

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

FINANCIAL REPORT

For the year ended December 31, 2025

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

December 31, 2024

Table of Contents

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		2-4
Required Supplementary Information		
Management's Discussion and Analysis		6-9
Basic Financial Statements		
Statement of Net Position	A	11
Statement of Revenues, Expenses, and Changes in Net Position	B	12
Statement of Cash Flows	C	13
Notes to the Financial Statements		15-26
Required Supplementary Information Part II	<u>Schedule</u>	
Schedule of Proportionate Share of Net Pension Liability	1	28
Schedule of Employer Pension Contributions	2	29
Notes to Required Supplementary Information Part II		30
Supplementary Information		
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	3	32
Schedule of Water Rates	4	33
Schedule of Insurance Coverage	5	34
Other Reporting Required by Government Auditing Standards		
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		36-37
Schedule of Findings		38-39
Summary Schedule of Prior Audit Findings		40
Management's Responses to the Audit Findings		41
Report on Other Legal and Regulatory Requirements		
Independent Accountant's Report on Applying Agreed Upon Procedures		43-49
Independent Accountant's Report on Compliance Examination Engagement		50-51



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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Waterworks District No. 1 of DeSoto Parish,
State of Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Waterworks District No. 1 of DeSoto Parish, State of Louisiana (the District) a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility 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 opinions. 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 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt the District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information listed in the table of contents as Required Supplementary Information Part I and Part II be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The information listed in the table of contents as Supplementary Information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 30, 2026, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 30, 2026, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

In accordance with the requirements of the Uniform Guidance, we have issued a report, dated June 30, 2026, on the results of our examination engagement performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the results of the examination on the compliance requirements for an Alternative SLFRF Compliance Examination for Recipients that would otherwise be required to undergo a Single Audit as a result of receiving SLFRF awards.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana

June 30, 2026

REQUIRED SUPPLEMENTARY INFORMATION PART 1

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the year ended December 31, 2025

As management of Waterworks District No. 1 of DeSoto Parish, State of Louisiana, (hereafter referred to as the "District") we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the year ended December 31, 2025. This document focuses on the current year's activities, resulting changes, and currently known facts. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

FINANCIAL HIGHLIGHTS

- The District experienced an increase in its net position of \$1,924,172 (10.83%) during the year ended December 31, 2025 compared to an increase of \$2,627,809 (17.35%) for the prior year due to the current expansion of the water treatment plant.
- Operating revenues increased \$228,587 (12.29%) from \$1,860,508 in 2024 to \$2,089,095 for the year ended December 31, 2025.
- Operating expenses increased \$349,900 (12.67%) for the year ended December 31, 2025, to \$3,110,633 from \$2,760,733 during the prior year.
- Nonoperating revenues decreased \$582,324 (16.51%) from \$3,528,034 in 2024 to \$2,945,710 for the year ended December 31, 2025. This decrease is primarily the result of receiving \$476,520 less in grant funds during the current year.
- Levied ad valorem taxes decreased \$39,343 (4.33%) to \$868,803 in 2025 compared to \$908,146 for year ended December 31, 2024.
- As of December 31, 2025, the assets of the District exceeded its liabilities by \$19,697,062. Of this amount, \$488,190 or 2.48% is reported as "unrestricted net position" and represents the amount available to be used to meet the District's ongoing obligations to customers and citizens of DeSoto Parish. This compares to \$108,293 or 0.61% available at December 31, 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was created by the DeSoto Parish Police Jury (the DPPJ) as a political subdivision of the parish and state of Louisiana. The District was determined to be a component unit of the DPPJ because the DPPJ created the District and appoints the members to the governing board of commissioners. The District's sole activity is a business-type activity, and is, therefore, required to report as a proprietary fund. This business-type function is normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the District is the development and operation of a public water system within the boundaries of the District which comprises all of DeSoto Parish, Louisiana except for the city limits of the City of Mansfield, Louisiana.

The minimum requirements for the District's basic financial statements established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements--and Management's Discussion and Analysis—for State and Local Governments* consists of three sections—1) Management's Discussion and Analysis (this section) 2) the basic financial statements (including the notes to the financial statements), and 3) required supplementary information.

The required basic financial statement components are described below:

Basic Financial Statements

- The Statement of Net Position presents all of the District's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the District's net

position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some of the revenues and some expenses that are reported in this statement will not result in cash flows until future years.
- The purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of any entity during a period. Together with other information this will help the user assess the District's ability to generate future net cash flows and meet future obligations as they become due.
- The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. The notes to the financial statements can be found immediately following the three basic financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information concerning the District's pension plan contributions.

Other Supplementary Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented to fulfil the requirements of Louisiana Revised Statute 24:513(A)(3). Schedule of Water Rates and Schedule of Insurance Coverage is required by the District's bond covenants.

FINANCIAL ANALYSIS OF ENTITY

Net Position

The District's net position totaled \$19,697,062 and \$17,772,890 at December 31, 2025 and 2024, respectively.

At December 31, 2025, \$18,879,004 (95.85%) of the District's net position reflects the District's net investment in capital assets. This amount is comprised of capital assets with an historical cost of \$36,045,389, less accumulated depreciation of \$13,172,385, and less associated debt of \$3,994,000. The District uses these capital assets to provide water services to customers and residents of DeSoto Parish.

The District also has \$329,868 (1.67%) of net position restricted for debt.

The other portion of the District's net position, \$488,190 (2.48%) is unrestricted and may be used to meet the District's ongoing obligations to customers, citizens of DeSoto Parish, and creditors at the discretion of the board of commissioners.

The following table provides a summary of the District's net position:

Statements of Net Position		
December 31,		
	2025	2024
Assets		
Current assets	\$ 1,535,575	\$ 1,789,327
Noncurrent assets	95,284	800
Capital assets, net	22,873,004	21,951,597
Total Assets	24,503,863	23,741,724
Deferred Outflows of Resources	114,130	248,251
Liabilities		
Current liabilities	616,362	1,532,999
Noncurrent liabilities	4,216,731	4,646,292
Total Liabilities	4,833,093	6,179,291
Deferred Inflows of Resources	87,838	37,794
Net Position		
Net Investment in capital assets	18,879,004	17,664,597
Restricted for Debt	329,868	-
Unrestricted	488,190	108,293
Total Net Position	\$ 19,697,062	\$ 17,772,890

Changes in Net Position

The District's net position increased \$1,924,172 (10.83%) and increased \$2,627,809 (17.35%) during the years ended December 31, 2025 and 2024, respectively.

Statements of Activities		
For the years ended December 31,		
	2025	2024
Operating revenues:		
Charges for services	\$ 2,089,095	\$ 1,860,508
Total operating revenue	2,089,095	1,860,508
Operating expenses:		
Payroll and personnel	1,161,570	1,020,091
General operating expenses	1,949,063	1,740,642
Total expenses	3,110,633	2,760,733
Operating income (loss)	(1,021,538)	(900,225)
Nonoperating revenues (expenses):		
Ad valorem taxes	868,803	908,146
State and local grants	2,183,381	2,659,901
Other	(106,474)	(40,013)
Total nonoperating revenues (expenses)	2,945,710	3,528,034
Change in net position	1,924,172	2,627,809
Net position-beginning	17,772,890	15,145,081
Net position-ending	\$ 19,697,062	\$ 17,772,890

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's net investment in capital assets as of December 31, 2025, totaled \$36,045,389, net of accumulated depreciation of \$13,172,385, leaving a book value of \$22,873,004. This investment in capital assets consists of land, buildings, equipment, and the water system. Depreciation charges for the year 2025 totaled \$668,604 compared to \$669,088 for the prior year.

During the year, the District had asset acquisitions consisting of a pump and continued work on a water treatment plant expansion for a total of \$1,590,011.

Debt

At year end, the District had long-term debt totaling \$3,994,000. This debt funding is for the water treatment plant expansion referenced above. Additionally, the District has long-term obligations for employee and retiree pension benefits and employee compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

1. The District's operating revenues should remain stable year over year.
2. Slight increase in costs for supplies and labor.
3. Stable repairs and maintenance expenses.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the District and seeks to demonstrate 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 DeSoto Parish Waterworks District No. 1, 320 Liberty Lane, Grand Cane, LA 71032 or by phone 318-872-0004.

BASIC FINANCIAL STATEMENTS

Statement A**WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana****STATEMENT OF NET POSITION
December 31, 2025****ASSETS**

Cash and cash equivalents	\$	244,727
Restricted cash and cash equivalents		35,876
Accounts receivable		1,157,234
Prepaid expenses		97,738
Capital assets, net of depreciation		22,873,004
Deposits		800
Net pension benefit		94,484
TOTAL ASSETS		24,503,863

DEFERRED OUTFLOWS OF RESOURCES

Pension related	114,130
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LIABILITIES

Accounts payable and other current liabilities	535,469
Payroll related liabilities	30,374
Accrued interest payable	50,519
Bonds payable due within one year	296,000
Due in more than one year:	
Bonds payable	3,698,000
Compensated absences	66,496
Customer deposits	156,235
TOTAL LIABILITIES	4,833,093

DEFERRED INFLOWS OF RESOURCES

Pension related	87,838
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NET POSITION

Net investment in capital assets	18,879,004
Restricted for debt	329,868
Unrestricted	488,190
TOTAL NET POSITION	\$ 19,697,062

The accompanying notes are an integral part of this statement.
See the accompanying independent auditor's report.

Statement B

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

OPERATING REVENUE

Charges for services	\$ 2,089,095
Total operating revenue	<u>2,089,095</u>

OPERATING EXPENSES

Payroll and personnel	1,161,570
General operating expenses	203,715
Repairs and maintenance	255,352
Materials and supplies	821,392
Depreciation	668,604
Total operating expenses	<u>3,110,633</u>

Operating income (loss) (1,021,538)

NONOPERATING REVENUES (EXPENSES)

Ad valorem taxes	868,803
State and local grant funds	2,183,381
Interest income	17,081
Interest expenses	(123,555)
Total nonoperating revenues (expenses)	<u>2,945,710</u>

Change in net position 1,924,172

Net position, beginning of year 17,772,890

Net position, end of year \$ 19,697,062

The accompanying notes are an integral part of this statement.
See the accompanying independent auditor's report.

Statement C

**WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
STATEMENT OF CASH FLOWS
For the year ended December 31, 2025**

Cash flow from operating activities:	
Receipts from customers	\$ 2,072,694
Cash payments to suppliers for goods and services	(2,288,779)
Cash payments to employees for services	(1,201,600)
Net cash used in operating activities	<u>(1,417,685)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,590,012)
Ad Valorem tax receipts	910,022
Principal paid on long-term debt	(293,000)
Interest paid on long-term debt	(125,595)
Grant funds received	2,074,369
Net cash used in capital and related financing activities	<u>975,784</u>
Cash flows from investing activities:	
Interest income	17,081
Net cash from investing activities	<u>17,081</u>
Net change in cash and cash equivalents:	(424,820)
Cash and cash equivalents, beginning of year	705,423
Cash and cash equivalents, end of year	<u>\$ 280,603</u>
Reconciliation of Cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 244,727
Restricted cash and cash equivalents	35,876
Total Cash and cash equivalents	<u>\$ 280,603</u>
Reconciliation of operating income to cash used in operating activities:	
Operating loss	\$ (1,021,538)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	668,604
(Increase) Decrease in prepaid expenses	(95,761)
(Increase) Decrease in accounts receivable	(7,514)
(Increase) Decrease in net pension asset	(94,484)
(Increase) Decrease in deferred outflows of resources	134,121
Increase (Decrease) in accounts payable	(912,559)
Increase (Decrease) in meter deposits	(8,887)
Increase (Decrease) in payroll related liabilities	(54,596)
Increase (Decrease) in compensated absences	3,436
Increase (Decrease) in deferred inflows of resources	50,044
Increase (Decrease) in net pension liability	(78,551)
Net cash flows from operating activities	<u>\$ (1,417,685)</u>

The accompanying notes are an integral part of this statement.
See the accompanying independent auditor's report.

NOTES TO THE FINANCIAL STATEMENTS

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

INTRODUCTION

In accordance with Louisiana revised statute 33:3811, the DeSoto Parish Police Jury (the DPPJ) established Waterworks District No. 1 of DeSoto Parish, State of Louisiana (the District) by ordinance number 69-8 on June 11, 1969, for the purpose of the development and operation of a public water system within the boundaries of the District which comprises all of DeSoto Parish, Louisiana except for the land area within the city limits of the City of Mansfield, Louisiana. The District is a political subdivision of the Parish and the State of Louisiana and is governed by a board of nine (9) commissioners who serve terms of six (6) years. Five of the nine commissioners are appointed by the DPPJ.

The District is considered a component unit of the DPPJ because it is the governing authority of the parish and it appoints a voting majority of the District's board of commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the DPPJ, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Measurement Focus

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with these principles.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (enterprise fund type). GASB No. 34, paragraph 66 indicates that reporting should focus on determining operating income, changes in net position (or cost recovery), financial position, and cash flows. GASB No. 34, paragraph 91 lists the following required financial statements for an enterprise fund type: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, and 3) statement of cash flows.

The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Application of the accrual basis of accounting may, at times, require use of certain private sector standards issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989. In determining which of those standards to apply, the District follows the guidance included in GASB Statement No. 62- *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA*.

Operating revenues are those revenues that are generated from the primary operations of the District. All other revenues are reported as general revenues. Operating expenses are those expenses that are essential to the primary operations of the District.

Revenue Recognition

Revenues are recognized using the full-accrual basis of accounting, therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis, therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents includes amounts on deposit with the Louisiana Asset Management Pool (LAMP), a local government investment pool.

Certain cash and cash equivalents of the District are classified as restricted assets on the Statement of Net Position because their use is limited by applicable state laws, regulations, or contractual agreements.

1. Customer meter deposits: Under guidelines established by the Louisiana Legislative Auditor (LLA) and public trust frameworks, the District maintains a separate, restricted bank account dedicated exclusively to customer utility security deposits. These funds are held in trust by the District and are refundable to customers upon termination of service or utility account closure. In accordance with GASB Statement No. 34, these funds are restricted from use in general utility operations and must be maintained at a level equal to the corresponding customer meter deposit liability.
2. Bond sinking fund: In accordance with terms of the Water Revenue Bonds, Series 2021 and 2022 and resolutions made by the District with Sabine State Bank and Louisiana Public Facilities, the District is required to make monthly payments at a rate of 1/6th of the next interest payment and 1/12th of the next principal payment due on or before the 20th of each month. These funds are restricted from use in general utility operations and are to be used to pay the semi-annual bond interest and annual bond principal payments.

The Louisiana Asset Management Pool is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible accounts receivable is recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Ad valorem taxes receivable is considered to be fully collectible, and no allowance for uncollectibles is considered necessary. Water services are cut off if payments are not received within one month. As a result, there were no material uncollectible water service fees at December 31, 2025. At December 31, 2025, the District's accounts receivable consists of ad valorem taxes due, grants receivable, and water services fees due.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2025, are recorded as prepaid expenses.

Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the District is charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Net Position. Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs, and minor renewals are charged to expenses as incurred. Major expenditures for renewals and betterments are capitalized.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the Parochial Employees' Retirement System of Louisiana (the System) additions to/deductions from the System fiduciary net positions have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Compensated absences

The District's recognition and measurement criteria for compensated absences follows GASB Statement No. 101 which was adopted during the year. The District recognizes a liability for compensated absences for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The District has the following policies relating to leave:

Employees earn 40 hours of vacation leave in their first year and 80 hours of vacation leave in subsequent years. Vacation leave can roll over with no cap and is paid out upon termination of employment.

Employees earn 40 hours of sick leave per year and may accumulate up to 160 hours. Employees can sell up to 40 hours of sick leave each year if available.

Net Position

GASB No. 34, paragraph 98 requires net position to be reported in the following three components:

1. Investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets. At December 31, 2025, the District had long-term debt balances of \$3,994,000.
2. Restricted net position – net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation. At December 31, 2025, the District had restricted balances of \$329,868.
3. Unrestricted net position – all other net position is reported in this category.

The District typically uses restricted funds first, followed by unrestricted funds when an expenditure is incurred for purposes for which amounts in either of these classifications could be used.

Estimates

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

2. CASH AND CASH EQUIVALENTS

At December 31, 2025, the District had cash and cash equivalent (book balances) totaling \$280,603. Cash and cash equivalent bank balances include \$402,622 in demand deposit accounts and \$65,393 on deposit with LAMP.

Certain cash and cash equivalents of the District are classified as restricted assets on the Statement of Net Position because their use is limited by applicable state laws, regulations, or contractual agreements. As of December 31, 2025, the District has unfunded restricted assets for customer deposits and bond sinking fund requirements. This deficit occurred because sufficient operating revenues were not transferred from unrestricted cash accounts to meet the contractually restricted cash requirements. At December 31, 2025, the restricted cash balance was \$35,876, total restricted cash deficit was \$293,992. The total restricted cash deficit calculation is summarized as follows:

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

2. CASH AND CASH EQUIVALENTS (continued)

	Restricted Assets	Related Liabilities	Restricted Cash Deficit
Bond sinking fund requirements	\$ 13,730	\$ 173,633	\$ (159,903)
Customer deposits	22,146	156,235	(134,089)
Total	<u>\$ 35,876</u>	<u>\$ 329,868</u>	<u>\$ (293,992)</u>

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2025, the District's bank balance totals of \$402,622 and are secured from risk by \$250,000 of FDIC insurance and \$152,622 of pledged securities with a market value of \$540,891. Deposits with LAMP are not required to have pledging.

3. ACCOUNTS RECEIVABLE

The accounts receivable of \$1,157,234 at December 31, 2025, are comprised as follows:

Ad valorem	\$ 837,065
Water sales	211,157
Grants receivable	109,012
Total accounts receivable	<u>\$ 1,157,234</u>

4. LEVIED TAXES

The District levies taxes on real and business property located within the boundaries of DeSoto Parish. Property taxes are levied by the District on property values assessed by the DeSoto Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The DeSoto Parish Sheriff's office bills and collects property taxes for the District. Collections are remitted to the District monthly. The District recognizes property tax revenues when levied.

The property tax calendar:

Assessment date	January 1, 2025
Levy date	June 30, 2025
Tax bills mailed	October 15, 2025
Total taxes are due	December 31, 2025
Penalties & interest added	January 31, 2026
Tax sale	May 15, 2026

The District has authorized ad valorem tax millage of 1.060 mills and levied taxes of 1.060 mills for 2025. This tax is dedicated for the purpose of maintaining, operating and improving the District's waterworks system, including property, equipment and facilities necessary therefor. This tax expires in 2027. Revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2024. Total assessed value for the District was \$864,457,233 for the year ending December 31, 2025. The District recognized \$868,803 in ad valorem tax revenues for the year ending December 31, 2025.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

4. LEVIED TAXES (continued)

Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption reduced ad valorem taxes by \$47,521 in 2025. The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Applications to exempt qualified property for five years are approved by the Louisiana Economic Development's Board of Commerce and Industry. The exemption may be renewed for an additional five years. Under agreements entered into by the State of Louisiana, through the Louisiana Industrial Ad Valorem Tax Exemption program, the District's ad valorem tax revenues were reduced by \$15,441 for the fiscal year ending December 31, 2025.

The following are the principal taxpayers for the District (2025 amounts):

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
EXPAND ENERGY CORPORATION	Oil & Gas	\$ 146,931,156	17.00%	\$ 147,696
INTERNATIONAL PAPER CO	Manufacturing	94,231,677	10.90%	94,699
COMSTOCK OIL & GAS	Oil & Gas	73,516,610	8.50%	73,848
DTM LOUISIANA GAS GATHERING, LLC	Oil & Gas	34,321,665	3.97%	34,491
ENTERPRISE GATHERING L.L.C.	Oil & Gas	30,926,307	3.58%	31,103
ENABLE MIDSTREAM PARTNERS LP	Oil & Gas	27,759,940	3.21%	27,888
LOUISIANA MIDSTREAM GAS SVCS, LLC	Oil & Gas	24,816,392	2.87%	24,935
ACADIAN GAS PIPELINE SYSTEM	Oil & Gas	20,019,500	2.32%	20,156
DTM LEAP GAS GATHERING, LLC	Oil & Gas	19,736,908	2.28%	19,809
TGG PIPELINE LTD	Oil & Gas	17,009,189	1.97%	17,115
Total		<u>\$ 489,269,344</u>	<u>56.60%</u>	<u>\$ 491,740</u>

5. CAPITAL ASSETS

A summary of the District's capital assets at December 31, 2025 follows:

	Balance 1/1/2025	Additions	Disposals/ Reclass	Balance 12/31/2025
Capital assets not being depreciated:				
Land	\$ 65,438	\$ -	\$ -	\$ 65,438
Construction in progress	8,956,161	1,588,224	-	10,544,385
Total	<u>9,021,599</u>	<u>1,588,224</u>	<u>-</u>	<u>10,609,823</u>
Capital assets being depreciated:				
Buildings and building improvements	329,773	-	-	329,773
Machinery, equipment, & vehicles	556,375	1,787	-	558,162
Water system	24,547,631	-	-	24,547,631
Total	<u>25,433,779</u>	<u>1,787</u>	<u>-</u>	<u>25,435,566</u>
Less accumulated depreciation for:				
Buildings and building improvements	115,867	8,244	-	124,111
Machinery, equipment, & vehicles	399,635	36,670	-	436,305
Water system	11,988,279	623,690	-	12,611,969
Total accumulated depreciation	<u>12,503,781</u>	<u>668,604</u>	<u>-</u>	<u>13,172,385</u>
Total capital assets, net	<u>\$ 21,951,597</u>	<u>\$ 921,407</u>	<u>\$ -</u>	<u>\$ 22,873,004</u>

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

6. ACCOUNTS PAYABLE

The accounts payable of \$535,469 at December 31, 2025, are comprised as follows:

Trade payables	\$	38,617
Retainage payables		496,852
Total accounts payable	\$	<u>535,469</u>

7. PENSION PLAN

Plan description. Full-time employees of the District are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A. The System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2025, specifically, and other general laws of the State of Louisiana.

Eligibility Requirements: All permanent employees working at least 28 hours per week are eligible to participate in the System on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. As of January, 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Retirement Benefits: 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.

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

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

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

Survivor Benefits: Upon the death of any member of Plan A with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. A surviving spouse who is not eligible for Social Security survivorship or retirement benefits and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan: Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date. For

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

7. PENSION PLAN (continued)

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

Disability Benefits: A member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or three percent multiplied by years of service assuming continued service to age 60 for those members who are enrolled prior to January 1, 2007 and to age 62 for those members who are enrolled January 1, 2007 and later.

Cost of Living Increases: The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on the member's retirement date. Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. Lastly, ACT 270 of 2009 provided for further reduced actuarial payments to provide a cost of living increase up to 2.5% cost of living adjustment commencing at age 55.

Contributions

As provided by R.S. 11:103, the employer contributions are actuarially determined each year. For the year ended December 31, 2024, the actuarially determined contribution rate was 7.34% of member's compensation for Plan A. The actual rate for the fiscal year ending December 31, 2024, was 11.00%.

Contributions to the System also include 0.25% the taxes shown to be collectible by the tax rolls of each parish. The system also receives revenue sharing funds each year as appropriated by the legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the members compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

The contribution requirements of plan members and the District are established and may be amended by state statute. The District's contributions for the years ending December 31, 2025, and 2024, were \$56,360 and \$83,574 respectively, equal to the required contributions for each year.

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

At December 31, 2025, the District reported a net pension benefit of \$94,484 for its proportionate share of the net pension liability of the Plan. The net pension liability was measured as of December 31, 2024, 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 their long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2024, the District's proportion was 0.093955%.

For the year ended December 31, 2025, the District recognized a pension benefit of \$94,484, representing its proportionate share of the Plan's net expense, including amortization of deferred amounts.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

7. PENSION PLAN (continued)

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 57,659	\$ 8,213
Changes in Assumptions	-	10,397
Net Difference between projected and actual earnings on pension plan	-	62,217
Changes in employer's proportion of beginning net pension liability	-	5,283
Differences between employer and proportionate share of contributions	111	1,728
Subsequent Measurement Contributions	56,360	-
Total	\$ 114,130	\$ 87,838

The District reported a total of \$56,360 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2024, which will be recognized as a reduction in net pension liability in the retirement fund year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31,	
2025	\$ 31,830
2026	82,542
2027	(97,555)
2028	(46,885)
Total	\$ (30,068)

Actuarial Methods: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees past periods of service less the amount of the pension plan's fiduciary net position. The components of the net pension liability/asset of the District as of December 31, 2024, are as follows:

	Plan A
Total Pension Liability	\$ 5,103,465,936
Plan Fiduciary Net Position	5,204,028,719
Total Net Pension Liability	\$ (100,562,783)

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

7. PENSION PLAN (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2024, is as follows:

Valuation Date	December 31, 2024
Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Life	4 Years
Investment Rate of Return	6.40%, net of investment expense, including inflation
Inflation rate	2.30%
Projected Salary Increases	4.75%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.

Discount Rate. The discount rate used to measure the total pension liability was 6.40 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model, a treasury yield curve approach and an equity building-block model. Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.40% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.13% for the year ended December 31, 2024.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

7. PENSION PLAN (continued)

Contributions—Proportionate Share: Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

Retirement System Audit Report: Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on its financial statements for the year ended December 31, 2024. Access to the audit report can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Estimates: The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly actual results may differ from estimated amounts.

8. LONG TERM DEBT

Bonds

The District has the following described Bonds which are all direct placement revenue bonds secured by and payable from income and revenues derived or to be derived by the District from operations of the Water System:

- 1) Water Revenue Bonds - Series 2021
\$3,020,000 dated October 28, 2021, due in annual installments ranging from \$150,000 to \$225,000 through August 1, 2037, interest ranging from 3.00% to 3.24%. Interest payments are due semi-annually on February 1 and August 1.
- 2) Water Revenue Bonds - Series 2022
\$1,500,000 dated July 27, 2022, due in annual installments ranging from \$28,000 to \$153,000 through August 1, 2041, interest at 5.00%. Interest payments are due semi-annually on February 1 and August 1.
- 3) Louisiana Public Facilities Authority Certificate R-2
\$500,000 dated July 27, 2022, due in annual installments ranging from \$44,000 to \$56,000 through August 1, 2032, interest at 2.50%. Interest payments are due semi-annually on February 1 and August 1.

The following is a summary of the changes in long term bond debt reported in Statement of Net Position for the year ended December 31, 2025:

	Balance 1/1/2025	Additions	Reductions	Balance 12/31/2025	Due within one year
Water Revenue Bonds, Series 2021	\$ 2,435,000	\$ -	\$ (215,000)	\$ 2,220,000	\$ 215,000
Water Revenue Bonds, Series 2022	1,441,000	-	(31,000)	1,410,000	31,000
Louisiana Public Facilities Authority	411,000	-	(47,000)	364,000	47,000
Total	<u>\$ 4,287,000</u>	<u>\$ -</u>	<u>\$ (293,000)</u>	<u>\$ 3,994,000</u>	<u>\$ 293,000</u>

Other long term debt

The following is a summary of the changes in other long term debt reported in Statement of Net Position for the year ended December 31, 2025:

	Balance 1/1/2025	Additions	Reductions	Balance 12/31/2025	Due within one year
Compensated absences	63,060	3,436	-	66,496	-
Pension liability (benefit)	78,551	-	(173,035)	(94,484)	-
Total	<u>\$ 141,611</u>	<u>\$ 3,436</u>	<u>\$ (173,035)</u>	<u>\$ (27,988)</u>	<u>\$ -</u>

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

7. PENSION PLAN (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target asset allocation	Long-Term expected portfolio real rate of return
Fixed Income	37%	1.08%
Equity	47%	2.82%
Alternatives	15%	0.76%
Real Assets	1%	0.07%
Totals	100%	4.73%
Inflation		2.40%
Expected Arithmetic Nominal Return		7.13%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2018 through December 31, 2022. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability(asset) of the District calculated using the discount rate of 6.40 percent, as well as what the District's net pension liability(asset) would be if it were calculated using a discount rate that is one percentage point lower (5.40 percent) or one percentage point higher (7.40 percent) than the current rate:

	1% Decrease 5.40%	Current Discount Rate 6.40%	1% Increase 7.40%
Net pension liability (asset)	482,181	-94,484	(578,527)

Plan Fiduciary Net Position. The changes in the net pension liability for the year ended December 31, 2024, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

8. LONG TERM DEBT (continued)

The following are future payments on long term bond liabilities:

Year Ending December 31	Principal	Interest	Total
2026	\$ 296,000	\$ 120,720	\$ 416,720
2027	299,000	115,183	414,183
2028	307,000	108,983	415,983
2029	315,000	103,158	418,158
2030	318,000	96,808	414,808
2031-2035	1,308,000	383,060	1,691,060
2036-2040	998,000	156,950	1,154,950
2041	153,000	7,650	160,650
Totals	<u>\$ 3,994,000</u>	<u>\$ 1,092,512</u>	<u>\$ 5,086,512</u>

9. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021, which established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to provide governments with the resources needed to respond to the economic effects of the pandemic, and to build a stronger, more equitable economy during the recovery. The District is required to spend these funds in accordance with guidance found in Assistance Listing 21.027. During the year ended December 31, 2025, the District received \$2,066,628 of SLFRF funds as reflected in intergovernmental revenues in the Proprietary Fund. These funds must be obligated by December 31, 2024 and expended by December 31, 2026. The District is required to maintain appropriate documentation for the use of these funds and report expenditures to the Office of Recovery Programs with the U.S. Department of the Treasury. During the current year, these funds were identified as water sector program funds and were utilized to cover construction expenses related to expansion of the water treatment plant. The District expects to receive additional payments under the SLFRF in 2026 to complete construction.

10. RISK MANAGEMENT/LITIGATION

The District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of assets, and errors and omissions. To handle some of the risk, the District maintains liability and surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2025. The District was not involved in any litigation at December 31, 2025.

11. COMPENSATION PAID TO BOARD MEMBERS

The members of the Board of Commissioners of the District receive no compensation for their services.

12. SUBSEQUENT EVENTS

Management has performed an evaluation of the District's activities through June 30, 2026, and has concluded that there are no significant events requiring recognition or disclosure through the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION PART II

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the year ended December 31, 2025

Parochial Employee Retirement System:

Fiscal Year*	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a % of its covered payroll	Plan fiduciary net position as a % of the total pension liability
2016	0.071127%	187,227	405,625	46%	92.23%
2017	0.069346%	142,819	411,264	35%	94.15%
2018	0.050382%	(37,396)	424,672	-9%	101.98%
2019	0.076741%	340,604	434,032	78%	88.86%
2020	0.074809%	3,522	514,000	1%	99.89%
2021	0.076957%	(134,937)	541,000	-25%	104.00%
2022	0.080226%	(377,899)	538,258	-70%	110.46%
2023	0.086520%	332,997	581,774	57%	91.74%
2024	0.082449%	78,551	597,570	13%	98.03%
2025	0.093955%	(94,484)	726,733	-13%	101.97%

*Amounts presented were determined as of the measurement date (the previous fiscal year end).

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

For the year ended December 31, 2025

Parochial Employee Retirement System:

<u>Fiscal year ending December 31,</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
2016	\$ 53,464	\$ 53,464	\$ -	411,264	13.00%
2017	\$ 53,084	\$ 53,084	\$ -	424,672	12.50%
2018	\$ 54,254	\$ 54,254	\$ -	434,032	12.50%
2019	\$ 54,550	\$ 54,550	\$ -	514,000	10.61%
2020	\$ 62,965	\$ 62,965	\$ -	541,000	11.64%
2021	\$ 65,937	\$ 65,937	\$ -	538,258	12.25%
2022	\$ 66,904	\$ 66,904	\$ -	581,774	11.50%
2023	\$ 68,721	\$ 68,721	\$ -	597,570	11.50%
2024	\$ 83,574	\$ 83,574	\$ -	726,733	11.50%
2025	\$ 56,360	\$ 56,360	\$ -	713,501	7.90%

*Amounts presented were determined as of the end of the fiscal year.

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended December 31, 2025

Pension Information

The schedule of DeSoto Waterworks District No. 1's proportionate share of the net pension liability and the schedule of pension contributions are intended to show information for 10 years.

Changes of Assumptions:

Year ended Dec. 31,	Discount Rate	Investment Rate of return	Inflation Rate	Expected Remaining lives	Projected Salary increase
2015	7.00%	7.00%	2.5%	4	5.25%
2016	7.00%	7.00%	2.5%	4	5.25%
2017	6.75%	6.75%	2.5%	4	5.25%
2018	6.50%	6.50%	2.4%	4	4.75%
2019	6.50%	6.50%	2.4%	4	4.75%
2020	6.40%	6.40%	2.3%	4	4.75%
2021	6.40%	6.40%	2.3%	4	4.75%
2022	6.40%	6.40%	2.3%	4	4.75%
2023	6.40%	6.40%	2.3%	4	4.75%
2024	6.40%	6.40%	2.3%	4	4.75%

SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the year ended December 31, 2025

System Administrator	David Ryals
Purpose:	
Salary	\$ 92,000
Benefits-insurance	20,976
Benefits- retirement	-
Payroll taxes employer	7,097
Car allowance	-
Vehicle provided by government	-
Vehicle Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

Supplemental information.
See the accompanying independent auditor's report.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana

Schedule of Water Rates

December 31, 2025

Rates effective June 1, 2023

Amount	Item
At cost	New Meter Install - 2" meter
\$ 1,500.00	New Meter Install - 1" meter
\$ 1,400.00	New Meter Install - 3/4" meter
\$ 150.00	Water Deposit - Renter
\$ 100.00	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
\$ 24.00	Residential 3/4" meter, \$4.95 per 1,000 gals after 1,000 gals
\$ 29.00	Residential 1" meter, \$4.95 per 1,000 gals after 1,000 gals
\$ 24.00	Hwy 513 & Judy Sub, \$4.95 per 1,000 gals after 1,000 gals
\$ 27.00	Outside parish, \$4.95 per 1,000 gals after 1,000 gals
\$ 24.00	Mounce Rd, \$4.95 per 1,000 gals after 1,000 gals
\$ 39.00	Commercial, \$4.95 per 1,000 gals after 1,000 gals
\$ 39.00	Bulk Water, \$4.95 per 1,000 gals after 1,000 gals
\$ 39.00	Industrial Rates, \$4.95 per 1,000 gals after 1,000 gals
\$ 39.00	Fire Hydrant, \$4.95 per 1,000 gals after 1,000 gals
\$ 15.00	Return Check fee
\$ 39.00	Lovic Wren: \$6.75 per 1,000 gals
\$ 39.00	FDF: \$6.55 per 1,000 gals after 5,000
\$ 1.00	State Fee
10%	Late fee applied after 18th
\$ 15.00	Read Meter per Customer Request, No charge if incorrect

Due Date: 18th of each month - printed on the bill.

Disconnect: Begins on the 29th of each month - 10 days after the original due date of the 18th.

At December 31, 2025, the District had 2,451 residential customers and 133 commercial customers for a total of 2,584 customers.

Supplemental information.

See the accompanying independent auditor's report.

**WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana**

**SCHEDULE OF INSURANCE COVERAGE
For the year ended December 31, 2025**

Insurance Coverage:

Auto Policy: T9A2CP0001039-00

Allied Public Risk, LLC

4507 North Front Street, Suite 200, Harrisburg, PA 17110

\$1,000,000 combined single limit; effective dates January 1, 2025 to January 1, 2026

Liability Policy: T9A2CP0001039-00

Allied Public Risk, LLC

4507 North Front Street, Suite 200, Harrisburg, PA 17110

\$3,000,000 combined single limit; effective dates January 1, 2025 to January 1, 2026

Public Officials and Management Policy: T9A2CP0001039-00

Allied Public Risk, LLC

4507 North Front Street, Suite 200, Harrisburg, PA 17110

\$1,000,000 combined single limit; effective dates January 1, 2025 to January 1, 2026

Commercial Property Policy: T9A2CP0001039-00

Allied Public Risk, LLC

4507 North Front Street, Suite 200, Harrisburg, PA 17110

\$3,000,000 combined single limit; effective dates January 1, 2025 to January 1, 2026

Crime Policy: 69074909

CNA Surety

P.O. Box 5077, Sioux Falls, SD 57117

\$106,000 employee dishonesty; effective dates October 31, 2025 to October 31, 2026

Worker's Compensation Policy: WWC3570488

Wesco Insurance Company

874 Walker Rd, Ste C, Dover, DE 19907

\$1,000,000/\$1,000,000/\$1,000,000 limits; effective dates February 14, 2025 to February 14, 2026

Supplemental Information.

See the accompanying independent auditor's report.

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Commissioners
Waterworks District No. 1 of DeSoto Parish,
State of Louisiana

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the business-type activities of Waterworks District No. 1 of DeSoto Parish, State of Louisiana (the District) a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2026.

Report On Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-01 that we consider to be a material weakness.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2025-02.

The District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying management responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record, and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
June 30, 2026

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
Schedule of Findings
For the year ended December 31, 2025

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of Waterworks District No. 1 of DeSoto Parish, State of Louisiana (the District) as of and for the year ended December 31, 2025, and have issued our report thereon dated June 30, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Our audit of the basic financial statements as of December 31, 2025, resulted in an unmodified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS MATERIAL TO THE FINANCIAL STATEMENTS:

Internal Control

Significant Deficiency
Material Weakness

☐ Yes
☒ Yes

☒ No
☐ No

Compliance

Compliance Material to Financial Statements
Other Matters

☒ Yes
☐ Yes

☐ No
☒ No

FEDERAL AWARDS: Not applicable

MANAGEMENT LETTER: None was issued.

Part II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.

FINDINGS RELATED TO INTERNAL CONTROL

2025-01 Underfunded Restricted Customer Meter Deposit Accounts

Criteria. In accordance with GASB Statement 34 and GASB Codification Section 1100, proprietary fund assets subject to external legal constraints must be reported as Restricted Assets on the Statement of Net Position to demonstrate financial and contractual compliance. Furthermore, guidelines established by the Louisiana Legislative Auditor and public cash management best practices dictate that utility customer deposits are public funds held in trust. The District is required to maintain these funds in a segregated, restricted bank account, ensure they are never used to fund general operations, and maintain a 1:1 asset to liability ratio backed by formal monthly reconciliations.

Condition. The District failed to maintain a cash balance in its restricted customer meter deposit accounts sufficient to cover its outstanding customer meter deposit liabilities. As of December 31, 2025 the District's customer meter deposit liability balance was \$156,235 restricted account balance was only \$22,146, resulting in an unfunded cash deficit of \$134,089.

Cause. The District does not perform monthly reconciliations between the detailed customer deposits and the cash accounts. This caused the deposit funds to be used to fund routine operating expenses.

Effect. By spending the customer deposits on daily operations, the District failed to comply with GASB asset presentation standards and LLA financial management guidelines. This increases the funds susceptibility to fraud, waste, and unauthorized use.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
Schedule of Findings
For the year ended December 31, 2025

Recommendation. We recommend the District 1) Develop a formal budgetary plan to transfer funds from general operating back into the restricted accounts until the deficit is completely eliminated and fully funded under GASB standards; and 2) Cease all transfers of the customer deposit funds into the general operating account.

FINDINGS RELATED TO COMPLIANCE

2025-02 Noncompliance with Bond Ordinance Sinking Fund Requirements

Criteria. Under DeSoto Waterworks District No. 1 bond resolutions and bond documents the District is required to maintain a Bond Sinking Fund account. The resolutions mandate that the District transfer a set monthly amount of 1/6 the of the next future interest payment and 1/12 of the next future principal payment for each of their Water Revenue and Water Refunding bonds from its operating revenues into this sinking fund to ensure timely debt service payments. Furthermore, La. R.S. 39:1421 et seq. (the Local Government Bond Act) governs the issuance of revenue-backed debt by pollical subdivisions in Louisiana. It authorizes entities to pledge utility revenues and requires strict compliance with all covenants, funds, and accounts established within the bond resolution to protect bondholders.

Condition. The District failed to make the 12 required monthly transfers into its Bond Sinking Fud account during the year. As of December 31, 2025, the sinking fund was underfunded by an estimated \$159,903.

Cause. Management failed to establish standard internal controls to monitor monthly cash flows. Consequently, the District prioritized routine utility operational expenses over the legally restricted debt service transfers.

Effect. The District is in default of its revenue bond covenants.

Recommendation. Management should immediately implement a structured catch-up plan to transfer the missing funds from the operating accounts into the sinking fund and then require monthly revenue transfers.

WATERWORKS DISTRICT NO. 1
DeSoto Parish, Louisiana
Summary Schedule of Prior Year Findings
For the year ended December 31, 2025

2024-01, 2023-02. Noncompliance with the Louisiana Code of Governmental Ethics.

Condition: A number of board members and employees did not complete required ethics training.

Status: This condition has been resolved.

2024-03, 2023-03. Information requests related to ethics, related party transactions, and nepotism.

Condition: Our source documents must include documentation that we have considered possible related party transactions and nepotism. This is determined by documenting the outside businesses or business interests of management, members of the board, and the immediate family members thereof. Along with our audit engagement package, we sent out questionnaires to all those charged with management and governance of the District. Two board commissioners did not provide the requested information.

Status: This condition has been resolved

2024-04, 2023-04. Late Submission of Report

Condition: For the year ended December 31, 2024 and 2023, the District did not submit the annual audit within six months after the close of their fiscal year.

Status: This condition has been resolved.

2024-02. Noncompliance with the Louisiana Sexual Harassment.

Condition. The District could not provide documentation to show that any employees or commissioners attended training during the 2024 calendar year.

Status. This condition has been resolved

DeSoto Parish Waterworks District No. 1

320 Liberty Lane
Grand Cane, LA 71032

Management's response to audit findings for the year ended December 31, 2025:

2025-01 Underfunded Restricted Customer Meter Deposit Accounts

Management response. Management concurs with the findings. The District will review the budget and schedule cash transfers to fund the customer deposits.

2025-02 Noncompliance with Bond Ordinance Sinking Fund Requirements

Management response. At the time of this report transfers have been made and the sinking fund is being funded in order to make the next payment. Management will begin to make monthly payments as recommended.

David Ryals
Administrator
DeSoto Parish Waterworks District No. 1

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS



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Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Waterworks District No. 1 of the Parish of DeSoto,
State of Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025, through December 31, 2025. The Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana (the District) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2025, through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) **Written Policies and Procedures**

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **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.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **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.
 - v. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - vii. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - viii. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - ix. **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 documentation is maintained to demonstrate that all employees and officials, were notified of any changes to the entity's ethics policy.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were noted as a result of this procedure.

2) Board or Finance Committee

- A. 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:
 - i. 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.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exceptions were noted as a result of this procedure.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Bank Reconciliations do not include evidence of research conducted on aged outstanding items more than 12 months.

Management Response: As of the time of this report, management has begun researching and clearing aged outstanding items.

4) Collections (excluding EFTs)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit; and
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for "Bank Reconciliations" procedure #3A (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). Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted as a result of this procedure.

5) Non-Payroll Disbursements (exclude card and petty cash purchases, and travel reimbursements)

- A. 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).
- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. 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;

- iv. 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; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A 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:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure 5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions were noted as a result of this procedure.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. 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.
- B. 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:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder; and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B 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 (e.g. each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were noted as a result of this procedure.

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

- A. 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, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policies and procedures procedure 1A (vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted as a result of this procedure.

8) Contracts

- A. 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:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were noted as a result of this procedure.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedures #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe whether all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee's or official's cumulate leave records, and agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, and workers'

compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were noted as a result of this procedure.

10) Ethics

- A. Using the 5 randomly selected employees or officials from “Payroll and Personnel” procedure #9A, obtain ethics documentation from management, and:
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions were noted as a result of this procedure

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. 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 all, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

The District does not make monthly sinking fund payments to a designated sinking fund account as required by the covenants of their three bonds and does not hold sufficient funds required by bond sinking fund requirements in a separate account designated by the entity as a “sinking fund” account.

Management Response: At the time of this report transfers have been made and the sinking fund is being funded in order to make the next payment. Management will begin to make monthly payments as recommended.

12) Fraud Notice

- A. 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 as required by R.S. 24:523.
- B. 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.

No exceptions were noted as a result of this procedure.

13) Information Technology Disaster Recovery/Business Continuity

Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management”:

- A. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.
- B. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

- C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
 - Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

No exceptions were noted as a result of this procedure.

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

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

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

Dees Gardner, Certified Public Accountants, LLC

Mansfield, LA
June 30, 2026



Dees Gardner, Certified Public Accountants, LLC

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INDEPENDENT ACCOUNTANT'S REPORT

The Board of Commissioners
Waterworks District No. 1 of DeSoto Parish,
State of Louisiana

We have examined the Waterworks District No. 1 of DeSoto Parish's (District) compliance with requirements for an Alternative State and Local Fiscal Recovery Funds (SLFRF) Compliance Examination Engagement for Recipients that would otherwise be required to undergo a Single Audit as a result of receiving SLFRF awards, for the fiscal year ended December 31, 2025. The requirements are listed in the attached schedule. The District is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the requirements list in the attached schedule during the period January 1, 2025 to December 31, 2025.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana

June 30, 2026

Compliance Requirements	Results
Activities Allowed or Unallowed: Recipients did not use SLFRF funds for 1) Offset a reduction of net tax revenue, 2) Deposits into pension funds, 3) Debt service or replenishing financial reserves, 4) Satisfaction of settlements and judgements, 5) Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19.	The District did not use the SLFRF funds for ineligible uses.
Allowable Cost/Cost Principles: Recipients did not deviate from their established practices and policies regarding the incurrence of costs.	The District did not deviate from its established practices and policies regarding the incurrence of costs.