

NORTH DESOTO WATER SYSTEM, INC.
Stonewall, Louisiana

Financial Statements
For the years ended December 31, 2022 and 2021

NORTH DESOTO WATER SYSTEM, INC.

FINANCIAL STATEMENTS December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of North DeSoto Water System, Inc.
Stonewall, Louisiana

Opinion

We have audited the accompanying financial statements of North DeSoto Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North DeSoto Water System, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North DeSoto Water System, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 North DeSoto Water System, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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 and *Government 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, including omissions, 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 and *Government Auditing Standards*, we:

- 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 North DeSoto Water System, Inc.'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North DeSoto Water System, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of general operating expenses, schedule of rates, list of board of directors, and schedule of insurance are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of North DeSoto Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North DeSoto Water System, Inc.'s internal control over financial reporting and compliance.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 27, 2023

FINANCIAL STATEMENTS

North DeSoto Water System, Inc.
STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 853,859	\$ 245,959
Accounts receivable, trade	69,436	67,813
Inventory	9,746	4,529
Prepaid expenses	8,069	10,298
Total current assets	<u>941,110</u>	<u>328,599</u>
Restricted Assets		
Cash and cash equivalents	<u>173,400</u>	<u>168,600</u>
Property and Equipment		
Wells, lines, tanks, and equipment	6,164,925	5,869,180
Less accumulated depreciation	<u>(2,498,540)</u>	<u>(2,326,739)</u>
Total property and equipment, net	<u>3,666,385</u>	<u>3,542,441</u>
Other Assets		
Deposits	<u>600</u>	<u>600</u>
TOTAL ASSETS	<u><u>\$ 4,781,495</u></u>	<u><u>\$ 4,040,240</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities - Payable from Current Assets		
Accounts payable	\$ 57,605	\$ 49,830
Payroll taxes withhold and accrued	8,440	10,722
Operating lease liability	7,402	7,389
Current portion of long-term debt	<u>34,708</u>	<u>39,502</u>
Total current liabilities payable from current unrestricted assets	108,155	107,443
Current Liabilities - Payable from Restricted Assets		
Meter deposits	<u>122,400</u>	<u>117,600</u>
Long-term Debt		
Long-term operating lease liability	341,249	348,651
Notes payable, less current portion	<u>884,673</u>	<u>429,542</u>
Total long-term debt	<u>1,225,922</u>	<u>778,193</u>
TOTAL LIABILITIES	<u>1,456,477</u>	<u>1,003,236</u>
NET ASSETS		
Net assets without donor restrictions	<u>3,325,018</u>	<u>3,037,004</u>
TOTAL NET ASSETS	<u>3,325,018</u>	<u>3,037,004</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,781,495</u></u>	<u><u>\$ 4,040,240</u></u>

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

North DeSoto Water System, Inc.
STATEMENTS OF ACTIVITIES

For the years Ended December 31, 2022 and 2021

	2022	2021
Changes in Net Assets Without Donor Restrictions		
Revenues:		
Water sales	\$ 1,002,484	\$ 950,264
Installation charges	53,772	68,394
Government grants	185,975	64,200
Miscellaneous income	6,140	10,946
Donation of infrastructure	-	66,926
Gain/ Loss on disposal of fixed assets	11,316	(900)
Total Increases in Unrestricted Net Assets	1,259,687	1,159,830
Expenses:		
General operating expenses	971,673	857,356
Total Decreases in Unrestricted Net Assets	971,673	857,356
Change in Net Assets Without Donor Restrictions	288,014	302,474
Net Assets at Beginning of Year	3,037,004	2,734,530
Net Assets at End of Year	\$ 3,325,018	\$ 3,037,004

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

North DeSoto Water System, Inc.
STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Increase in net assets	\$ 288,014	\$ 302,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	229,176	208,570
Gain/Loss on sale/disposal of assets	11,316	901
Noncash donations of infrastructure	-	(66,926)
(Increase) decrease in assets:		
Accounts receivable	(1,623)	(5,273)
Prepaid expenses	2,229	(4,644)
Inventory	(5,217)	(61)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,493	38,033
Meter deposits	4,800	8,000
Net Cash Provided by Operating Activities	534,188	481,074
Cash Flows from Investing Activities:		
Purchase of property and equipment	(364,436)	(249,713)
Net Cash Used by Investing Activities	(364,436)	(249,713)
Cash Flows from Financing Activities:		
Proceeds from borrowing	500,000	-
Principal payments on notes payable	(57,052)	(68,910)
Net Cash Provided (Used) by Financing Activities	442,948	(68,910)
Net Increase (Decrease) in Cash and Cash Equivalents	612,700	162,451
Cash and Cash Equivalents, Beginning of Year	414,559	252,108
Cash and Cash Equivalents, End of Year	\$1,027,259	\$ 414,559
Reconciliation to Statement of Financial Position:		
Current assets: Cash and cash equivalents	\$ 853,859	\$ 245,959
Restricted assets: Cash and cash equivalents	173,400	168,600
Total cash and cash equivalents	\$1,027,259	\$ 414,559
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 32,434	\$ 3,506

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

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and Nature of Activities

The North DeSoto Water System, Inc. (the System) is a nonprofit organization incorporated in 1979 under Louisiana Statute R.S. 12:101(8). The System's primary purpose is to provide water service to the North DeSoto Parish community area located in a rural northwest parish of Louisiana. The System currently provides service to approximately 2400 members. The System is supported primarily through the sale of water to customers in their service area.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

North DeSoto Water System, Inc. adopted Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. North DeSoto Water System, Inc. is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Board of Directors and/or the passage of time.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. Subsequently, the FASB issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The System adopted the leasing standards effective July 1, 2021, using the modified transition method with July 1, 2021, as the initial date of application. The Facility elected to use all available practical expedients provided in the transition guidance. These allowed the System to not reassess the identification, classification, and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. Because the System elected the practical expedient, Topic 842 had no effect to beginning balance of net assets without donor restrictions on the initial date of adoption. Because the leases are operating leases, the adoption of this standard has no impact on the results of operations. However, the amounts for 2021 shown in the statement of financial position have been restated for comparison purposes to present the increase in property and equipment and the increase in long-term debt as though Topic 842 had been effective for that period.

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments.

Trade Accounts Receivable

Trade accounts receivables (water customers) are reported at the amount management expects to collect from balances outstanding at year-end. These water receivables are typically collected within 30 days because of a strict cut-off policy for non-payment. Management establishes a valuation allowance for any accounts past due over 120 days.

Inventory

Inventory, which consists of digital meters on hand at year-end, are valued at cost.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31 are recorded as prepaid expenses.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. It is the System's policy to capitalize acquisitions of property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. The estimated useful lives are as follows:

Water lines, meters, tanks, etc.	25-40 Years
Machinery and equipment	7 Years
Office furniture and fixtures	5-8 Years

Maintenance and repairs are charged to expense when incurred. Betterments and renewals are capitalized. Assets dedicated or donated to the System are recorded at fair market value at the time of donation. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in the change in net assets.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The System's significant financial instruments are cash, cash equivalents, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Meter Deposits

Members' meter deposits are recorded as a restricted liability and are refundable upon termination of membership.

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Compensated Absences

Compensated absences for vacation and sick leave do not accrue. Annual leave must be taken during the year following the employee's anniversary date or it is lost. The cost of leave privileges is recognized as a current year expense when leave is actually taken.

Use of Estimates

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

Income Taxes

The System is exempt from federal and state income taxes under IRS Code Section 501 (c) (12). Accordingly, there is no provision for income taxes in these financial statements. The System's federal Exempt Organization Business Income Tax Returns (Form 990) for 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

2. CASH AND CASH EQUIVALENTS

The System has cash and cash equivalents (book balances) at December 31 as follows:

	2022	2021
Interest-bearing demand deposits	\$ 1,027,257	\$ 414,559

The System has concentrated its credit risk for cash by maintaining deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). At December 31, 2022, the System had \$1,037,313 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and by \$787,313 of pledged marketable securities held by the custodial bank with a value of \$1,265,363.

3. RECEIVABLES

Receivables at December 31, 2022, are as follows:

		2022		2021
Water sales	\$	83,072	\$	78,265
Less allowance for bad debts		(13,636)		(10,452)
Total Accounts Receivable	\$	69,436	\$	67,813

The accounts receivable balance is comprised of approximately 2,405 metered accounts, 2,287 residential and 118 commercial, with an average monthly balance of \$33 per account.

North DeSoto Water System, Inc.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

3. RECEIVABLES (continued)

The allowance for bad debts is based on a percentage of aged receivables over 120 days. An aging of accounts receivable at December 31, 2022, is as follows:

Current	\$ 69,436
31-60 days	(1,134)
61-90 days	504
91-120 days	1,262
over 120 days	13,004
Allowance	<u>(13,636)</u>
Total	<u>\$ 69,436</u>

All the accounts receivables are due from customers in the North DeSoto Parish area. The System's ability to collect the amounts due from customers is affected by economic fluctuations in this geographical area.

4. RESTRICTED ASSETS

Under the terms of the notes payable agreement with CoBank ACB, the System is required to set aside funds which are restricted to servicing the notes payable. There are two loan agreements with CoBank. The first is a multiple advance term promissory note for \$1,000,000 that requires a debt service reserve of \$37,000. The second is a single advance term promissory note with an original amount of \$474,000 that requires a debt service reserve of \$14,000. The restricted amounts at December 31, 2022 for the CoBank loan agreements are \$51,000.

Members are required to pay a meter deposit in the amount of \$50 that is recorded as a restricted liability entitled "meter deposits." The System deposits currently collects meter deposits into a restricted cash account. Upon termination of membership, the deposit is applied to any unpaid account balance with the remaining amount, if any, refunded to the withdrawing member within a reasonable period of time. The amount of member meter deposits was \$122,400 and \$117,600 as of December 31, 2022 and 2021, respectively.

Restricted assets at December 31, 2022, are comprised of:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ <u>173,400</u>	\$ <u>168,600</u>

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

5. FIXED ASSETS

Fixed assets consist of the following at December 31, 2022:

	Restated 2021	Additions	Deletions/ Reclassifications	2022
Nondepreciable				
Land	\$ 72,292	-	-	\$ 72,292
Construction in progress	136,880	247,210	(283,001)	101,089
Total nondepreciable assets	<u>209,172</u>	<u>247,210</u>	<u>(283,001)</u>	<u>173,381</u>
Depreciable				
Buildings	204,412	37,944	-	242,356
Wells and lines	4,318,653	283,001	-	4,601,654
Equipment and machinery	569,413	75,538	(4,425)	640,526
Vehicles	177,458	-	(25,661)	151,797
Furniture and fixtures	6,560	-	-	6,560
Right-of-Use Assets	383,512	-	-	383,512
Total depreciable assets	<u>5,660,008</u>	<u>396,483</u>	<u>(30,086)</u>	<u>6,026,405</u>
Total assets	<u>5,869,180</u>	<u>643,693</u>	<u>(313,087)</u>	<u>6,199,786</u>
Less accumulated depreciation	(2,299,267)	(229,176)	29,903	(2,498,540)
Less accumulated amortization ROU	(27,472)	(7,389)	-	(34,861)
Net property and equipment	<u>\$ 3,542,441</u>	<u>414,517</u>	<u>(283,184)</u>	<u>\$ 3,666,385</u>

Depreciation expense for December 31, 2022 and 2021 is \$229,176 and \$208,570, respectively. Amortization expense on Right of Use Assets for December 31, 2022 and 2021 is \$7,389 and \$8,100, respectively.

6. PER DIEM PAID TO BOARD MEMBERS

The System's Board of Directors consists of five members who serve the entity. The directors do not receive any compensation for their services.

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

7. NOTES PAYABLE

The System was constructed primarily with funds provided by the Farmers Home Administration of the United States Department of Agriculture and other entities as needed.

These funds are represented by the following notes payable:

	2022	2021
\$108,087 payable to Ditch Witch Financial Services dated July 19, 2018, due in monthly installments of \$2,435.66 beginning April 14, 2018, including interest at 3.90% due May, 2022 for a boring machine	-	9,731
\$36,000 payable to Community Bank of Louisiana dated October 30, 2019, due in monthly installments of \$1,075.23 beginning December 1, 2019, including interest at 4.75% due November, 2022 for a 2019 Ford F-250 truck	-	11,572
\$474,000 payable to CoBank, ACB. dated April 24, 2020, due in monthly installments of \$2,687.73 beginning July, 2020, including interest at 3.2% due April, 2040	429,542	447,741
\$500,000 payable to CoBank, ACB. dated April 24, 2020, due in monthly installments of \$3,225.70 beginning May, 2022, including interest at 4.65% due May, 2042	\$ 489,839	\$ -
	919,381	469,044
Less portion considered current	(34,708)	(39,502)
Total long-term liabilities	\$ 884,673	\$ 429,542

The annual requirements to amortize all long term debt as of December 31, 2022, are as follows:

Year	Principal	Interest	Total
2023	34,708	36,255	70,963
2024	36,022	34,943	70,965
2025	37,516	33,451	70,967
2026	39,009	31,960	70,969
2027	40,563	30,408	70,971
2028-2032	228,382	126,511	354,893
2033-2037	278,217	76,759	354,976
2038-2042	224,964	19,569	244,533
	\$ 919,381	\$ 389,856	\$ 1,309,237

Fixed assets of the System (including gross income and revenue to be derived from the operation of the System) are pledged as collateral to secure the mortgages with CoBank ACB.

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

7. NOTES PAYABLE (continued)

The loan agreements contain various restrictive covenants among which include maintenance of restricted cash funds at specified amounts, required amounts of insurance coverage and limitations on additional borrowings. CoBank ACB requires the System to establish reserves and make monthly payments in order to satisfy payments on outstanding loans.

CoBank requires amounts per month for the 2020 loan for the Revenue Note Fund. A total of the reserve for the CoBank loan is required to be funded until at an amount sufficient to pay one annual installment of \$14,000 is on deposit. The System has fully funded their Revenue Note Fund.

8. LEASE COMMITMENTS

As disclosed in Note 1, North DeSoto Water System, Inc. adopted FASB ASC 842 during the year. Under ASC 842, a contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. The System has entered into seven right-of-use leases with property owners in the System that were determined to be operating leases. The purpose of these leases is to acquire land to drill and operate water wells, construct pipelines and other necessary structures to obtain water, and manage the water system. These leases have cancellation provisions and are subject to annual appropriations.

Total operating lease liability	\$	348,651
Less current portion		(7,402)
Long-term debt	\$	<u>341,249</u>

Maturities of operating lease liabilities as of December 31, 2022:

Year	Principal	Interest	Total
2023	7,402	598	8,000
2024	7,415	585	8,000
2025	7,427	573	8,000
2026	7,440	560	8,000
2027	7,453	547	8,000
2028-2038	82,840	5,160	88,000
2039-2049	84,430	3,570	88,000
2050-2070	144,244	2,356	146,600
	\$ <u>348,651</u>	\$ <u>13,949</u>	\$ <u>362,600</u>

9. OTHER COMMITMENTS

As of December 31, 2022, pursuant to an agreement with CoBank ACB, the System has an available lines of credit for \$1,000,000. \$500,000 was outstanding at the time these financial statements were available to be issued. CoBank ACB requires amounts per month for the 2020 line of credit for the Revenue Note Fund. A total of the reserve for the CoBank line of credit is required to be funded until at an amount sufficient to pay one annual installment of \$37,000 is on deposit. The System has fully funded their Revenue Note Fund.

North DeSoto Water System, Inc.
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021

10. SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE) IRA PLAN

The system has established a Savings Incentive Match Plan for Employees of Small Employers. Employer contributions under this plan shall be equal to each eligible employee's contribution up to a limit of the lesser of 3% of the employee's compensation for the calendar year of \$600. To participate in the Plan, the employee must reasonably expect to earn at least \$5,000 in annual compensation. The Company may reduce the 3% limit to 1% if the limit is not reduced more than two calendar years during the five-year period ending with the calendar year in which the reduction is effective, and each employee is notified of the reduced limit within a reasonable period before the employee's 60-day election period for the calendar year. The System makes annual contributions under this Plan. The System made contributions of \$9,342 and \$6,803 to the Plan for the years ended December 31, 2022 and 2021.

11. CAPITAL STOCK

The System does not have capital stock. Membership in the System is represented by membership certificates. Such certificates represent the right to use and enjoy the benefits of the System's water supply upon the payment of necessary assessments, if any, and of reasonable charges based on such use, provided such use and enjoyment are consistent with the rules, regulations, and contracts affecting the same as may from time to time be prescribed by the Board of Directors. (Per Article VI of the by-laws of the System).

12. GRANT REVENUE / COOPERATIVE ENDEAVOR AGREEMENT

During the year ended December 31, 2020, the System received a Community Water Enrichment Fund grant in the amount of \$16,125 from the Louisiana Office of Community Development and American Rescue Plan Funds in the amount of \$169,850. These were a pass-through, grants received by the Town of Stonewall and transferred to the Water System. The CWF grant was a reimbursable grant used for the upgrade of the electronics at the North Station. The ARP funds were used for upgrades at the Baker Road Booster Station.

13. RELATED PARTY

Per Note 12, the System received pass-through grants from the Town of Stonewall for development. The boundaries of the Water System include all of Stonewall town limits. The Water System's board Chairman, Randy Rodgers, was the Mayor of Stonewall whose term expired June 30, 2022.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

North DeSoto Water System, Inc. has \$923,295 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$853,859 and trade accounts receivable of \$69,436.

15. SUBSEQUENT EVENTS

The System has evaluated subsequent events through June 27, 2023, the date which the financial statements were available to be issued. There are no subsequent events that require disclosure.

SUPPLEMENTARY INFORMATION

North DeSoto Water System, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
For the years Ended December 31, 2022 and 2021

GENERAL OPERATING EXPENSES:	2022	2021
Auto and Truck	\$ 21,905	\$ 17,245
Conferences, seminars, and travel	290	-
Depreciation	229,176	208,570
Dues and subscriptions	1,807	9,680
Insurance	26,985	16,672
Interest	32,434	3,506
Office expense	19,158	19,718
Professional fees	56,739	36,869
Leases	8,000	8,600
Repairs and maintenance	58,058	94,966
Meter expense	32,406	10,016
Miscellaneous	6,851	14,734
Supplies	84,254	42,695
Salaries and wages	228,540	227,757
Employee benefits	45,902	45,462
Payroll taxes	18,037	17,806
Utilities	98,872	82,156
Uniforms	2,259	904
TOTAL GENERAL OPERATING EXPENSES	\$ 971,673	\$ 857,356

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

NORTH DESOTO WATER SYSTEM, INC.
SCHEDULE OF RATES
December 31, 2022

Effective February , 2015	<u>Usage</u>	<u>Base</u>	<u>Per Additional 1,000 Gallons</u>
Residential:	0-2000 Gallons	\$ 17.75	
	3000-8000 Gallons		\$ 3.25
	9000 Gallons and up		\$ 3.55
Commercial:	0-10,000 Gallons	\$ 37.25	
	11,000 Gallons and up		\$ 3.25
Bulk:	\$1.50 per 100 gallons		
	\$15 per 1000 gallons		

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

NORTH DESOTO WATER SYSTEM, INC.
BOARD OF DIRECTORS
December 31, 2022

		<u>Term Expires</u>
Mr. Randy Rodgers 173 Lee Lane Stonewall, Louisiana 71078 318-294-1331	President	2023
Mr. Steve Chandler 274 Douglas Drive Stonewall, Louisiana 71078 318-925-9265	Vice-President	2024
Mr. Mark Welch 266 Hall Road Stonewall, Louisiana 71078 318-426-1707	Secretary-Treasurer	2024
Mr. Kirk Dickson 282 Chapparal Frierson, Louisiana 71027 318-455-4263	Director	2025
Mr. Buford Huff 581 Rambin Road Stonewall, Louisiana 71078 318-925-2733	Director	2023

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

NORTH DESOTO WATER SYSTEM, INC.
SCHEDULE OF INSURANCE
December 31, 2022

Coverage	Inception Date	Expiration Date	Limits of Liability		Deductible Amount
<u>Business Automobile Combined Limit</u>	4/1/2022	4/1/2023	\$ 1,000,000	Each person	\$ 500
Auto Medical			\$ 5,000	Each person	\$ 500
Uninsured/Underinsured Motorist			\$ 1,000,000	Each accident	\$ 500
Hired/Non-owned			\$ 1,000,000	Each accident	\$ 500
Hired Physical Damage			\$ 50,000	Each accident	\$ 500
<u>Commercial General Liability</u>	4/1/2022	4/1/2023			
Personal Injury and Advertising Injury			\$ 1,000,000	Per Occurrence	\$ 0 per occurrence
General Aggregate			\$ 3,000,000	Aggerate per Coverage	
Products--Completed Operations			\$ 3,000,000	Aggregate	
Damage To Premises Rented to You			\$ 1,000,000	Any One Premises	
Medical Expense			\$ 10,000	Per Accident	
<u>Public Officials & Management Liability</u>	4/1/2022	4/1/2023			
Aggregate Limit			\$ 3,000,000		\$ 1,000
Wrongful Acts/Employee Practices/Employee Benefit Plans			\$ 1,000,000	Per Occurrence	\$ 1,000
Action for Injunctive Relief			\$ 5,000	Per Occurrence	\$ 1,000
<u>Commercial Crime</u>	4/1/2022	4/1/2023			
Employee Theft			\$ 100,000	Per Occurrence	\$ 1,000
Forgery or Alteration			\$ 100,000	Per Occurrence	\$ 1,000
Theft of Money, Securities,			\$ 100,000	Inside Per Occurrence	\$ 1,000
Robbery/Safe Burglary			\$ 5,000	Inside Per Occurrence	\$ 1,000
Crime outside the Premises			\$ 100,000	Per Occurrence	\$ 1,000
Computer Fraud			\$ 100,000	Per Occurrence	\$ 1,000
Funds Transfer Fraud			\$ 100,000	Per Occurrence	\$ 1,000
Money Orders			\$ 100,000	Per Occurrence	\$ 1,000
<u>Property and Contents</u>	4/1/2022	4/1/2023			
Personal Property			\$ 47,300	\$10,000 per unscheduled item	\$ 1,000
			\$ 213,642	Per scheduled property value	\$ 1,000
Real Property			\$ 1,227,677	Real & Business Personal Blanket Limit	\$1,000 < 50,000 ft \$2,500 > 50,000 ft
			\$ 500,000	Coverage Extension Blanket	
Borrowed, Rented, or Leased			\$ 100,000		\$ 1,000
<u>Workmen's Compensation</u>	4/1/2022	4/1/2023	\$ 1,000,000	Each accident	
			\$ 1,000,000	Disease policy limit	
			\$ 1,000,000	Disease each employee	

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



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

122 Jefferson Street

Maura Dees Gardner, CPA, CFE

Mansfield, Louisiana

Phone No. 318-872-3007

Fax No. 318-872-1357

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 Directors
North DeSoto Water System, Inc.
Stonewall, Louisiana

We have audited, 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, the financial statements of North DeSoto Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of and for the year ended December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2023. The financial statements for the year ended December 31, 2021 were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance for that year.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North DeSoto Water System, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.

This report is intended solely for the information and use of the North Desoto Water System, Inc., management, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report which is a matter of public record in accordance with Louisiana Revised Statute 44.6 and is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 24:513.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 27, 2023

NORTH DESOTO WATER SYSTEM, INC.
Stonewall, Louisiana
Schedule of Findings and Responses
December 31, 2022

None.

NORTH DESOTO WATER SYSTEM, INC.
Stonewall, Louisiana
Schedule of Prior Years' Findings
December 31, 2022

Schedule of Prior Years' Findings

None.