

NORTH DESOTO WATER SYSTEM, INC.
Stonewall, Louisiana

Financial Statements
For the years ended December 31, 2016 and 2015

NORTH DESOTO WATER SYSTEM, INC.

FINANCIAL STATEMENTS December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of North DeSoto Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North DeSoto Water System, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of North DeSoto Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North DeSoto Water System, Inc.'s internal control over financial reporting and compliance.

Deus Gardner, CPAs, LLC

Mansfield, Louisiana
October 19, 2017

FINANCIAL STATEMENTS

North DeSoto Water System, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 248,618	\$ 274,821
Accounts receivable, trade	53,142	62,214
Inventory	10,805	5,950
Prepaid expenses	4,113	5,113
Total current assets	<u>316,678</u>	<u>348,098</u>
Restricted Assets		
Cash and cash equivalents	<u>129,649</u>	<u>126,662</u>
Property and Equipment		
Wells, lines, tanks, and equipment	3,759,774	3,727,851
Less accumulated depreciation	<u>(1,503,807)</u>	<u>(1,376,653)</u>
Total property and equipment, net	<u>2,255,967</u>	<u>2,351,198</u>
Other Assets		
Deposits	600	600
TOTAL ASSETS	<u><u>\$ 2,702,894</u></u>	<u><u>\$ 2,826,558</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities - Payable from Current Unrestricted Assets		
Accounts payable	\$ 11,962	\$ -
Payroll taxes withhold and accrued	4,774	2,695
Accrued interest payable	505	505
Current portion of long-term debt	<u>54,726</u>	<u>52,442</u>
Total current liabilities payable from current unrestricted assets	<u>71,967</u>	<u>55,642</u>
Current Liabilities - Payable from Restricted Assets		
Meter deposits	<u>88,850</u>	<u>85,800</u>
Long-term Debt		
Notes payable, less current portion	<u>635,412</u>	<u>689,998</u>
TOTAL LIABILITIES	<u><u>796,229</u></u>	<u><u>831,440</u></u>
NET ASSETS		
Unrestricted	<u>1,865,866</u>	<u>1,964,070</u>
Temporarily restricted:		
Revenue note fund	<u>40,799</u>	<u>31,049</u>
Total temporarily restricted	<u>40,799</u>	<u>31,049</u>
TOTAL NET ASSETS	<u><u>1,906,665</u></u>	<u><u>1,995,119</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,702,894</u></u>	<u><u>\$ 2,826,559</u></u>

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

North DeSoto Water System, Inc.
STATEMENTS OF ACTIVITIES
For the years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Revenues:		
Water sales	\$ 846,274	\$ 835,513
Installation charges	34,424	50,219
Grant revenue	35,000	40,299
Interest income	40	84
Miscellaneous income	1,720	2,230
Donation of infrastructure	2,416	235,549
Loss on dry well	(68,550)	-
Transfers from(to) temporarily restricted net assets	(9,713)	(19,487)
Total Increases in Unrestricted Net Assets	841,611	1,144,407
Expenses:		
General operating expenses	939,815	891,940
Total Decreases in Unrestricted Net Assets	939,815	891,940
Change in Unrestricted Net Assets	(98,204)	252,467
Temporarily Restricted Net Assets		
Interest Income	37	37
Transfer from(to) unrestricted net assets	9,713	19,487
	9,750	19,524
Increase in Temporarily Restricted Net Assets		
Change in Net Assets	(88,454)	271,991
Net Assets at Beginning of Year	1,995,119	1,723,128
Net Assets at End of Year	\$ 1,906,665	\$ 1,995,119

North DeSoto Water System, Inc.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase in net assets	\$ (88,454)	\$ 271,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,142	122,634
Noncash donations of infrastructure	(2,416)	(235,549)
(Increase) decrease in assets:		
Accounts receivable	9,072	(13,687)
Prepaid expenses	1,000	(73)
Inventory	(4,855)	3,675
Restricted assets	(3,087)	5,939
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	14,041	(8,257)
Meter deposits	3,050	3,800
Net Cash Provided by Operating Activities	58,493	150,473
Cash Flows from Investing Activities:		
Purchase of property and equipment	(32,494)	(115,431)
Net Cash Used by Investing Activities	(32,494)	(115,431)
Cash Flows from Financing Activities:		
Proceeds from borrowing	-	181,020
Payment on notes payable	(52,302)	(64,444)
Net Cash Provided (Used) by Financing Activities	(52,302)	116,576
Net Increase (Decrease) in Cash and Cash Equivalents	(26,303)	151,618
Cash and Cash Equivalents, Beginning of Year	274,821	123,203
Cash and Cash Equivalents, End of Year	\$ 248,518	\$ 274,821
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 32,482	\$ 32,304

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and Nature of Activities

The North DeSoto Water System, Inc. (the System) is a nonprofit organization incorporated in 1979 under Louisiana Statute R.S. 12:101(8). The System's primary purpose is to provide water service to the North DeSoto Parish community area located in a rural northwest parish of Louisiana. The System currently provides service to approximately 1964 members.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-210 (formerly SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*). Under FASB ASC 958-210, the System is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted assets are available for the operation and maintenance of the System. Restricted assets have been established to comply with various loan agreements and to comply with the requirement to maintain a "meter deposit" account.

A description of the three net asset categories follows:

Unrestricted – Net assets whose use is not subject to any restrictions.

Temporarily Restricted – Net assets whose use is subject to restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets whose use is subject to restrictions that may be maintained permanently. No permanently restricted assets were held during 2016 and 2015 and accordingly, these financial statements do not reflect any activity related to the class of net assets.

Cash and Cash Equivalents

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

Trade Accounts Receivable

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

Inventory

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

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

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

Prepaid expenses

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

Property and Equipment

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

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

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

Fair Value of Financial Instruments

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

Meter Deposits

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

Compensated Absences

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

Use of Estimates

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

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

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

Income Taxes

The System is exempt from federal and state income taxes under IRS Code Section 501 (c) (12). Accordingly, there is no provision for income taxes in these financial statements. The System's federal Exempt Organization Business Income Tax Returns (Form 990) for 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

2. CASH AND CASH EQUIVALENTS

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

	2016	2015
Interest-bearing demand deposits	\$ <u>378,267</u>	\$ <u>401,483</u>

The System has concentrated its credit risk for cash by maintaining deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). At December 31, 2016, the System had \$385,590 in deposits (collected bank balances). The maximum loss that would have resulted from that risk totaled approximately \$135,590 at December 31, 2016, for the excess deposit liability reported by the financial institution over the amount that would have been covered by insurance. The System has not experienced any losses in such accounts and believed it is not exposed to any significant credit risk to cash and cash equivalents.

3. RECEIVABLES

Receivables at December 31, 2016, are as follows:

	2016	2015
Water sales	\$ 54,106	\$ 63,178
Less allowance for bad debts	(964)	(964)
Total Accounts Receivable	\$ <u>53,142</u>	\$ <u>62,214</u>

The accounts receivable balance is comprised of approximately 1,867 metered accounts, 1837 residential and 30 commercial, with an average monthly balance of \$31 per account.

The allowance for bad debts is based on a percentage of aged receivables over 120 days. An aging of accounts receivable at December 31, 2016, is as follows:

Current	\$ 54,520
31-60 days	18
61-90 days	343
91-120 days	(70)
over 120 days	(705)
Allowance	(964)
Total	\$ <u>53,142</u>

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

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

4. RESTRICTED ASSETS

Under the terms of the notes payable agreement with the United States Department of Agriculture, the System is required to set aside funds which are restricted to servicing the notes payable and providing for replacement of equipment. The restricted amounts at December 31, 2016 and 2015 for the USDA loan agreements are \$28,892 and \$28,874, respectively. The Community Resource Group loan requires a debt reserve fund be maintained to service that note payable. The restricted amount at December 31, 2016, is \$11,906.

Members are required to pay a meter deposit in the amount of \$50 that is recorded as a restricted liability entitled "meter deposits." The System deposits currently collected meter deposits into a restricted cash account. Upon termination of membership, the deposit is applied to any unpaid account balance with the remaining amount, if any, refunded to the withdrawing member within a reasonable period of time. The amount of member meter deposits was \$88,850 and \$85,800 as of December 31, 2016 and 2015, respectively.

Restricted assets at December 31, 2016, are comprised of:

	2016	2015
Cash and cash equivalents	\$ <u>129,649</u>	\$ <u>126,662</u>

5. FIXED ASSETS

Fixed assets consist of the following at December 31, 2016:

	2015	Additions	Deletions/ Reclassifications	2016
<u>Nondepreciable</u>				
Land	\$ 46,122	-	-	\$ 46,122
Construction in Progress	850	25,440	-	26,290
Total nondepreciable assets	<u>46,972</u>	<u>25,440</u>	<u>-</u>	<u>72,412</u>
<u>Depreciable</u>				
Buildings	192,264	-		192,264
Wells and lines	3,095,924	9,470		3,105,394
Equipment and machinery	253,722	-	(1,962)	251,760
Vehicles	134,296	-		134,296
Furniture and fixtures	4,674	-	(1,026)	3,648
Total depreciable assets	<u>3,680,880</u>	<u>9,470</u>	<u>(2,988)</u>	<u>3,687,362</u>
Total assets	<u>3,727,852</u>	<u>34,910</u>	<u>(2,988)</u>	<u>3,759,774</u>
Less accumulated depreciation	<u>(1,376,653)</u>	<u>(130,142)</u>	<u>2,988</u>	<u>(1,503,807)</u>
Net property and equipment	<u>\$ 2,351,199</u>	<u>\$ (95,232)</u>	<u>\$ -</u>	<u>\$ 2,255,967</u>

Depreciation expense for December 31, 2016 and 2015 is \$130,142 and \$122,634, respectively.

6. PER DIEM PAID TO BOARD MEMBERS

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

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

7. NOTES PAYABLE

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

These funds are represented by the following notes payable:

	2016	2015
\$220,000 payable to Community Resource Group, Inc. dated July 21, 2011, due in monthly installments of \$2,280.01 beginning September, 2011, including interest at 4.5% due September, 2021	\$ 108,532	\$ 151,444
\$215,000 note payable to the United States Department of Agriculture dated June, 1976 due in monthly installments of \$1,048 including interest at 5% due through July, 2016	-	19,410
\$160,000 note payable to the United States Department of Agriculture dated June, 1981, due in monthly installments of \$780 including interest at 5% due July, 2020	33,279	47,898
\$459,000 note payable to the United States Department of Agriculture beginning draw dated July 26, 2004; final draw March 31, 2006 for upgrades to the system Interest rate of 5% final note in 2042.	393,515	407,111
\$181,020 payable to Community Bank of Louisiana dated April 30, 2015, due in monthly installments of \$1,769.28 beginning May 31, 2015, including interest at 3.25% with a balloon payment of \$99,353 due April, 2020	154,812	170,717
	690,138	625,863
Less portion considered current	(54,726)	(52,442)
Total long-term liabilities	\$ 635,412	\$ 573,421

The annual requirements to amortize all long term debt as of December 31, 2016, are as follows:

Year	Principal	Interest	Total
2017	54,726	30,058	84,784
2018	57,097	27,687	84,784
2019	59,572	25,211	84,783
2020	146,518	20,648	167,166
2021	19,140	18,026	37,166
2022-2026	51,897	82,263	134,160
2027-2031	66,615	67,545	134,160
2032-2036	85,507	48,653	134,160
Thereafter	149,066	26,002	175,068
	\$ 690,138	\$ 346,093	\$ 1,036,231

Fixed assets of the System (including gross income and revenue to be derived from the operation of the System) are pledged as collateral to secure the mortgages with the United States Department of Agriculture and Community Resources Group.

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

7. NOTES PAYABLE (continued)

The loan agreements contain various restrictive covenants among which include maintenance of restricted cash funds at specified amounts, required amounts of insurance coverage and limitations on additional borrowings. The United States Department of Agriculture and Community Resources Group require the System to establish reserves and make monthly payments in order to satisfy payments on outstanding loans.

The USDA required amounts per month for the 1981 loan of \$53 for the Revenue Note Fund. A total of the reserve for the 1981 loan is required to be funded until at an amount sufficient to pay one annual installment of \$9,360 is on deposit. The 2004 loan reserve requires monthly deposits of \$103 until \$26,832 is on deposit, for a total USDA reserve needed of \$36,192. A total of \$28,892 is temporarily restricted in the Revenue Note Fund.

Community Resource Group requires \$228 be deposited in a debt reserve account until the sum of \$27,360 reached. These funds can be used if other funds are not available for payment due on the note or with permission for repairing damage caused by a catastrophe. At December 31, 2016, there is \$11,906 in this reserve account.

8. OTHER COMMITMENTS

As of December 31, 2016, pursuant to an agreement with Community Bank of Louisiana, the System has two available lines of credit. One is an open line of credit for \$100,000. The other one is available for construction costs if the System is unable to pay from funds generated from operations. This loan is for \$225,000. None of these loans are outstanding at the time these financial statements were available to be issued.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Payment of debt principal and interest	\$ 40,799	\$ 31,049
Temporarily restricted net assets	\$ 40,799	\$ 31,049

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

The system has established a Savings Incentive Match Plan for Employees of Small Employers. Employer contributions under this plan shall be equal to each eligible employee's contribution up to a limit of the lesser of 3% of the employee's compensation for the calendar year of \$600. In order to participate in the Plan, the employee must reasonably expect to earn at least \$5,000 in annual compensation. The Company may reduce the 3% limit to 1% if the limit is not reduced more than two calendar years during the five year period ending with the calendar year in which the reduction is effective, and each employee is notified of the reduced limit within a reasonable period of time before the employee's 60-day election period for the calendar year. The System makes annual contributions under this Plan. The System made contributions of \$4,989 and \$2,677 to the Plan for the years ended December 31, 2016 and 2015.

North DeSoto Water System, Inc.

Notes to Financial Statements

December 31, 2016

11. CAPITAL STOCK

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

12. GRANT REVENUE

During the year end December 31, 2016, the System received a \$35,000 Community Water Enrichment Fund grant applied for and received through the Town of Stonewall, Louisiana for the purpose of installing new auto-read meters.

13. LEASE COMMITMENTS

Operating Leases

Although the System is not a party to a capital lease agreement, the System has entered into a number of operating leases. The purpose of these leases is to acquire land to drill and operate water wells, construct pipe lines and other necessary structures to obtain water, and manage the water system. These leases have cancellation provisions and are subject to annual appropriations. For the years ended December 31, 2016 and 2015, lease expenditures were \$5,240 and \$5,240, respectively.

14. SUBSEQUENT EVENTS

The System has evaluated subsequent events through October 17, 2017, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

North DeSoto Water System, Inc.
SCHEDULE OF GENERAL OPERATING EXPENSES
For the years Ended December 31, 2016 and 2015

	2016	2015
Auto and Truck	\$ 19,895	\$ 16,492
Conferences, seminars, and travel	1,157	86
Depreciation	130,142	122,634
Dues and subscriptions	350	911
Insurance	33,568	29,518
Interest	32,482	32,902
Office expense	23,978	15,305
Professional fees	17,383	16,202
Leases	5,240	5,240
Repairs and maintenance	87,597	114,060
Meter expense	145,100	104,446
Miscellaneous	13,169	14,176
Supplies	17,550	23,111
Salaries and wages	295,813	278,550
Employee benefits	15,296	22,333
Payroll taxes	22,619	20,657
Utilities	65,367	64,910
Uniforms	13,109	10,407
	\$ 939,815	\$ 891,940

NORTH DESOTO WATER SYSTEM, INC.
SCHEDULE OF RATES
December 31, 2016

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

NORTH DESOTO WATER SYSTEM, INC.
BOARD OF DIRECTORS
December 31, 2016

		<u>Term Expires</u>
Mr. Andy Bridges 628 Collinswood Stonewall, Louisiana 71078 (318) 925-0906	President	2019
Mr. Allen Johnson 442 Burford Road Stonewall, Louisiana 71078 (318) 925-6348	Director	2019
Mr. Randy Rogers 173 Lee Lane Stonewall, Louisiana 71078 318-294-1331	Vice-President	2019
Mr. Mark Welch 266 Hall Road Stonewall, Louisiana 71078 318-426-1707	Director	2018
Mr. Curtis McCune (deceased June 28, 2017) 444 Hall Road Stonewall, Louisiana 71078	Director	2018

NORTH DESOTO WATER SYSTEM, INC.
SCHEDULE OF INSURANCE
December 31, 2016

Coverage	Inception Date	Expiration Date	Limits of Liability		Deductible Amount
<u>Business Automobile Combined Limit</u>	4/1/2016	4/1/2017	\$	1,000,000 Each person	\$ 500
Auto Medical			\$	5,000 Each person	\$ 500
Uninsured/Underinsured Motorist			\$	1,000,000 Each accident	\$ 500
Hired/Non-owned			\$	1,000,000 Each accident	\$ 500
<u>Commercial General Liability</u>	4/1/2016	4/1/2017			
Personal Injury and Advertising Injury			\$	1,000,000 Per Occurrence	\$ 0 per occurrence
General Aggregate			\$	3,000,000 Aggregate per Coverage	
Products--Completed Operations			\$	3,000,000 Aggregate	
Damage To Premises Rented to You			\$	1,000,000 Any One Premises	
Medical Expense			\$	10,000 Per Accident	
<u>Public Officials & Management Liability</u>	4/1/2016	4/1/2017			
Aggregate Limit			\$	3,000,000	\$ 1,000
Wrongful Acts/Employee Practices/Employee Benefit Plans			\$	1,000,000 Per Occurrence	\$ 1,000
Action for Injunctive Relief			\$	5,000 Per Occurrence	\$ 1,000
<u>Commercial Crime</u>	4/1/2016	4/1/2017			
Employee Theft			\$	100,000 Per Loss	\$ 1,000
Forgery or Alteration			\$	100,000 Per Occurrence	\$ 1,000
Theft of Money, Securities,			\$	100,000 Inside Per Occurrence	\$ 1,000
Robbery/Safe Burglary			\$	5,000 Inside Per Occurrence	\$ 1,000
Crime outside the Premises			\$	100,000 Per Occurrence	\$ 1,000
Computer Fraud			\$	100,000 Per Occurrence	\$ 1,000
Funds Transfer Fraud			\$	100,000 Per Occurrence	\$ 1,000
Money Orders			\$	100,000 Per Occurrence	\$ 1,000
<u>Property and Contents</u>	4/1/2016	4/1/2017			
Personal Property			\$	47,300 \$10,000 per unscheduled item	\$ 500
			\$	25,000 John Deere Backhoe	\$ 1,000
Real Property			\$	871,142 Tanks, Pumps & Other Equipment as per scheduled property value	\$1000 < \$50,000 \$2,500 > \$50,000
Borrowed, Rented, or Leased			\$	100,000	\$ 1,000
<u>Workmen's Compensation</u>	4/1/2016	4/1/2017	\$	1,000,000 Each accident	
			\$	1,000,000 Disease policy limit	
			\$	1,000,000 Disease each employee	

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

NORTH DESOTO WATER SYSTEM, INC.

SCHEDULE OF FINDINGS December 31, 2016 and 2015

CURRENT YEAR FINDINGS

2017-01 Violation of Louisiana Audit Law

Criteria – North DeSoto Water System, Inc. was subject to R.S. 24:513(A)(5)(a) for the year ended December 31, 2016, requiring “audits to be completed within six months of the close of the entity’s fiscal year.”

Condition – For the year ended December 31, 2016, the audit was not completed and submitted until after the six months deadline.

Effect – The System is not in compliance with the financial reporting standards and is in violation of the above state statute.

Cause – The System is a non-profit entity that is typically not subject to the Louisiana Audit Law, however, during the year ended December 31, 2016, a \$35,000 Community Water Enrichment Fund grant was applied for and received through the Town of Stonewall, Louisiana for the purpose of installing new auto-read meters. The filing requirement to the Legislative Auditor was not realized until after audit procedures had begun.

Recommendation – The System should notify the auditor as soon as they receive any type of public funds so the auditor can submit for Legislative Auditor approval and plan accordingly for an audit governed by the Louisiana Audit Law.

Management’s Reponse - The System will be more diligent in notifying the auditor when they receive flow-through grants so that the auditor will know the System is subject to the Audit Law.

PRIOR YEAR FINDINGS

None.