

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

**GRAND CANE, LOUISIANA**

**FINANCIAL STATEMENTS**

**December 31, 2018**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and each major fund of 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. 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. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the position of Waterworks District No. 1 of the Parish of DeSoto, as of December 31, 2018, and the changes in financial position 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 3-6 and the pension information on pages 21-23 be presented to supplement the basic financial statements. Such information is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the 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 preparing the information and comparing the information for consistency with management's responses to 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 as a whole. The supplementary information on pages 24-29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 20, 2019 on my consideration of Waterworks District No. 1 of the Parish of DeSoto's internal control over functional reporting and on my 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 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 Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting and compliance.



Certified Public Accountant  
June 20, 2019

## WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

The District had net position of \$15,342,212 at year end which represents a decrease from the prior year of \$176,463.

#### 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 if 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 \$15,343,212 at December 31, 2018.

The District's major assets are its fixed assets of \$16,715,161 representing its investment in its water distribution system and water treatment plant. The District owed \$4,524,492 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.

Of the District's net position, \$599,940 is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

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

	<u>2018</u>	<u>2017</u>
Current assets	\$ 833,169	\$ 344,437
Other assets	2,859,705	3,693,765
Capital Assets, net of depreciation	16,715,161	15,274,655
<b>Total Assets</b>	<u>20,408,035</u>	<u>19,312,857</u>
Deferred outflows of resources	<u>112,159</u>	<u>288,458</u>
Accounts payable and accrued expenses	331,090	299,743
Bonds payable	4,524,492	3,724,308
Other liabilities	204,018	324,873
<b>Total Liabilities</b>	<u>5,059,600</u>	<u>4,348,924</u>
Deferred inflows of resources	117,382	25,642
Invested in capital assets, net of related debt	12,190,669	11,550,347
Reserved for construction	-	-
Reserved for bond retirement	599,940	587,274
Reserved for customer deposits	37,921	37,518
Board Designations	120,964	1,220,870
Unrestricted	2,393,718	1,770,740
	<u>\$ 15,343,212</u>	<u>\$ 15,166,749</u>

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

	2018	2017
Operating Revenues	\$ 2,000,374	\$ 1,423,052
Operating Expenses	2,072,646	2,023,065
Operating Income	(72,272)	(600,013)
Non-operating Income/Expense	248,735	(27,172)
Changes in Net Position	\$ 176,463	\$ (627,185)

The District's total operating revenues increased by \$577,322 from the previous year. The total operating expense increased by \$49,581 from the previous year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

At the end of 2018, the District had \$16,715,161 net of depreciation, invested in its capital assets. This amount represents a net increase of \$1,440,505 as a result of net additions of \$2,066,137 and depreciation expense of \$625,632.

Capital Assets at Year End

	2018	2017
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	387,172	357,570
Office Building	329,773	329,773
Water System	24,591,014	22,574,444
Total	25,312,917	23,266,745
Less: Accumulated Depreciation	8,597,756	7,992,090
Net Fixed Assets	\$ 16,715,161	\$ 15,274,655

The District had \$4,524,492 in long-term debt as follows:

	Balance 1/1/2018	Borrowings	Payments	Balance 12/31/2018
GAO Bonds	\$ -	\$ -	\$ -	-
2001 Revenue Bonds	1,159,722	-	31,164	1,128,558
DEQ Revenue Bonds	768,000	-	142,000	626,000
2006 Revenue Bonds	382,785	-	382,785	-
DEQ 2017 Revenue Bonds	251,801	1,853,916	420,783	1,684,934
DEQ 2010 Revenue Bonds	1,162,000	-	77,000	1,085,000
Balance, December 31, 2017	<u>\$ 3,724,308</u>	<u>\$ 1,853,916</u>	<u>\$ 1,053,732</u>	<u>\$ 4,524,492</u>

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Waterworks District No. 1 had a good year in 2018. We once again were able to collect the 0.99 mils of property tax to supplement our income from water sales. The property tax is designed to fund the part of our operation that exists to provide fire protection and industrial water to all parts of the Parish. Our customer base continues to grow with our meter count now in excess of 2,200 meters. Several other utilities are now beginning to use our water to supplement their normal supply. We anticipate this will become a larger and larger part of our overall water sales. In addition, late 2018 saw the startup and near completion of phase II of our water treatment facility update. We completed the IXOM MIEX project, which through the use of a special resin removes much of the organic content of our water. This allows us to use much less chlorine, while removing the need for ammonia and making it possible to meet the current and future disinfectant by product requirements. Overall, our water quality is the best it has ever been, and the taste and odor complaints have been greatly reduced. The future is bright for Waterworks District No. 1 as we are now planning to upgrade the production capability of our plant to more than 2 million gallons a day. Growing customer base, more systems using our water, and industry needs have all contributed to make this expansion necessary. Our Board continues to be supportive of our efforts throughout the system put forth by our excellent staff. We have added one new person to the field staff at the end of 2018 to assist us in providing the excellent service that Waterworks is known for. Plant staff has been properly trained in the new procedures and all our staff are certified with DHH. I am proud to say that we have one of the most modern treatment facilities in the State, using innovative technologies to meet the challenges of today's standards for water treatment. Waterworks continues to be a bright spot in DeSoto Parish as we strive to provide safe, affordable water to our local residents.

### **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, 2018

**Assets**Current Assets

Cash	\$ 5,859
Taxes Receivable	652,236
Accounts Receivable (Net)	138,031
Prepaid Expenses	37,043
Total Current Assets	<u>833,169</u>

Other Assets

Restricted Assets	
Cash	123,584
Investments	635,240
Investments	2,062,685
Other Assets	38,196
Fixed Assets (Net)	16,715,161
Total Other Assets	<u>19,574,866</u>
Total Assets	<u>20,408,035</u>

Deferred Outflows of Resources	<u>112,159</u>
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**Liabilities**LiabilitiesCurrent Liabilities

Accounts Payable and Accrued Expenses	\$ 120,403
Construction Payable	210,687
Current Portion of Long-Term Debt	251,811
Total Current Liabilities	<u>582,901</u>

Long-Term Liabilities

Customer Deposits Payable	165,672
Long-Term Debt, Net of Current Portion	4,272,681
Accrued Interest Payable	38,346
Total Long-Term Liabilities	<u>4,476,699</u>
Total Liabilities	<u>5,059,600</u>

Deferred Inflows of Resources	<u>117,382</u>
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**Net Position**

Invested in Capital Assets, Net of Related Debt	12,190,669
Reserved for Debt Service	599,940
Reserved for Customer Deposits	37,921
Board Designations	120,964
Unreserved	2,393,718
Total Net Position	<u>\$ 15,343,212</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, 2018

Revenues:	
Ad Valorem Taxes	\$ 665,494
Charges for Services	1,334,880
Miscellaneous Revenues	-
Total Revenues	<u>2,000,374</u>
Operating Expenses:	
Personal Services	739,196
Utilities	129,580
Repair and Maintenance	62,198
Other Supplies and Expense	479,641
Insurance	36,399
Depreciation	<u>625,632</u>
Total Expenses	<u>2,072,646</u>
Operating Income (Loss)	(72,272)
Non-Operating Revenues (Expenses):	
Interest Income	61,565
Sale of Asset	3,650
Bond 2017 Forgiivness of Debt	370,783
Contributions	-
Non Employer Contributions	3,746
Interest Expense	<u>(191,009)</u>
Total Non-Operating Revenues (Expenses)	<u>248,735</u>
Change in Net Position	176,463
Net Position - Beginning of Year	<u>15,166,749</u>
Net Position - End of Year	<u><u>\$ 15,343,212</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, 2018

Cash flows from operating activities:	
Cash received from customers	\$ 1,370,132
Advalorem taxes received	-
Cash payments to suppliers and employees	(496,055)
Other operating income	8,405
Net cash provided by operating activities	<u>8,033</u>
Cash flows from capital and related financing activities	
System improvements	(2,066,137)
Sale of assets	3,650
Forgiveness of debt	(370,783)
Proceeds from borrowing	1,853,916
Interest paid on long term debt	(138,591)
Principal payments on long term debt	(682,949)
Net cash used by capital and related financing activities	<u>(1,400,894)</u>
Cash flows from investing activities	
Interest earned	61,562
Net change in investments	50,422
Net cash provided by investing activities	<u>111,984</u>
Net decrease in cash	(1,280,877)
Cash, January 1, 2018 (including \$1,236,278 in restricted accounts)	<u>1,410,320</u>
Cash, December 31, 2018 (including \$123,584 in restricted accounts)	<u>\$ 129,443</u>
Reconciliation of changes in net position to net cash provided by operating activities:	
Changes in net position before non-operating revenues (expenses):	\$ (72,272)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	625,632
Amortization	37,945
Changes in assets and liabilities	
Increase in accounts receivable	(3,774)
Increase in taxes receivable	(652,236)
Decrease in deferred outflows of resources	116,299
Increase in prepaid expenses	(905)
Increase in accounts payable	12,646
Increase in construction payable	18,701
Decrease in net pension liability	(180,215)
Increase in deferred inflows of resources	91,740
Increase in customer deposits	14,472
Net cash provided by operating activities	<u>\$ 8,033</u>

See accompanying notes to financial statements.

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

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 as 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. The District is a component unit of the DeSoto Parish Police Jury and is governed by a board of commissioners appointed by DeSoto Parish Police Jury.

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, is in the process of constructing a water system to assist in meeting the domestic, commercial and fire protection demands in DeSoto Parish within the boundaries of the District. Construction of this system was funded with revenues from a 5.19 mill ad valorem tax proposition passed by voters on April 5, 1997.

**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 receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

**2. CASH:**

At year end, the carrying amount of the District's cash balance in banks totaled \$129,433. Unrestricted cash totaled \$5,859 while restricted cash in banks totaled \$123,584. Bank balances were \$164,612 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 \$2,708,071.

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

**3. TAXES RECEIVABLE:**

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. Taxpayers voted for the renewal of taxes of .99 in November, 2018. Property tax receivables at December 31, 2018 were \$652,236.

**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.

At December 31, 2018, investments on deposit with LAMP (at cost) totaled \$2,708,071.

**5. ACCOUNTS RECEIVABLE:**

Accounts receivable for customer water bills at December 31 2018, totaled \$138,031 less an allowance for doubtful accounts of \$-0-.

**6. FIXED ASSETS:**

A summary of fixed assets follows:

Office Furniture	\$ 4,958
Machinery & Equipment	387,172
Office Building	329,773
Water System	24,591,014
	<hr/>
	25,312,917
Less: Accumulated Depreciation	8,597,756
	<hr/>
Net fixed assets	<u>\$ 16,715,161</u>

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

**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, 2018:

	<u>Balance 1/1/2018</u>	<u>Debt Proceeds</u>	<u>Principal Payments</u>	<u>Balance 12/31/2018</u>
DEQ 2017 Revenue Bonds	\$ 251,801	\$ 1,853,916	\$ 420,783	\$ 1,684,934
2001 Revenue Bonds	1,159,722	-	31,164	1,128,558
DEQ Revenue Bonds	768,000	-	142,000	626,000
2006 Revenue Bonds	382,785	-	382,785	-
DEQ 2010 Revenue Bonds	1,162,000	-	77,000	1,085,000
Balance, December 31, 2018	<u>\$ 3,724,308</u>	<u>\$ 1,853,916</u>	<u>\$ 1,053,732</u>	<u>\$ 4,524,492</u>

Bonds and notes payable at December 31, 2018, are comprised of the following:

DEQ 2017 Revenue Bonds

\$2,310,000 bonds approved September, 2017, for the purpose of constructing a treatment system, net draws for the year ended December 31, 2018 were \$1,853,916. The loan bears interest at 1.94%. The loan is entitled to forgiveness up to the lesser of \$500,000 or 20% of the loan. Principal payments totaled \$50,000. Forgiveness of debt totaled \$370,916. The loan does not have any stated repayment terms. The interest rate is 1.95%.

\$ 1,684,934

Water Revenue Bonds - 2001:

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

\$ 1,128,558

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; interest payments are due in February and August, annually, bearing interest at 3.45%.

\$ 626,000

Water Revenue Bonds - 2006:

Draws on \$442,000 2006 Water Revenue Bonds, due in monthly payments of \$1,926 beginning June 7, 2006, through May, 2046, bearing interest at 4.25%.

\$ -

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; interest payments are due in February and August annually bearing interest at 2.95%.

\$ 1,085,000

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

The annual requirements to amortize above debt outstanding as of December 31, 2018, including interest payments of \$768,089 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 251,811	\$ 110,586	\$ 384,877
2020	260,125	101,835	385,707
2021	269,508	92,785	385,270
2022	279,694	83,394	385,603
2023	117,497	73,626	81,780
2024 and after	1,660,923	605,079	2,869,160
Totals	<u>\$2,839,558</u>	<u>\$ 1,067,305</u>	<u>\$4,492,397</u>

**8. RESTRICTED ASSETS:**

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 37,921
Construction	-
Board Designations	120,964
Debt Service:	
Water Revenue Bond - 2001 DEQ	473,509
Water Revenue Bond - 2006	39,098
Water Revenue Bond - 2010	87,333
Escrow - General Obligation Bonds	-
Total	<u>\$ 758,825</u>

**9. PER DIEM PAID TO COMMISSIONERS:**

No per diem was paid to commissioners for the year ended December 31, 2018.

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

**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](http://www.persla.org).

*Benefits Provided*

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

**Retirement**

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

For employees hired prior to January 1, 2007:

- At any age after 30 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, 2018

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in DROP in which they enrolled for three years and defer the receipt of benefits. During participation in the plan, 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 the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the 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 the 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 retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

#### **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, 2018

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, 2017, the actuarially determined contribution rate was 10.52% of member's compensation Plan A. However, the actual rate for the fiscal year ending December 31, 2017 was 13.00% 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, 2017 was 12.5% 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 Government were \$38,764 for the year ended December 31, 2018.

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

At December 31, 201, the District reported a pension asset of \$37,396 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, 2018

2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was .050382 which was a decrease of .01896% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018 the District recognized pension expense of \$32,414 plus or minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$9.

At December 31, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 24,207
Changes in assumption	47,199	-
Net difference between projected and actual earnings on pension plan investments	-	86,395
Changes in employer's proportion of beginning net pension liability	-	6,458
Differences between employer contributions and proportionate share of employer contributions	10,706	221
Subsequent Measurement Contributions	54,254	-
Total	\$ 112,159	\$ 117,281

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

Year ended December 31:	
2018	\$ 6,684
2019	(4,262)
2020	(27,558)
2021	(34,240)
Total	\$ (59,376)

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

*Actuarial Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017 is as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.25% per annum
Inflation Rate	2.5% 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 - 5.25% (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 6.75% 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, 2018

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35%	1.24%
Equity	52%	3.36%
Alternatives	11%	0.69%
Real Assets	2%	0.12%
Total	<u>100%</u>	<u>5.62%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.62%</u>

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

	1.0% Decrease 5.75	Current Discount (6.75.%)	1.0% Increase (7.75.%)
Employer's proportionate share of net pension liability	\$ 184,375	\$ (37,396)	\$ (234,868)

*Pension Plan Fiduciary Net Position*

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

*Payables to the Pension Plan*

These financial statements include a payable to the pension plan of \$26,563 which is the legally required contribution due at December 31, 2018. The amount is recorded in accrued expenses.

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to Financial Statements

December 31, 2018

**11. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through June 20, 2019, 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, 2018

<u>Year Ended June 30</u>	<u>Employer Proportion of th 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	0.50380%	(37,396)	434,032	8.60%	101.98%

*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, 2018

<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%

*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, 2018

Parochial Retirement System:

Changes of benefit terms - There were no changes of benefit terms for the year ended December 31, 2018.

Changes of assumptions - There were no changes of benefit assumptions for the year ended December 31, 2018.

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

<u>FEDERAL GRANTS OR/ PROGRAM TITLE*</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
<u>Environmental Protection Agency Passed through the Louisiana Department of Health</u>				
<u>Drinking Water Revolving Loan Fund *</u>	66-468	\$2,310,000	\$ 1,853,916	\$ 1,853,916

\*Indicates Major Program

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Waterworks District No.1 of the Parish of DeSoto. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in this shelter.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal loan activity of Waterworks District No. 1 of the Parish of DeSoto, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**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, 2018

Agency Head: John Neilson, Systems Administrator

Salary	<u>\$ 84,018</u>
Payroll Taxes	<u>\$ 1,218</u>
Insurance	<u>\$ 14,916</u>
Retirement	<u>\$ 9,693</u>

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

**Schedule of Insurance Coverage**

**Year Ended December 2018**

**Insurance Coverage:**

**Auto Policy: Policy # 5106-1154-05: Allied World Specialty Insurance Company, 199 Water Street, New York, NY 10038, \$1,000,000 Combined Single Limit, effective dates January 1, 2018 to January 1, 2019.**

**Crime Policy: Policy # 69074909: CNA Surety, PO Box 5077, Sioux Falls, SD 57117, \$106,000 Employee Dishonesty, effective dates October 13, 2017 to October 13, 2018.**

**Liability Policy: Policy # 5106-1154: Allied World Specialty Insurance Company, 199 Water Street, New York, NY 10038, \$1,000,000 Combined Single Limit, effective dates January 1, 2018 to January 1, 2019**

**Public Officials and Management Policy: Policy # 5106-1154-05: Allied World Specialty Insurance Company, 199 Water Street, New York, NY 10038, \$1,000,000 Combined Single Limit, effective dates January 1, 2018 to January 1, 2019.**

**Commercial Property Policy: Policy # 5106-1154-05: Allied World Specialty Insurance Company, 199 Water Street, New York, NY 10038, \$1,000,000 Combined Single Limit, effective dates January 1, 2018 to January 1, 2019.**

**Workers Compensation Policy: Policy # 198-00630: Bridgefield Casualty Insurance Company, PO Box 988, Lakeland, FL 33802. \$1,000,000/\$1,000,000/\$1,000,000 effective dates February 14, 2018 to February 14, 2019.**

**WATERWORKS DISTRICT 1 BOARD MEMBERS****P.O. Box 1409, Mansfield, LA 71052 mailing****320 Liberty Lane, Grand Cane, LA 71032 physical****318-872-0004 office 318-872-0005 fax**

<b>NAME</b>	<b>ADDRESS</b>	<b>HOME</b>	<b>WORK</b>	<b>CELL</b>
Charles Waldon President January 24, 2005	428 Burford Road Stonewall, LA 71078	925-6688  email: <a href="mailto:charleswaldon@gmail.com">charleswaldon@gmail.com</a>		458-2927
Donnie Fisher Secretary/Treasurer January 24, 2005	1208 Hwy 172 Keatchie, LA 71046	933-5462  email: <a href="mailto:fisher.donnie10@gmail.com">fisher.donnie10@gmail.com</a>	call on cell phone	465-8514
David Evans Sept 17, 2003	4845 Hwy 175 Frierson, LA 71027	797-3323		617-7891
Porter Dowling June 26, 2006	P.O. Box 67 Logansport, LA 71049	697-4514		903-263-1150
Kenneth E. "Ed" Campbell Vice President March 11, 2013	820 Fifth Street Grand Cane, LA 71032	858-3774  Email: <a href="mailto:edcampbell820@gmail.com">edcampbell820@gmail.com</a>		464-4111
Carolyn Landrum April 9, 2018	3770 Blunt Mill Road Grand Cane, LA 71032	872-0407		655-2077
Bryan "Bo" Norwood Jan. 27, 2014	180 Norwood Rd. Mansfield, LA 71052	872-4707 email: <a href="mailto:bryanbnorwood@aol.com">bryanbnorwood@aol.com</a>		455-7869
Randy Rodgers Aug 8, 2017	173 Lee Lane Stonewall, LA 71078	925-3854 email: <a href="mailto:rr6698@att.net">rr6698@att.net</a>	best # to reach cell	294-1331
Jim Vidler June 1, 2018	208 South 2 <sup>nd</sup> St. Logansport, LA 71049	655-3357		
John Neilson, Administrator	Doris Burns, Plant Operator	Ricky Welton, Plant Operator		
Tim Bryson, Plant Manager	Joe Cawthorn, Asst. Plant Manager	Joshua Ryals, Field Operator		
Teresa Register, Administrative Assistant		Angela Gamble, Field Operator		
Patrick Taylor, Field Supervisor	Rebecca Foster, Office Staff and Plant Operator			
Willie Burkes, Part-time Field Operator				

# WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

## Current Rate Structure                      APRIL 24, 2017

Amount	Item
At Cost	New Meter Install--Two Inch Meter
\$725.00	New Meter Install--One Inch Meter
\$625.00	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 \$4.25 per 1,000 gals after 1,000 gals
\$22.00	HWY 513 & Judy Sub. \$6.25 per 1,000 gals after 1,000 gals
\$25.00	Texas: 4.50 per 1,000 after 1,000 gals
\$22.00	Mounce Road \$5.25 per 1,000 gals after 1,000 gals
\$37.50	Commercial \$4.75 per 1,000 gals after 10,000 gals
\$35.00	Bulk water \$3.75 per 1,000 gals after 10,000 gals
\$37.50	Industrial Rates \$4.75 per 1,000 gals
\$37.50	Fire Hydrant \$13.75 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, 2018, the District had 2,131 residential customers  
 121 commercial customers  
 for a total 2,252 customers.



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

Board of Commissioners  
Caddo Parish Fire District No. 1  
Blanchard, 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, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 20, 2019.

#### 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.

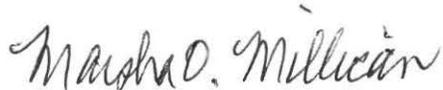
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during 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 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 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.



Certified Public Accountant  
June 20, 2019



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

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

### Compliance

I have audited Waterworks District No. 1 of the Parish of DeSoto's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Waterworks District No. 1 of the Parish of DeSoto's major federal programs for the year ended December 31, 2018. 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's is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Waterworks District No. 1 of the Parish of DeSoto's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit in compliance 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 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 I consider necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the District's compliance.

### Opinion on Each Major Federal Program

In my opinion, Waterworks District No. 1 of the Parish of DeSoto complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2018.

### Report on Internal Control Over Compliance

The management of Waterworks District No. 1 of the Parish of DeSoto is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my 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 the Uniform Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance 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, 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.

My 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 that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guide. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant  
June 20, 2019

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2018

There were no findings for the year ended December 31, 2017.

**WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO**

Schedule of Findings

Year Ended December 31, 2018

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, 2018.



# 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, which were agreed to by the Board of Commissioners of Waterworks District No. 1 of the Parish of DeSoto (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

My procedures and associated findings are enumerated below.

### 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 operation):
  - a) **Budgeting**, including preparing, adopting, monitoring and amending the budget.
  - 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 the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing and approving.
  - 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) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - 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.

- 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.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt insurance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Procedures Results - I noted no exceptions.

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

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- 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.
  - 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 and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
  - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Procedures Results - I noted no exceptions.

#### ***Bank Reconciliations***

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- 3. Obtain a listing of client 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 five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each 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, electronically logged);

- 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
- 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.

Procedure Results - I noted no exceptions.

### ***Collections***

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- 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 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 on 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 such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - 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.
  - 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 posting to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 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.

- b) Trace sequential pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to actual deposit per the bank statement
- 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).
- e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Results - I noted no exceptions.

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

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- 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).
- 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 a purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - 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.
  - 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.
- 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 invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Results - I noted no exceptions.

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

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- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing 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 one monthly bank statement), obtain supporting documentation and:
- a) Observe that there is evidence that the monthly statement of combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, 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).

Procedure Results - I noted no exceptions.

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

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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 of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U. S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation included the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Procedure Results - I noted no exceptions.

#### ***Contracts***

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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.
- 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).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- 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.

Procedure Results - I noted no exceptions.

### ***Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period, For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' authorized pay rates in the employee/officials' personnel file.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure Results - I noted no exceptions.

## ***Ethics***

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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.
  - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure Results - I noted no exceptions.

## ***Debt Service***

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

Procedure Results - I noted no exceptions.

## ***Other***

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23. Obtain a listing of misappropriations 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 the district attorney of the parish in which the entity is domiciled.
24. Observe that 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.

Procedure Results - I noted no exceptions.

I was not engaged and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, 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.

The purpose of this report is solely to describe the scope of testing performed on those controls or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:514, this report is distributed by the LLA as a public document.

*Marda O. Millican*

Certified Public Accountant

June 20, 2019