

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2020

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Waterworks District No. 1 of the Parish of DeSoto, (the District) a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 of the Parish of DeSoto, as of December 31, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the pension information on pages 21-23 be presented to supplement the basic financial statements. Such information is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 24-27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 5, 2021 on my consideration of Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting and compliance.



Certified Public Accountant
August 5, 2021

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

This section of the Waterworks District No. 1 of the Parish of DeSoto's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$14,950,137 at year end which represents a decrease from the prior year of \$221,382.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

FINANCIAL ANALYSIS OF THE ENTITY

Net Position

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$14,950,137 at December 31, 2020.

The District's major assets are its fixed assets of \$15,664,115 representing its investment in its water distribution system and water treatment plant. The District owed \$3,901,201 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

Of the District's net position, \$611,628 is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

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

	2020	2019
Current assets	\$ 843,706	\$ 837,483
Other assets	2,750,148	2,773,565
Capital Assets, net of depreciation	15,664,115	16,192,331
Total Assets	<u>19,257,969</u>	<u>19,803,379</u>
Deferred outflows of resources	<u>123,167</u>	<u>321,071</u>
Accounts payable and accrued expenses	132,125	103,428
Long term debt	3,901,201	4,267,294
Other liabilities	229,924	557,292
Total Liabilities	<u>4,263,250</u>	<u>4,928,014</u>
Deferred inflows of resources	167,749	24,917
Invested in capital assets, net of related debt	11,762,914	11,925,037
Reserved for construction	-	-
Reserved for bond retirement	611,628	600,585
Reserved for customer deposits	36,413	39,068
Board Designations	297,700	332,748
Unrestricted	2,241,482	2,274,081
	<u>\$ 14,950,137</u>	<u>\$ 15,171,519</u>

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

	2020	2019
Operating Revenues	\$ 2,141,812	\$ 2,125,467
Operating Expenses	2,241,657	2,231,781
Operating Income	(99,845)	(106,314)
Non-operating Income/Expense	(121,537)	(65,379)
Changes in Net Position	\$ (221,382)	\$ (171,693)

The District's total operating revenues increased by \$16,345 from the previous year. The total operating expense increased by \$9,876 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had \$15,664,115 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$528,216 as a result of additions of \$161,894 and depreciation expense of \$690,110.

Capital Assets at Year End

	2020	2019
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	461,128	421,295
Office Building	329,773	329,773
Water System	24,840,318	24,718,257
Total	25,636,177	25,474,283
Less: Accumulated Depreciation	9,972,062	9,281,952
Net Fixed Assets	\$ 15,664,115	\$ 16,192,331

The District had \$3,901,201 in long-term debt as follows:

	Balance 1/1/2020	Borrowings	Payments	Balance 12/31/2020
2001 Revenue Bonds	\$ 1,076,016	\$ -	\$ 55,093	\$ 1,020,923
DEQ Revenue Bonds	478,000	-	148,000	330,000
DEQ 2017 Revenue Bonds	1,707,278	-	77,000	1,630,278
DEQ 2010 Revenue Bonds	1,006,000	-	81,000	925,000
Total	\$ 4,267,294	\$ -	\$ 361,093	\$ 3,906,201

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

2020 has been a year of challenge for the Water District. Amid COVID fears, growth in the northern part of the Parish, and the challenge of a new treatment system, we faced many challenges. The staff worked tirelessly to fine tune the new Miex pretreatment and things are progressing nicely toward getting the system running to its full potential. This is the first time this treatment system has been used in Louisiana, so we are facing some difficulties as our water has different properties than has been used in this system before. COVID has presented many challenges as well, but we developed a robust program for cleaning and keeping all our personnel safe from the disease. Throughout 2020, we had no lost time due to an infection of COVID-19, and the staff deserves the credit for making sure everyone stayed safe. We continue with the same protocols to keep our staff safe. Employees were encouraged to work from home if possible, with work orders sent to them to keep safe distancing requirements. Sales in the Northern part of the Parish continue to increase with other systems continuing to use us for supplemental supply and emergency supply when their system suffered an outage. We see that part of our business continuing to increase in the coming years as several other systems are looking at using us for their backup supply. We are extremely proud of our staff as they struggled to overcome one adversity after another throughout the year, not only from just normal day to day activities, but also the fear of COVID. I am extremely proud of the support given to us by the Board during 2020 as they allowed us to operate as needed to overcome all of the problems that we had. We are in the planning stages of yet another increase in capacity at our plant, and look forward to getting that project up and running. The future looks bright for Waterworks District No. 1 as we continue to be the leader in technology and operations of water systems in this part of the State.

REQUESTS FOR INFORMATION

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Net Position

December 31, 2020

<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 14,780
Taxes Receivable	675,014
Accounts Receivable (Net)	142,148
Prepaid Expenses	11,764
Total Current Assets	<u>843,706</u>
<u>Other Assets</u>	
<u>Restricted Assets</u>	
Cash	54,440
Investments	888,615
Investments	1,806,293
Deposits	800
Fixed Assets (Net)	15,664,115
Total Other Assets	<u>18,414,263</u>
Total Assets	<u>19,257,969</u>
Deferred Outflows of Resources	<u>123,167</u>
<u>Liabilities</u>	
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 132,125
Current Portion of Long-Term Debt	351,608
Total Current Liabilities	<u>483,733</u>
<u>Long-Term Liabilities</u>	
Customer Deposits Payable	194,519
Long-Term Debt, Net of Current Portion	3,549,593
Net Pension Liability	3,522
Accrued Interest Payable	31,883
Total Long-Term Liabilities	<u>3,779,517</u>
Total Liabilities	<u>4,263,250</u>
Deferred Inflows of Resources	<u>167,749</u>
<u>Net Position</u>	
Invested in Capital Assets, Net of Related Debt	11,762,914
Reserved for Debt Service	611,628
Reserved for Customer Deposits	36,413
Board Designations	297,700
Unreserved	2,241,482
Total Net Position	<u>\$ 14,950,137</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Revenues, Expenses and Changes in Net Position

December 31, 2020

Revenues:	
Ad Valorem Taxes	\$ 685,541
Charges for Services	<u>1,456,271</u>
Total Revenues	<u>2,141,812</u>
Operating Expenses:	
Personal Services	766,094
Utilities	111,984
Repair and Maintenance	59,637
Other Supplies and Expense	582,694
Insurance	31,138
Depreciation	<u>690,110</u>
Total Expenses	<u>2,241,657</u>
Operating Income (Loss)	(99,845)
Non-Operating Revenues (Expenses):	
Interest Income	19,315
Bond 2019 Forgiveness of Debt	-
Interest Expense	<u>(140,852)</u>
Total Non-Operating Revenues (Expenses)	<u>(121,537)</u>
Change in Net Position	(221,382)
Net Position - Beginning of Year	<u>15,171,519</u>
Net Position - End of Year	<u><u>\$14,950,137</u></u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Statement of Cash Flows - Proprietary Fund Type

Year Ended December 31, 2020

Cash flows from operating activities:	
Cash received from customers	\$ 1,449,259
Cash received from property taxes	682,997
Cash payments to suppliers	(964,453)
Cash payments to employees	(550,430)
Net cash provided by operating activities	<u>617,373</u>
Cash flows from capital and related financing activities	
System improvements	(161,893)
Forgiveness of debt	-
Proceeds from borrowing	-
Interest paid on long term debt	(145,335)
Principal payments on long term debt	(366,093)
Net cash used by capital and related financing activities	<u>(673,321)</u>
Cash flows from investing activities	
Interest earned	19,315
Net change in investments	(29,231)
Net cash provided by investing activities	<u>(9,916)</u>
Net increase in cash	(65,864)
Cash, January 1, 2020 (including \$107,087 in restricted accounts)	<u>135,084</u>
Cash, December 31, 2020 (including \$54,440 in restricted accounts)	<u>\$ 69,220</u>
Reconciliation of changes in net position to net cash provided by operating activities:	
Changes in net position before non-operating revenues (expenses):	\$ (99,845)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	690,110
Changes in assets and liabilities	
Increase in accounts receivable	(7,012)
Increase in taxes receivable	(2,544)
Decrease in deferred outflows of resources	197,904
Increase in prepaid expenses	(9,884)
Increase in accounts payable	28,697
Decrease in net pension liability	(337,082)
Increase in deferred inflows of resources	142,832
Increase in customer deposits	14,197
Net cash provided by operating activities	<u>\$ 617,373</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Investments: Investments are stated at cost which approximates market.

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

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

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

2. CASH:

At year end, the carrying amount of the District's cash balance in banks totaled \$69,220. Bank balances were \$71,879 at year end. The difference is due to outstanding checks at year end. Bank balances were insured by FDIC insurance.

The District also had cash on deposit at LAMP at year end totaling \$2,694,908.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

3. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. Taxes are levied in November and become delinquent on January 1 of the following year. For the year ended December 31, 2020, taxes of .99 mills were levied on property with assessed values totaling \$693,838,672 and were dedicated for general operating purposes. Taxes receivable at December 31, 2020 totaled \$675,014.

4. INVESTMENTS:

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

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

At December 31, 2020, investments on deposit with LAMP (at cost) totaled \$2,694,908.

5. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2020, totaled \$142,148 less an allowance for doubtful accounts of \$-0-.

6. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$ 4,958
Machinery & Equipment	461,128
Office Building	329,773
Water System	24,840,318
	<hr/>
	25,636,177
Less: Accumulated Depreciation	9,972,062
	<hr/>
Net fixed assets	<u>\$ 15,664,115</u>

Fixed assets are stated at cost and are depreciated over lives from 5 to 40 years using the straight line method. Additions totaled \$161,894. Depreciation expense for the year totaled \$690,110.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

7. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 1 of the Parish of DeSoto for the year ended December 31, 2020:

	Balance 1/1/2020	Debt Proceeds	Principal Payments	Balance 12/31/2020
DEQ 2017 Revenue Bonds	\$ 1,707,278	\$ -	\$ 77,000	\$ 1,630,278
2001 Revenue Bonds	1,076,016	-	55,093	1,020,923
DEQ Revenue Bonds	478,000	-	153,000	325,000
DEQ 2010 Revenue Bonds	1,006,000	-	81,000	925,000
Balance, December 31, 2020	<u>\$ 4,267,294</u>	<u>\$ -</u>	<u>\$ 366,093</u>	<u>\$ 3,901,201</u>

Bonds and notes payable at December 31, 2020, are comprised of the following:

DEQ 2017 Revenue Bonds

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

\$ 1,630,278

Water Revenue Bonds - 2001:

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

\$ 1,020,923

Water Revenue Bonds - 2001 DEQ:

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

\$ 325,000

Water Revenue Bonds - 2010:

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

\$ 925,000

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

The annual requirements to amortize water revenue bonds outstanding as of December 31, 2020, including including interest payments of \$843,489 as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 272,608	\$ 88,935	\$ 361,543
2022	282,094	79,514	361,608
2023	120,651	69,722	190,373
2024	124,652	62,896	187,548
2025	128,999	58,498	187,497
2026 and after	1,341,919	483,924	1,825,843
Totals	<u>\$ 2,270,923</u>	<u>\$ 843,489</u>	<u>\$ 3,114,412</u>

8. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 36,413
Board Designations	297,700
Debt Service:	
Water Revenue Bond - 2001 DEQ	487,385
Water Revenue Bond - 2006	27,828
Water Revenue Bond - 2010	<u>96,415</u>
Total	<u>\$ 945,741</u>

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

9. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 2020.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

10. PENSION PLAN:

Plan Description

The Parish government contributes to PERS, under Plan A, which is a cost-sharing multiple employer defined benefit pension plan. All permanent employees working at least 28 hours per week are eligible to participate in the System. As of January, 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join PERS. Sections 1901 through 2025 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:1901-2025) and other general laws of the State of Louisiana govern PERS. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at www.persla.org.

Benefits Provided

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

Retirement

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

For employees hired prior to January 1, 2007:

- At any age after 30 years of creditable service
- At age 55 after 25 years of creditable service
- At age 60 after 10 years of creditable service
- At age 65 after 7 years of creditable service

For employees hired after January 1, 2007:

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

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

Deferred Retirement Option Plan

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, the employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his/her option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the members' retirement date.

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

Disability Benefits

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

Survivor's Benefits

Upon the death of any member of Plan A, with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

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

Cost-of-Living Increases

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

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2019, the actuarially determined contribution rate was 9.99% of member's compensation Plan A. However, the actual rate for the fiscal year ending December 31, 2019 was 11.5% for Plan A.

According to state statute, PERS also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

The District's contractually required composite contribution rate for the year ended ended December 31, 2020 was 12.25% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the District were \$62,965 for the year ended December 31, 2020.

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

At December 31, 2020, the District reported a liability of \$3,522 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31,

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net Pension Liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the District's proportion was .074809 which was an increase of .01% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020 the District recognized pension expense of \$73,123 plus or minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$712.

At December 31, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,526
Changes in assumption	49,184	-
Net difference between projected and actual earnings on pension plan investments	(15,076)	132,008
Changes in employer's proportion of beginning net pension liability	18,311	4,177
Differences between employer contributions and proportionate share of employer contributions	7,783	38
Subsequent Measurement Contributions	62,965	-
Total	\$ 123,167	\$ 167,749

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

Year ended December 31:	
2020	\$ (24,681)
2021	(30,297)
2022	2,685
2023	(59,431)
Total	\$ 111,789

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2019 (valuation date) is as follows:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	6.50% per annum
Inflation Rate	2.4% per annum
Mortality	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table was selected for disabled annuitants. Experience study performed on plan data for the period January 1, 2004 through December 31, 2009.
Salary Increases	Plan A - 4.75% (2.75% Merit/3.00% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 6.5.% for Plan A. 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 expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 (actual valuation date), are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real Assets	2%	0.11%
Total	100%	5.18%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.18%

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

	1.0% Decrease (5.5%)	Current Discount (6.5%)	1.0% Increase (7.5%)
Employer's proportionate share of net pension liability	\$ 380,620	\$ 3,522	\$ (312,480)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$31,379 which is the legally required contribution due at December 31, 2020. The amount is recorded in accrued expenses.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2020

11. NET POSITION:

Equity is classified as net position and displayed in three components:

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

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

12. SUBSEQUENT EVENTS:

On March 13, 2020, a national emergency was declared relating to the COVID-19 virus. As of the date of this report, the pandemic is ongoing. Future potential impacts may include disruptions or restrictions on employees' ability to work. The future effects of this issue are unknown.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Employer's Share of Net Pension Liability

Year Ended December 31, 2020

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

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Employer Contributions

Year Ended December 31, 2020

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

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

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Note to Retirement System Schedules

Year Ended December 31, 2020

Parochial Retirement System:

Changes of benefit terms - There were no changes of benefit terms for the year ended December 31, 2020.

Changes of assumptions - There were no changes of benefit assumptions for the year ended December 31, 2020.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2020

Agency Head: John Neilson, Systems Administrator

Salary	<u>\$ 85,902</u>
Payroll Taxes	<u>\$ 1,396</u>
Insurance	<u>\$ 16,446</u>
Retirement	<u>\$ 10,523</u>

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
Schedule of Insurance Coverage
Year ended December 2020

Insurance Coverage:

Auto Policy: Policy # 5106-1154

Allied World Specialty Insurance Company
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$1,000,000.00
Combined Single Limit, effective dates January 1, 2020 to January 1, 2021.

Crime Policy: Policy #69074909

CNA Surety, P.O. Box 5077 Sioux Falls, SD
57117, \$106,000 Employee Dishonesty, effective dates October 13, 2019 thru
October 13, 2020.

Liability Policy: Policy # 5105-1154

Allied World Specialty Insurance Company,
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$3,000,000.00
Combined Single Limit, effective dates January 1, 2020 to January 1, 2021.

Public Officials and Management Policy: Policy # 5105-1154

Allied World Specialty Insurance Company,
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$1,000,000.00
Combined Single Limit, effective dates January 1, 2020 to January 1, 2021.

Commercial Property Policy: Policy 5105-1154

Allied World Specialty Insurance Company,
1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$3,000,000.00
Combined Single Limit, effective dates January 1, 2020 to January 1, 2021.

Workers Compensation Policy: Policy # 198-00630

Bridgefield Casualty Insurance Company
P.O. Box 988 Lakeland, FL 33802
\$1,000,000/\$1,000,000/\$1,000,000 effective dates February 14, 2020 to
February 14, 2021.

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

NAME	ADDRESS	HOME	WORK	CELL
Charles Waldon President January 24, 2005	428 Burford Road Stonewall, LA 71078	925-6688 email:	 charleswaldon@gmail.com	458-2927
Donnie Fisher Secretary/Treasurer January 24, 2005	1208 Hwy 172 Keatchie, LA 71046	933-5462 email:	 fisher.donnie10@gmail.com	465-8514
Michael Rister Oct. 1, 2020	4957 Hwy 175 Frierson, LA 71027	email:	Mrister15@aol.com	458-6921
Randy Rodgers June 26, 2017	173 Lee Lane Stonewall, LA 71078	925-3854 email:	rr6698@att.net	294-1331
Ronnie Land May 27, 2020	409 Mockingbird Logansport, LA 71049	318-294-5003 email:	RI.LAND@bellsouth.net	
Kenneth E. "Ed" Campbell Vice President March 11, 2013	820 5 th Street Grand Cane, LA 71032	858-3774 email:	 edcampbell820@gmail.com	464-4111
Carolyn Landrum April 9, 2018	3370 Blunt Mill Road Mansfield, LA 71052	872-0407	clandrum.desoto@gmail.com	
Bryan "Bo" Norwood Jan. 27, 2014	180 Norwood Rd. Mansfield, LA 71052	872-4707 email:	 bryanbnorwood@aol.com	455-7869
Jim Vidler June 1, 2018	208 South 2 nd St. Logansport, LA 71049	655-3357 email:	 jrvidler@gmail.com	

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

RATES

Current Rate Structure

June 1, 2021

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

At December 31, 2020, the District has 2,139 residential customers and 115 commercial customers for a total of 2,254 customers.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Waterworks District No. 1 of the Parish of DeSoto, as of and for the year ended December 31, 2020, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated August 5, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of the Parish of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountant
August 5, 2021

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2020

There were no findings for the year ended December 31, 2019.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings

Year Ended December 31, 2020

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

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