

Customer Deposits Payable	131,372
Long-Term Debt, Net of Current Portion	2,865,000
Net Pension Liability	-
Accrued Interest Payable	8,079
Total Long-Term Liabilities	<u>3,004,451</u>
Total Liabilities	<u>3,399,255</u>

Deferred Inflows of Resources	<u>280,935</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	12,148,632
Board Designations	261,380
Unreserved	2,395,964
Total Net Position	<u>\$ 14,805,976</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Revenues, Expenses and Changes in Net Position

December 31, 2021

Revenues:	
Ad Valorem Taxes	\$ 732,935
Charges for Services	<u>1,570,123</u>
Total Revenues	<u>2,303,058</u>
Operating Expenses:	
Personal Services	795,748
Utilities	128,223
Repair and Maintenance	77,107
Other Supplies and Expense	682,506
Insurance	61,458
Depreciation	<u>691,828</u>
Total Expenses	<u>2,436,870</u>
Operating Income (Loss)	(133,812)
Non-Operating Revenues (Expenses):	
Interest Income	1,756
Grants	77,652
NEC Revenue	6,470
Interest Expense	<u>(96,227)</u>
Total Non-Operating Revenues (Expenses)	<u>(10,349)</u>
Change in Net Position	(144,161)
Net Position - Beginning of Year	<u>14,950,137</u>
Net Position - End of Year	<u><u>\$ 14,805,976</u></u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Cash Flows - Proprietary Fund Type

Year Ended December 31, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 1,558,137
Cash received from property taxes	694,030
Cash payments to suppliers	(1,232,993)
Cash payments to employees	(578,561)
Net cash provided by operating activities	<u>440,613</u>
Cash flows from capital and related financing activities	
System improvements	(196,344)
Grants	84,122
Proceeds from borrowing	3,020,000
Interest paid on long term debt	(120,032)
Principal payments on long term debt	(3,901,201)
Net cash used by capital and related financing activities	<u>(1,113,455)</u>
Cash flows from investing activities	
Interest earned	1,756
Net change in investments	687,715
Net cash provided by investing activities	<u>689,471</u>
Net increase in cash	16,629
Cash, January 1, 2021 (including \$54,440 in restricted accounts)	<u>69,220</u>
Cash, December 31, 2021 (including \$39,692 in restricted accounts)	<u>\$ 85,849</u>
Reconciliation of changes in net position to net cash provided by operating activities:	
Changes in net position before non-operating revenues (expenses):	\$ (133,812)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	691,828
Changes in assets and liabilities	
Increase in accounts receivable	(11,986)
Increase in taxes receivable	(38,905)
Increase in other receivable	(14,025)
Increase in deferred outflows of resources	(26,032)
Increase in prepaid expenses	(45,714)
Increase in accounts payable	107,679
Decrease in net pension liability	(138,459)
Increase in deferred inflows of resources	113,186
Decrease in customer deposits	(63,147)
Net cash provided by operating activities	<u>\$ 440,613</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, was created by Ordinance No. 2, of the DeSoto Parish Police Jury on July 24, 1969, and is a political subdivision of the DeSoto Parish Police Jury. The ordinance states that the purpose of the District is to facilitate plans and arrangements for feasibility studies and surveys and the financing, construction, development and operation of a water works system to provide a public water supply within the proposed District. Because DeSoto Parish Police Jury created the District and appoints the commissioners, the District was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish of DeSoto have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts: Taxes and utility accounts receivable are deemed to be fully collectible.

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

2. CASH:

At year end, the carrying amount of the District's cash balance in banks totaled \$55,334. Bank balances were \$79,190 at year end. The difference is due to outstanding checks at year end. Bank balances were insured by FDIC insurance.

The District also had cash on deposit at LAMP at year end totaling \$2,036,714.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

3. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. Taxes are levied in November and become delinquent on January 1 of the following year. For the year ended December 31, 2021, taxes of .99 mills were levied on property with assessed values totaling \$740,736,062 and were dedicated for general operating purposes. Taxes assessed were \$733,338. Taxes receivable at December 31, 2021 totaled \$713,919.

4. INVESTMENTS:

Investments consist of funds invested in the Louisiana Asset Management Pool (LAMP). LAMP was established and administered by LAMP, Inc., a nonprofit corporation organized under the law of the State of Louisiana. LAMP accepts deposits from public entities. Upon the making of an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, U.S. government, or one of its agencies. The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants access to their balances. LAMP is rated AAA by Standard & Poor's.

At December 31, 2021, investments on deposit with LAMP (at cost) totaled \$2,036,714.

5. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2021, totaled \$154,134 less an allowance for doubtful accounts of \$-0-.

6. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$ 4,958
Machinery & Equipment	461,128
Office Building	329,773
Water System	25,036,663
	<hr/>
	25,832,522
Less: Accumulated Depreciation	10,663,890
Net fixed assets	<hr/> <u>\$ 15,168,632</u>

Fixed assets are stated at cost and are depreciated over lives from 5 to 40 years using the straight line method. Additions totaled \$196,344. Depreciation expense for the year totaled \$691,828.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

7. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 1 of the Parish of DeSoto for the year ended December 31, 2021:

	Balance 1/1/2021	Debt Proceeds	Principal Payments	Balance 12/31/2021
DEQ 2017 Revenue Bonds	\$ 1,630,278	\$ -	\$ (1,630,278)	\$ -
2001 Revenue Bonds	1,020,923	-	(1,020,923)	-
DEQ Revenue Bonds	325,000	-	(325,000)	-
DEQ 2010 Revenue Bonds	925,000	-	(925,000)	-
Water Revenue Bonds, Series 2021	-	3,020,000	-	3,020,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2021	<u>\$ 3,901,201</u>	<u>\$ 3,020,000</u>	<u>\$ (3,901,201)</u>	<u>\$ 3,020,000</u>

Bonds and notes payable at December 31, 2021, are comprised of the following:

DEQ 2017 Revenue Bonds

\$2,310,000 bonds approved September, 2017, for the purpose of constructing treatment system, net draws for the year ended December 31, 2019 were \$97,344.

\$ -

Water Revenue Bonds - 2001:

Dated August 7, 2001, due in one installment of \$68,875 on August 7, 2002, monthly payments of \$6,815 from September 7, 2002 to August 7, 2041, interest at 4.75%.

\$ -

Water Revenue Bonds - 2001 DEQ:

Dated February 19, 2002, first principal payment of \$79,000 due on August 7, 2003, principal payments thereafter ranging from \$83,000 to \$166,000; payments are due in February and August, annually, bearing interest at 3.45%.

\$ -

Water Revenue Bonds - 2010:

Draws on \$1,652,000 2010 Water Revenue Bonds, first principal payment of \$65,000 due on August 7, 2011, principal payments thereafter ranging from \$67,000 to \$103,000; payments are due in February and August, annually, bearing interest at 2.95%.

\$ -

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

Water Revenue Bonds - Series 2021

Dated October 28, 2021, due in installments ranging for \$155,000 to \$170,000 from August 1, 2022 through August 1, 2037, interest ranging .30% to 3.25%, Interest payment dates are February 1 and August 1. \$3,020,000

The annual requirements to amortize water revenue bonds outstanding as of December 31, 2021, including interest payments of \$464,375 as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 155,000	\$ 35,204	\$ 190,204
2023	215,000	45,958	260,958
2024	215,000	44,883	259,883
2025	215,000	43,270	258,270
2026	215,000	41,120	256,120
2027 and after	2,005,000	253,940	2,258,940
Totals	<u>\$ 3,020,000</u>	<u>\$ 464,375</u>	<u>\$ 3,484,375</u>

8. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 39,692
Board Designations	<u>261,380</u>
Total	<u>\$ 301,072</u>

Under the terms of the bond indentures for the water revenue bonds, certain revenues are dedicated to the retirement of said bonds, and are to be set aside into special accounts after provisions have been made for the payment of the reasonable and necessary expenses of operating the system.

9. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 2021.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

10. PENSION PLAN:

Plan Description

The Parish government contributes to PERS, under Plan A, which is a cost-sharing multiple employer defined benefit pension plan. All permanent employees working at least 28 hours per week are eligible to participate in the System. As of January, 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join PERS. Sections 1901 through 2025 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:1901-2025) and other general laws of the State of Louisiana govern PERS. 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.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general 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 years of creditable service
- At age 55 after 25 years of creditable service
- At age 60 after 10 years of creditable service
- At age 65 after 7 years of creditable service

For employees hired after January 1, 2007:

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

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

Deferred Retirement Option Plan

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

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 are enrolled for three and defer the receipt of benefits. During participation in the plan, the 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 payments into the account, a true annuity based upon his account balance in that fund, or roll 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 members' 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 the Plan 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 PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of the Plan must agree that the benefits payable to the participant are not obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service, or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married no less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Cost-of-Living Increases

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

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2021, the actuarially determined contribution rate was 11.11% of member's compensation Plan A. However, the actual rate for the fiscal year ending December 31, 2020 was 12.25% for Plan A.

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS 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. 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 ended December 31, 2021 was 12.25% 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 \$65,937. for the year ended December 31, 2020.

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

At December 31, 2021, the District reported an asset of \$134,937 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31,

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

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, 2021, the District's proportion was .076957 which was an increase of .002% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021 the District recognized pension expense of \$21,202.
\$21,102.

At December 31, 2021 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	\$ 32,853	\$ 16,106
Changes in assumption	44,147	-
Net difference between projected and actual earnings on pension plan investments	-	263,359
Changes in employer's proportion of beginning net pension liability	5,939	1,424
Differences between employer contributions and proportionate share of employer contributions	324	46
Subsequent Measurement Contributions	65,936	-
Total	\$ 149,199	\$ 280,935

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

Year ended December 31:	
2021	\$ (52,715)
2022	(19,011)
2023	(82,920)
2024	(43,026)
Total	\$ (197,673)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2020 (valuation date) is as follows:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	6.40% per annum
Inflation Rate	2.3% per annum
Mortality	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants. Experience study performed on plan data for the period January 1, 2004 through December 31, 2009.
Salary Increases	Plan A - 4.75% (2.75% Merit/3.00% Inflation)
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 6.4% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from 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.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

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 and an adjustment for the effect of rebalancing/diversification. The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 (actual valuation date), are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33%	0.86%
Equity	51%	3.36%
Alternatives	11%	0.67%
Real Assets	2%	0.11%
Total	<u>100%</u>	<u>5.00%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

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

	1.0% Decrease (5.4%)	Current Discount (6.4%)	1.0% Increase (7.4%)
Employer's proportionate share of net pension liability	\$ 282,924	\$ (134,937)	\$ (484,888)

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.

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$32,635 which is the legally required contribution due at December 31, 2021. The amount is recorded in accounts payable.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2021

11. NET POSITION:

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, contributor, 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 is available, management applies restricted net position first, unless a determination is made to use unrestricted 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.

12. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through June 29, 2022, the date the financial statements were available to be issued, and determined no additional disclosures are warranted.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Employer's Share of Net Pension Liability

Year Ended December 31, 2021

<u>Year Ended June 30</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	.0064551%	\$ 17,618	\$ 405,625	4.34%	99.15%
2016	0.07113%	187,227	411,264	45.52%	99.93%
2017	0.06935%	142,819	424,672	33.63%	94.15%
2018	0.05038%	(37,396)	434,032	8.60%	101.98%
2019	0.02636%	340,604	474,349	71.80%	79.78%
2020	0.00193%	3,522	541,000	0.65%	99.90%
2021	0.06396%	(134,937)	538,258	-24.07%	104.00%

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Employer Contributions

Year Ended December 31, 2021

<u>Year Ended December 31</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	\$ 59,133	\$ 59,133	\$ -	\$ 405,626	14.5781%
2016	39,070	39,070	-	411,264	9.5000%
2017	53,084	53,084	-	424,672	12.5000%
2018	54,254	54,254	-	434,032	12.5000%
2019	54,550	54,550	-	474,349	11.5000%
2020	62,965	62,965	-	541,000	11.6400%
2021	65,937	65,937	-	538,258	12.2500%

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Note to Retirement System Schedules

Year Ended December 31, 2021

Parochial Retirement System:

Changes of benefit terms - There were no changes of benefit terms for the year ended December 31, 2021.

Changes of assumptions - There were no changes of benefit assumptions for the year ended December 31, 2021.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2021

Agency Head: John Neilson, Systems Administrator

Salary	<u>\$ 88,489</u>
Payroll Taxes	<u>\$ 1,427</u>
Insurance	<u>\$ 16,375</u>
Retirement	<u>\$ 10,840</u>

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
Schedule of Insurance Coverage
Year ended December 2021

Insurance Coverage:

Auto Policy: Policy # 5106-1154-07

Allied World Specialty Insurance Company
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$1,000,000.00
Combined Single Limit, Effective dates January 1, 2021 to January 1, 2022.

Crime Policy: Policy #69074909

CNA Surety, P.O. Box 5077 Sioux Falls, SD
57117, \$106,000 Employee Dishonesty, Effective dates October 13, 2020 thru
October 13, 2021.

Liability Policy: Policy # 5105-1154-07

Allied World Specialty Insurance Company,
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$3,000,000.00
Combined Single Limit, Effective dates January 1, 2021 to January 1, 2022.

Public Officials and Management Policy: Policy # 5105-1154-07

Allied World Specialty Insurance Company,
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$1,000,000.00
Combined Single Limit, Effective dates January 1, 2021 to January 1, 2022.

Commercial Property Policy: Policy 5105-1154-07

Allied World Specialty Insurance Company,
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$3,000,000.00
Combined Single Limit, Effective dates January 1, 2021 to January 1, 2022.

Workers Compensation Policy: Policy # WWC3513699

Wesco Insurance Company
874 Walker Rd. Suite C
Dover, DE 19904
\$1,000,000/\$1,000,000/\$1,000,000
Effective dates February 14, 2021 to February 14, 2022

**WATERWORKS DISTRICT NO 1 PARISH OF DESOTO
BOARD MEMBERS**

NAME	ADDRESS	HOME	WORK	CELL
Charles Waldon President January 24, 2005	428 Burford Road Stonewall, LA 71078			458-2927 email: charleswaldon@gmail.com
Donnie Fisher Secretary/Treasurer January 24, 2005	1208 Hwy 172 Keatchie, LA 71046	933-5462		465-8514 email: fisher.donnie10@gmail.com
Michael Rister Oct. 1, 2020	4957 Hwy 175 Frierson, LA 71027			458-6921 Mrister15@aol.com email:
Randy Rodgers June 26, 2017	173 Lee Lane Stonewall, LA 71078	925-3854		294-1331 rr6698@att.net email:
Ronnie Land May 27, 2020	409 Mockingbird Logansport, LA 71049	318-294-5003		email: RLLAND@bellsouth.net
Kenneth E. "Ed" Campbell Vice President March 11, 2013	820 5 th Street Grand Cane, LA 71032	858-3774		464-4111 email: edcampbell820@gmail.com
Carolyn Landrum April 9, 2018	3370 Blunt Mill Road Mansfield, LA 71052	872-0407		email: clandrum.desoto@gmail.com
Bryan "Bo" Norwood Jan. 27, 2014	180 Norwood Rd. Mansfield, LA 71052	872-4707		455-7869 bryanbnorwood@aol.com email:
Jim Vidler June 1, 2018	208 South 2 nd St. Logansport, LA 71049	655-3357		email: jrvidler@gmail.com

RATES

Current Rate Structure

June 1, 2021

Amount	Item
At Cost	New Meter Install--Two Inch Meter
\$925.00	New Meter Install--One Inch Meter
\$825.00	New Meter Install--Three Quarter Inch Meter
\$150.00	Water Deposit--Renter
\$50.00	Water Deposit--Owner
\$100.00	Tap Fee: inspection fee when others tap our line
\$75.00	Service Connect Fee
\$45.00	Unlock Meter--Reconnect Fee
\$100.00	Cut Lock Fee
\$22.00	Residential \$4.65 per 1,000 gals after 1,000 gals
\$22.00	HWY 513 & Judy Sub. \$6.65 per 1,000 gals after 1,000 gals
\$25.00	Texas: 4.90 per 1,000 after 1,000 gals
\$22.00	Mounce Road \$5.65 per 1,000 gals after 1,000 gals
\$37.50	Commercial \$5.15 per 1,000 gals after 10,000 gals
\$35.00	Bulk water \$4.15 per 1,000 gals after 10,000 gals
\$37.50	Industrial Rates \$5.15 per 1,000 gals
\$37.50	Fire Hydrant \$14.15 per 1,000 gals
\$15.00	Return check fee
10%	Late fee applied after the 18th
\$15.00	Read meter per customer request, No charge to customer if incorrect reading

At December 31, 2021, the District has 2,267 residential customers and 120 commercial customers for a total of 2,387 customers.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

Board of Commissioners
Waterworks District No. 1 of the Parish of DeSoto
Grand Cane, Louisiana

I 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, the financial statements of the governmental activities of Waterworks District No. 1 of the Parish of DeSoto, as of and for the year ended December 31, 2021, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected 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.

My 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I 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 Waterworks District No. 1 of the Parish of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Marsha D. Milligan".

Certified Public Accountant
June 29, 2022

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2021

There were no findings for the year ended December 31, 2020.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings

Year Ended December 31, 2021

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the District were disclosed.

There were no findings for the year ended December 31, 2021.



Marsha O. Millican
A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES

To the Board of Commissioners
Waterworks District No. 1 of the Parish of DeSoto
Grand Cane, Louisiana

I have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPS) for the fiscal period January 1, 2021 through December 31, 2021. Management of Waterworks District No. 1 of the Parish of DeSoto (the District) is responsible for those C/C areas identified in the SAUPS.

The Board of Commissioners of the District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPS for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

The entity has written policies and procedures that adequately address this function.

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

The entity has written policies and procedures that adequately address this function.

- c) *Disbursements*, including processing, reviewing, and approving.

The entity has written policies and procedures that adequately address this function.

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The entity has written policies and procedures that adequately address this function.

- e) *Payroll/Personnel*, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

The entity has written policies and procedures that adequately address this function.

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

The entity has written policies and procedures that adequately address this function.

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The entity has written policies and procedures that adequately address this function.

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

The entity has written policies and procedures that adequately address this function.

- i) *Ethics*, including (1) the prohibition as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

The entity has written policies and procedures that adequately address this function.

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

The entity has written policies and procedures that adequately address this function.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from a network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity has written policies and procedures that adequately address this function.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

The entity has written policies and procedures that adequately address this function.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were noted as a result of this procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to the public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions were noted as a result of this procedure.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund

balance in the general fund.

No exceptions were noted as a result of this procedure.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions were noted as a result of this procedure.

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions were noted as a result of this procedure.

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were noted as a result of this procedure.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites, obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions were noted as a result of this procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

No exceptions were noted as a result of this procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions were noted as a result of this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions were noted as a result of this procedure.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions were noted as a result of this procedure.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions were noted as a result of this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were noted as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were noted as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions were noted as a result of this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted as a result of this procedure.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

All payments are processed through off-site CPA.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions were noted as a result of this procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions were noted as a result of this procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions were noted as a result of this procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

No exceptions were noted as a result of this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

No exceptions were noted as a result of this procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions were noted as a result of this procedure.

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

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

A list of all credit, debit, fuel and other cards was obtained with management's assertion that the list is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select on monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was received and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

No exceptions were noted as a result of this procedure.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions were noted as a result of this procedure.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions

subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioners should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were noted as a result of this procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions were noted as a result of this procedure.

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions were noted as a result of this procedure.

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions were noted as a result of this procedure.

d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted as a result of this procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts

(or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions were noted as a result of this procedure.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

No exceptions were noted as a result of this procedure.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment was approval documented).

No exceptions were noted as a result of this procedure.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were noted as a result of this procedure.

Payroll and Personnel

16. Obtain a list of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related salaries and personnel files, and agree paid salaries to authorized salaries/ pay rates in the personnel files.

This procedure was performed and no exceptions were noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). [Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.

No exceptions were noted as a result of this procedure.

- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

No exceptions were noted as a result of this procedure.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's accumulative leave records.

No exceptions were noted as a result of this procedure.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions were noted as a result of this procedure.

- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employees' or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or official's personnel files, and agree the termination payment to entity policy.

No exceptions were noted as a result of this procedure.

- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed by the required deadlines.

No exceptions were noted as a result of this procedure.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions were noted as a result of this procedure.

- b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were noted as a result of this procedure.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

No exceptions were noted as a result of this procedure.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions were noted as a result of this procedure.

Fraud Notice

23. Obtain a listing of misappropriation of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and to the district attorney of the parish in which the entity is domiciled.

No exceptions were noted as a result of this procedure.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were noted as a result of this procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report, "I performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

I performed the procedures and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

I performed the procedures and discussed the results with management.

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

I performed the procedures and discussed the results with management.

Sexual Harassment

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Employees/officers did not complete sexual harassment training.

Management's Response: Employees/officers will complete sexual harassment training in the future.

- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exceptions were noted as a result of this procedure.

- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements.;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

e) Amount of time it took to resolve each complaint.

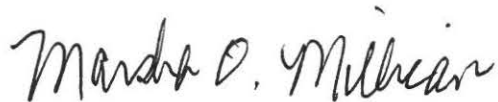
The entity did not file an annual sexual harassment report.

Management's Response: We will file annual sexual harassment reports in the future.

I was engaged by the District to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Certified Public Accountant
June 29, 2022