

PINE HILL WATERWORKS DISTRICT NO. 8

Shreveport, Louisiana

FINANCIAL STATEMENTS

July 31, 2021

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

PINE HILL WATERWORKS DISTRICT NO .8

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

Board of Directors
Pine Hill Waterworks District No. 8
Shreveport, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Pine Hill Waterworks District No. 8, a component unit of the Caddo Parish Commission, as of and for the year ended July 31, 2021, and the related notes to the financial statements, which collectively comprise the System'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 Pine Hill Waterworks District No. 8, as of July 31, 2021, 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

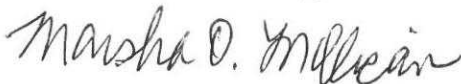
Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules listed in the table of contents as supplemental information are presented for purposes of additional analysis and are 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 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 American. 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 January 10, 2022 on my consideration of Pine Hill Waterworks District No. 8 Inc.'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 Pine Hill Waterworks District No. 8's internal control over financial reporting and compliance.



Certified Public Accountant
January 10, 2022

PINE HILL WATERWORKS DISTRICT NO. 8

EXHIBIT A

Statement of Net Assets

July 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 305,676
Accounts Receivable	82,856
Prepaid Expenses	15,226
Total Current Assets	<u>403,758</u>
PROPERTY AND EQUIPMENT (NET)	<u>1,075,033</u>
OTHER ASSETS	
Restricted Cash	165,913
Investments	-
Utility Deposits	50
Total Other Assets	<u>165,963</u>
Total Assets	<u>\$ 1,644,754</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES (Payable from Current Assets)	
Accounts Payable	\$ 27,056
Accrued Compensated Absences Payable	7,959
Accrued Salaries Payable	3,234
Total Current Liabilities (Payable from Current Assets)	<u>38,249</u>
CURRENT LIABILITIES (Payable from Restricted Assets)	
Current Maturities of Long-Term Debt	134,040
Total Current Liabilities(Payable from Restricted Assets)	<u>134,040</u>
Total Current Liabilities	172,289
OTHER LIABILITIES (Payable from Restricted Assets)	
Long-Term Debt, Less Current Maturities	508,817
Customer Deposits	165,913
Total Other Liabilities	<u>674,730</u>
Total Liabilities	<u>847,019</u>
Net Assets:	
Invested in capital assets, net of related debt	432,176
Unrestricted	365,559
Total Net Assets	<u>797,735</u>
Total Liabilities and Net Assets	<u>\$ 1,644,754</u>

See accompanying notes to financial statements.

PINE HILL WATERWORKS DISTRICT NO. 8

Statement of Activities

For the Year Ended July 31, 2021

	<u>Total</u>
SALES	\$ 788,901
OPERATING EXPENSES	<u>610,969</u>
Gross Profit	<u>177,932</u>
GENERAL AND ADMINISTRATIVE EXPENSE	<u>194,916</u>
Change in Net Assets from Operations	<u>(16,984)</u>
OTHER INCOME (EXPENSE)	
Interest Income	616
Interest Expense	<u>(18,275)</u>
Change in Net Assets	(34,643)
NET ASSETS, BEGINNING OF YEAR	<u>832,378</u>
NET ASSETS, END OF YEAR	<u><u>\$ 797,735</u></u>

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

For the Year Ended July 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 794,924
Cash payments to suppliers and employees	(703,014)
Net cash provided by operating activities	<u>91,910</u>
CASH FLOWS FROM OTHER SOURCES	
Interest Income	616
Net cash provided from other sources	<u>616</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Interest paid on long term debt	(18,275)
Proceeds from borrowing	-
Principal payments on long term debt	(87,151)
Net cash used by capital and related financing activities	<u>(105,426)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in investments	130,323
Additions to property and equipment	(16,372)
Net cash used by investing activities	<u>113,951</u>
Increase (Decrease) in cash	101,051
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including restricted cash of \$159,703)	<u>370,538</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (including restricted cash of \$165,913)	<u>\$ 471,589</u>
Reconciliation of changes in net assets to net cash provided by operating activities:	\$ (16,984)
Changes in net assets before other income (expense)	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	122,519
Changes in assets and liabilities	
Decrease in accounts receivable	6,023
Increase in prepaid expenses	(1,384)
Decrease in accounts payable	(20,311)
Increase in accrued salaries payable	1,151
Decrease in compensated absences payable	(5,314)
Increase in customer deposits	6,210
Net cash provided by operating activities	<u>\$ 91,910</u>

The accompanying notes are an integral part of these statements.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

Introduction:

The Pine Hill Waterworks District No. 8 of Caddo Parish, Louisiana (District) was created by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3811. The purpose of the District is to provide water service to the residents of the District. The District is located north of Shreveport, Louisiana and serves approximately 1634 customers. The District is domiciled at 4922 North Market Street, Shreveport, Louisiana. The affairs of the District are conducted and managed by a board of five (5) commissioners appointed by the Caddo Parish Commission as authorized by Louisiana Revised Statute 33:3812. The commissioners of the District serve five year terms.

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements. The District's proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R. S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies:

The accounting and reporting framework and the more significant accounting policies of the District are described as follows:

Reporting Entity - As the governing authority of the parish, for reporting purposes, the Caddo Parish Commission is the financial reporting entity for Caddo Parish. The financial reporting entity consists of (a) the primary government (Parish Commission), (b) organizations for which the primary government is financially responsible and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Parish Commission for financial reporting purposes. The basic criterion for including a potential component unit within a reporting entity is financial accountability.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

1. Summary of Significant Accounting Policies (Continued):

A. Reporting Entity (Continued)

These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Caddo Parish Commission to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Caddo Parish Commission.
2. Organizations for which the Caddo Parish Commission does not appoint a voting majority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As provided by Louisiana Revised Statute 33:3811, the Caddo Parish Commission may, by ordinance, create or abolish the District in its entirety or may change or alter its boundaries. The Caddo Parish Commission appoints the commissioners of the District and the commissioners serve at the pleasure of the Caddo Parish Commission. The Pine Hill Waterworks District No. 8 of the Parish of Caddo was therefore determined to be a component unit of the Caddo Parish Commission, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Caddo Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting unit.

- B. Fund Accounting - The District uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

1. Summary of Significant Accounting Policies (Continued):

B. Fund Accounting (Continued)

government functions or activities.

The fund of the District is classified as a proprietary fund. Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund is:

- *Water Fund* - Accounts for the provision of water service to the residents of the District. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The District has only business-type activities. These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users for goods and services. Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The basic financial statements of the District are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

1. Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The amounts reflected in the financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with District activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

- D. Cash and Cash Equivalents and Investments - Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits, time deposits (certificates of deposit), and short term, highly liquid investments with original maturities of three months or less when purchased. Investments are interest-bearing time deposits with original maturity dates in excess of three months when purchased. Investments are stated at cost, which approximates market value.

The District's investments comply with Louisiana Revised Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

- E. Receivables - Customers' water charges are the District's major receivable. All receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled customer water charges are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets - Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Capital assets purchased or acquired by the District are reported at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets include property, plant, equipment, and distribution systems. The District maintains the following threshold levels for capitalizing assets:

Land	\$ 1
Land Improvements	\$ 1,000
Buildings	\$ 1,000
Construction in Progress	\$ 1
Machinery and Equipment	\$ 1,000
Vehicles	\$ 1,000
Distribution System	\$ 1,000
Furniture and Fixtures	\$ 1,000
Computer Hardware and Software	\$ 1,000

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	N/A
Building and Improvements	20-40 years
Equipment	5-10 years
Vehicles	5 years
Distribution System	25 years
Furniture and Fixtures	10 years
Computer Hardware and Software	5 years

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

1. Summary of Significant Accounting Policies (Continued):

- G. Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond July 31, 2021 are recorded as prepaid expenses.
- H. Restricted Assets - Restricted assets include cash and cash equivalents and investments that are legally restricted as to their use. The restricted assets are related to bond covenants which require the District to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt, to purchase additional equipment and improvements, and for customers' refundable water deposits.
- I. 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 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.
- J. Fund Equity - Equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:
- a. Invested 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 attributable to the acquisition, construction, or improvement of those assets.
 - b. Restricted net assets - Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - c. Unrestricted net assets - Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- K. Risk Management - The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, and workers compensation.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

2. Cash and Cash Equivalents and Investments:

Cash and Cash Equivalents:

As of July 31, 2021, the District had cash and cash equivalents (book balances) totaling \$471,589 as follows:

Cash on hand	\$ 300
Demand Deposits	<u>471,289</u>
	<u>\$ 471,589</u>

Investments:

The District had no investments at July 31, 2021.

These deposits are stated at cost, which approximates market value. 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 District in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

The cash equivalents and investments of the District are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. At year end, the District had collected bank balances totaling \$493,146 while book balances totaled \$471,589. Deposits of \$479,409 were collateralized by FDIC insurance; deposits of \$13,737 were collateralized by securities held in the name of the District.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

2. Cash and Cash Equivalents and Investments (Continued):

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District's certificates of deposit have maturities of twenty-four months or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer will not fulfill its obligation to the holder. The District's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

3. Receivables:

As of July 31, 2021, accounts receivable consist of the following:

Water sales - billed	\$ 94,154
Water sales - unbilled	20,809
Total	<u>114,963</u>
Less allowance for uncollectible	<u>(32,107)</u>
Net accounts receivable	<u><u>\$ 82,856</u></u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

4. Capital Assets:

Capital assets and depreciation activity as of and for the year ended July 31, 2021 for the District is as follows:

	Balance August 1, 2020	Additions	Deletions	Balance July 31, 2021
Capital assets not being depreciated:				
Land	\$ 19,535	\$ -	\$ -	\$ 19,535
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>19,535</u>	<u>-</u>	<u>-</u>	<u>19,535</u>
Capital assets being depreciated:				
Buildings and improvements	125,538	2,675	-	128,213
Equipment	122,708	-	-	122,708
Distribution system	3,349,313	13,698	-	3,363,011
Total capital assets being depreciated	<u>3,597,559</u>	<u>16,373</u>	<u>-</u>	<u>3,613,932</u>
Less accumulated depreciation for:				
Buildings and improvements	72,295	3,836	-	76,131
Equipment	119,850	1,430	-	121,280
Distribution system	2,243,770	117,253	-	2,361,023
Total accumulated depreciation	<u>2,435,915</u>	<u>122,519</u>	<u>-</u>	<u>2,558,434</u>
Total capital assets - net	<u>\$ 1,181,179</u>	<u>\$ (106,146)</u>	<u>\$ -</u>	<u>\$ 1,075,033</u>

5. Long-Term Obligations:

The following is a summary of the long-term obligation transactions for the year ended July 31, 2021.

Bonds and notes payable at July 31, 2021, are comprised of the following individual issues:

	Beginning Balance	Additions	Payments	Ending Balance
Series 2007 Water Revenue Bonds	\$ -	\$ -	\$ -	\$ -
Revenue Refunding Bonds Series 2019	610,812	-	(87,151)	523,661
URAF Agreement 13572	35,233	-	-	35,233
URAF Agreement 14132	83,963	-	-	83,963
	<u>\$ 730,008</u>	<u>\$ -</u>	<u>\$ (87,151)</u>	<u>\$ 642,857</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

5. Long-Term Obligations (Continued):

Revenue Bonds:

Revenue Refunding Bonds, Series 2019; interest 3,2%
dated April 1, 2019, due in monthly installments of \$8,785
beginning May 1, 2019 through December 1, 2026;
collateralized by pledge of net revenues \$ 523,661

Utility Relocation Assistance Funding Agreement 13572
non-interest bearing 35,233

Utility Relocation Assistance Funding, Agreement 14132
non-interest bearing 83,963
642,857

Less:

Current portion of long-term debt (134,040)
Total long-term debt \$ 508,817

The total annual requirements to amortize bond debt outstanding as of July 31, 2021, including interest payments of \$46,975 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Revenue Refunding Bonds Series 2019			
2022	\$ 90,219	\$ 15,213	\$ 105,432
2023	93,150	12,282	105,432
2024	96,175	9,257	105,432
2025	99,298	6,134	105,432
2026	102,521	2,911	105,432
2027 and after	42,298	1,178	43,476
	<u>\$ 523,661</u>	<u>\$ 46,975</u>	<u>\$ 570,636</u>

The revenue bond indenture requires the District to provide Net Revenues in an amount equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the bonds.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

5. Long-Term Obligations (Continued):

<u>URAF Agreement</u>	13572	14132
2022	\$ 19,862	\$ 23,989
2023	9,931	11,995
2024	5,440	11,995
2025	-	11,995
2026	-	11,995
2027 and After	-	11,994
	\$ 35,233	\$ 83,963

6. Restricted Assets:

Certain resources set aside for repayment of bonded indebtedness and customers' utility deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances or deposit agreements.

Revenue refunding bonds are obligations of the District solely secured by a pledge of the net revenues of the water system. The revenue of the water system and the various special depository accounts established by the bond ordinances collateralize the bonds. The bond covenants provide that the revenue of the system is to be used first to pay operating and maintenance of the system and then to meet the funding covenants of the obligations.

The bond covenants of the revenue refunding bonds require the District to establish the following accounts:

Water System Revenue Fund - All water system revenues of every nature derived from the operation of the system are initially deposited into this account to provide for the payment of reasonable and necessary expensing of operating and maintaining the system.

7. Simplified Employee Pension Plan:

The District offers a simplified employee pension plan to provide retirement benefits for its employees. Under this plan, the District provides discretionary annual contributions to the individual employee's retirement account (IRA). Participants must be reasonably expected to receive at least \$5,000 in gross salary for the calendar year. The District's contributions to each employee are based on an equal percentage applied to their gross annual earnings. Amounts contributed to the plan for the year ended July 31, 2021 by the District totaled \$4,575.

PINE HILL WATERWORKS DISTRICT NO. 8

Notes to the Financial Statements

July 31, 2021

8. Contingencies and Concentrations:

Lawsuits

The District is not currently named as defendant in any current or pending litigation.

Concentrations

The District's primary source of water to supply its customers is through a contract with the Town of Blanchard, Louisiana, whereby water is provided by the Town to the District. The loss of this water source or a significant reduction in the availability of water could have a material adverse effect on the District. The District believes that its relationship with the Town of Blanchard is satisfactory.

9. Operating Leases:

The District has entered into a month to month operating lease for a plot of land for the production of water. Rental expense under this lease for the year ended July 31, 2021 totaled \$24,936.

10. 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.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Operating Expense

Year Ended July 31, 2021

Water Costs	\$ 188,055
Repair & Maintenance	93,759
Salaries and Related Expenses	123,246
Well Site Rental	24,736
Utilities	39,220
Truck & Travel	4,559
Cell Phones	2,334
Operating Supplies	15,969
Depreciation	118,801
Miscellaneous	290
	<hr/>
Total	<u>\$ 610,969</u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Administrative Expense

Year Ended July 31, 2021

Office Salaries and Related Expenses	\$ 85,370
Insurance	32,390
Utilities and Telephone	11,397
Legal and Accounting	11,500
Postage	3,158
Travel	954
Security	878
Meetings - Per Diem	3,060
Bank Charges	3,950
Contract Labor	3,126
Computer Expense	17,091
Credit Card Fees	5,149
Dues & Memberships	780
Office Supplies and Expenses	8,112
Office Repair & Maintenance	3,155
Depreciation	3,718
Miscellaneous	<u>1,128</u>
Total	<u><u>\$ 194,916</u></u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Compensation Paid to Commissioners
to Agency Head

For the Year Ended July 31, 2021

Anthony Starks, President	\$	1,020
Shirley Hamilton		1,020
Homer Norris		<u>1,020</u>
Total	\$	<u><u>3,060</u></u>

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Compensation, Reimbursements, Benefits, and Other Payments
to Agency Head

For the Year Ended July 31, 2021

Agency Head: Anthony Starks, President

\$ 1,020



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 Directors
Pine Hill Waterworks District No. 8
Shreveport, 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 business-type activities of Pine Hill Waterworks District No. 8 (the District) as of July 31, 2021, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Pine Hill Waterworks District No. 8'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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation 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 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.

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 and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings to be a material weaknesses and is reported as Finding #2021-1.

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SHREVEPORT, LA 71104-3036
(318) 221-3881
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine Hill Waterworks District No. 8'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are reported in the accompanying Schedule of Findings as Finding #2021-2 and Finding #2021-3.

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
January 10, 2022

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings

Year Ended July 31, 2021

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One deficiency, which is considered to be a material weakness, is reported in the 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*.
3. Two instances of noncompliance material to the financial statements were disclosed during the audit.

FINDING #2021-1:

Criteria: Effective internal control requires segregation of duties.

Condition: The segregation of duties is inadequate to provide effective internal control. Employees perform interrelated duties.

Cause: The condition is due to economic and space limitations.

Effect: Unknown.

Recommendation: Whether or not it would be cost effective to correct a deficiency is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical, and, accordingly, do not believe that any corrective action is necessary.

Management's Response: We concur with the finding. We will make every effort to segregate duties as allowed by space and economic limitations.

FINDING #2021-2:

Criteria: The covenant of the Revenue Refunding Bonds, Series 2019 requires the District to provide Net Revenues in an amount equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Bonds.

Condition: For the year ended July 31, 2021, the District did not provide Net Revenues in an amount equal to one hundred twenty-five percent of Maximum Annual Debt Service on the Bonds.

Cause: Unknown.

Effect: The District was not in compliance with the covenant of the Revenue Refunding Bonds, Series 2019.

PINE HILL WATERWORKS DISTRICT NO. 8

Schedule of Findings (Continued)

Year Ended July 31, 2021

FINDING #2021-2 (Continued)

Recommendation: I recommend the District comply with the covenant of the Revenue Refunding Bonds, Series 2019.

Management's Response and Corrective Action Taken: We agree with the finding. We will strive to comply with the covenant of the Revenue Refunding Bonds, Series 2019.

Finding #2021-3:

Criteria: The District owes the Louisiana Department of Transportation and Development (DOTD) \$119,195.48 on two advances used to make improvements to the water system. These advances require annual payment of 5% of gross income or 10% of the outstanding balance.

Condition: For the year ended July 31, 2021, the District did not make the required annual payments on the advances.

Cause: The District was not invoiced by DOTD for the year ended July 31, 2021.

Effect: The District is not in compliance with the terms of the DOTD advances.

Recommendation: I recommend the District comply with the repayment terms of the DOTD advances.

Management's Response and Corrective Action Taken: We agree with the finding. We will comply with the repayment terms of the DOTD advances in the future.

PINE HILL WATERWORKS DISTRICT NO. 8

Corrective Action Taken on Prior Year Findings

For the Year Ended July 31, 2021

FINDING #2020-1: The segregation of duties is inadequate to provide effective internal control.

STATUS: No action was suggested and none was taken.

FINDING #2020-2: The District was not in compliance with the covenant of the Revenue Refunding Bonds, Series 2019.

STATUS: Unresolved.