

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2019

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, 2019, 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, 2019, 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 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 24, 2020 on my consideration of Waterworks District No. 1 of the Parish of DeSoto's internal control over functional 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 24, 2020

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

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, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had net position of \$15,171,749 at year end which represents a decrease from the prior year of \$171,693.

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 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 \$15,171,519 at December 31, 2019.

The District's major assets are its fixed assets of \$16,192,331 representing its investment in its water distribution system and water treatment plant. The District owed \$4,269,294 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, \$600,585 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,

	2019	2018
Current assets	\$ 837,483	\$ 833,169
Other assets	2,773,565	2,859,705
Capital Assets, net of depreciation	16,192,331	16,715,161
Total Assets	<u>19,803,379</u>	<u>20,408,035</u>
Deferred outflows of resources	<u>321,071</u>	<u>112,159</u>
Accounts payable and accrued expenses	103,428	331,090
Bonds payable	4,267,294	4,524,492
Other liabilities	557,292	204,018
Total Liabilities	<u>4,928,014</u>	<u>5,059,600</u>
Deferred inflows of resources	24,917	117,372
Invested in capital assets, net of related debt	11,925,037	12,190,669
Reserved for construction	-	-
Reserved for bond retirement	600,585	599,940
Reserved for customer deposits	39,068	37,921
Board Designations	332,748	120,964
Unrestricted	2,274,081	2,393,718
	<u>\$ 15,171,519</u>	<u>\$ 15,343,212</u>

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

	2019	2018
Operating Revenues	\$ 2,125,467	\$ 2,000,374
Operating Expenses	2,231,781	2,072,646
Operating Income	(106,314)	(72,272)
Non-operating Income/Expense	(65,379)	248,735
Changes in Net Position	\$ (171,693)	\$ 176,463

The District's total operating revenues increased by \$125,093 from the previous year. The total operating expense increased by \$159,135 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had \$16,192,331 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$522,830 as a result of net additions of \$161,366 and depreciation expense of \$684,196.

Capital Assets at Year End

	2019	2018
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	421,295	387,172
Office Building	329,773	329,773
Water System	24,718,257	24,591,014
Total	25,474,283	25,312,917
Less: Accumulated Depreciation	9,281,952	8,597,756
Net Fixed Assets	\$ 16,192,331	\$ 16,715,161

The District had \$4,267,294 in long-term debt as follows:

	Balance 1/1/2019	Borrowings	Payments	Balance 12/31/2019
2001 Revenue Bonds	\$ 1,128,558	\$ -	\$ 52,542	\$ 1,076,016
DEQ Revenue Bonds	626,000	-	148,000	478,000
DEQ 2017 Revenue Bonds	1,684,934	97,344	75,000	1,707,278
DEQ 2010 Revenue Bonds	1,085,000	-	79,000	1,006,000
Balance, December 31, 2019	<u>\$ 4,524,492</u>	<u>\$ 97,344</u>	<u>\$ 354,542</u>	<u>\$ 4,267,294</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

2019 was a good year for Waterworks as we moved to a new treatment system, enhanced some of our operational standards and continued to increase our customer base. Our new MIEX treatment system went online in Nov. of 2018, so this year was the first complete year to see what difference it can make in our treatment protocol. The System shows great promise after some initial startup adjustments; we are seeing greatly reduced levels of Disinfectant By Products which are heavily monitored by the State. Our customer base continues to increase and for the first time, our total revenues exceeded 2 million dollars. Talks with the State concerning consolidation with other systems continue and Waterworks stands ready to assist in these talks when the time arises. Costs associated with the System and existing payment schedules reduced our net income for 2019, but without the associated expense of depreciation, we would be showing a substantial profit for 2019. Looking forward, we are in the first phases of enlarging our treatment facility yet again, to be ready for continued growth in the Parish with the goal of going from 1 Million Gallons per Day, to the capacity of 2 Million per Day, and to easily increase to 3 Million Gallons per Day. The future continues to look bright for Waterworks as we strive to increase our customer satisfaction and further improve our quality of water.

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, 2019

<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 27,997
Taxes Receivable	672,470
Accounts Receivable (Net)	135,136
Prepaid Expenses	1,880
Total Current Assets	<u>837,483</u>
<u>Other Assets</u>	
Restricted Assets	
Cash	107,087
Investments	972,400
Investments	1,693,278
Deposits	800
Fixed Assets (Net)	16,192,331
Total Other Assets	<u>18,965,896</u>
Total Assets	<u>19,803,379</u>
Deferred Outflows of Resources	<u>321,071</u>
<u>Liabilities</u>	
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 103,428
Current Portion of Long-Term Debt	260,125
Total Current Liabilities	<u>363,553</u>
<u>Long-Term Liabilities</u>	
Customer Deposits Payable	180,322
Long-Term Debt, Net of Current Portion	4,007,169
Net Pension Liability	340,604
Accrued Interest Payable	36,366
Total Long-Term Liabilities	<u>4,564,461</u>
Total Liabilities	<u>4,928,014</u>
Deferred Inflows of Resources	<u>24,917</u>
<u>Net Position</u>	
Invested in Capital Assets, Net of Related Debt	11,925,037
Reserved for Debt Service	600,585
Reserved for Construction	-
Reserved for Customer Deposits	39,068
Board Designations	332,748
Unreserved	2,274,081
Total Net Position	<u>\$ 15,171,519</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, 2019

Revenues:	
Ad Valorem Taxes	\$ 688,611
Charges for Services	<u>1,436,856</u>
Total Revenues	<u>2,125,467</u>
Operating Expenses:	
Personal Services	772,173
Utilities	120,905
Repair and Maintenance	62,003
Other Supplies and Expense	555,201
Insurance	37,303
Depreciation	<u>684,196</u>
Total Expenses	<u>2,231,781</u>
Operating Income (Loss)	(106,314)
Non-Operating Revenues (Expenses):	
Interest Income	63,487
Bond 2019 Forgiveness of Debt	24,336
Interest Expense	<u>(153,202)</u>
Total Non-Operating Revenues (Expenses)	<u>(65,379)</u>
Change in Net Position	(171,693)
Net Position - Beginning of Year	<u>15,343,212</u>
Net Position - End of Year	<u><u>\$15,171,519</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, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 1,439,751
Cash received from property taxes	668,377
Cash payments to suppliers	(1,131,042)
Cash payments to employees	(517,769)
Net cash provided by operating activities	<u>459,317</u>
Cash flows from capital and related financing activities	
System improvements	(161,366)
Forgiveness of debt	(24,336)
Proceeds from borrowing	121,680
Interest paid on long term debt	(155,182)
Principal payments on long term debt	(354,542)
Net cash used by capital and related financing activities	<u>(573,746)</u>
Cash flows from investing activities	
Interest earned	63,487
Net change in investments	56,583
Net cash provided by investing activities	<u>120,070</u>
Net increase in cash	5,641
Cash, January 1, 2019 (including \$123,584 in restricted accounts)	<u>129,443</u>
Cash, December 31, 2019 (including \$107,087 in restricted accounts)	<u>\$ 135,084</u>
Reconciliation of changes in net position to net cash provided by operating activities:	
Changes in net position before non-operating revenues (expenses):	\$ (106,314)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	684,196
Changes in assets and liabilities	
Decrease in accounts receivable	2,895
Increase in taxes receivable	(20,234)
Increase in deferred outflows of resources	(208,912)
Decrease in prepaid expenses	35,163
Decrease in accounts payable	(16,975)
Decrease in construction payable	(210,687)
Increase in net pension liability	378,000
Decrease in deferred inflows of resources	(92,465)
Increase in customer deposits	14,650
Net cash provided by operating activities	<u>\$ 459,317</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

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 us 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 and appoints commissioners, the District was determined to be a component unity 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 \$135,084 Bank balances were \$162,583 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 \$2,665,678.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

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, 2019, taxes of .99 mills were levied on property with assessed values totaling \$695,511,931 and were dedicated for general operating purposes. Taxes receivable at December 31, 2019 totaled \$672,470.

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, 2019, investments on deposit with LAMP (at cost) totaled \$2,665,678.

5. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2019, totaled \$135,136 less an allowance for doubtful accounts of \$0-.

6. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$ 4,958
Machinery & Equipment	421,295
Office Building	329,773
Water System	24,718,257
	<hr/> 25,474,283
Less: Accumulated Depreciation	9,281,952
	<hr/> \$ 16,192,331

Fixed assets are stated at cost and are depreciated over lives from 5 to 40 years using the straight line method. Additions totaled \$161,366. Depreciation expense for the year totaled \$684,196.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

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, 2019:

	<u>Balance 1/1/2019</u>	<u>Debt Proceeds</u>	<u>Principal Payments</u>	<u>Balance 12/31/2019</u>
DEQ 2017 Revenue Bonds	\$ 1,684,934	\$ 97,344	\$ 75,000	\$ 1,707,278
2001 Revenue Bonds	1,128,558	-	52,542	1,076,016
DEQ Revenue Bonds	626,000	-	148,000	478,000
DEQ 2010 Revenue Bonds	<u>1,085,000</u>	<u>-</u>	<u>79,000</u>	<u>1,006,000</u>
Balance, December 31, 2019	<u>\$ 4,524,492</u>	<u>\$ 97,344</u>	<u>\$ 354,542</u>	<u>\$ 4,267,294</u>

Bonds and notes payable at December 31, 2019, 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.

\$ 1,707,278

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%.

\$ 1,076,016

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%.

\$ 478,000

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; interest payments are due in February and August bearing interest at 2.95%.

\$ 1,006,000

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

The annual requirements to amortize water revenue bonds outstanding as of December 31, 2019, including interest payments of \$939,150 as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 260,125	\$ 101,385	\$ 361,510
2021	269,508	92,785	362,293
2022	279,964	83,394	363,358
2023	119,497	73,626	193,123
2024	121,112	51,877	172,989
2025 and after	1,509,810	535,634	2,045,444
Totals	<u>\$ 2,560,016</u>	<u>\$ 938,701</u>	<u>\$ 3,498,717</u>

8. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 39,068
Board Designations	332,748
Debt Service:	
Water Revenue Bond - 2001 DEQ	484,245
Water Revenue Bond - 2006	27,112
Water Revenue Bond - 2010	<u>89,228</u>
Total	<u>\$ 972,401</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, 2019.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

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, 2019

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 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 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, 2019

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, 2018, 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, 2019 was 11.5% 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 Government were \$54,550 for the year ended December 31, 2019.

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

At December 31, 2019, the District reported an liability of \$340,604 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, 2019

2018 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, 2019, the District's proportion was .076741, which was an increase of .01% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019 the District recognized pension expense of \$137,138 plus or minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$323.

At December 31, 2019 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	\$ -	\$ 20,751
Changes in assumption	85,162	-
Net difference between projected and actual earnings on pension plan investments	163,048	-
Changes in employer's proportion of beginning net pension liability	10,205	4,107
Differences between employer contributions and proportionate share of employer contributions	8,106	59
Subsequent Measurement Contributions	54,550	-
Total	\$ 321,071	\$ 24,917

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

Year ended December 31:	
2019	\$ 75,672
2020	40,027
2021	37,783
2022	72,026
Total	\$ 111,789

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017 is as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	6.50% per annum
Inflation Rate	2.5% 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/2.00% 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, 2019

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real Assets	2%	0.11%
Total	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

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

	1.0% Decrease (6.5%)	Current Discount (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability	\$ 732,352	\$ 340,604	\$ 20,660

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 \$28,024 which is the legally required contribution due at December 31, 2019. The amount is recorded in accrued expenses.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2019

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 , President Trump declares a national emergency 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, 2019

<u>Year Ended June 30</u>	<u>Employer Proportion of th 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	.064551%	\$ 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	517,769	65.78.%	79.78%

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, 2019

<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%

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, 2019

Parochial Retirement System:

Changes of benefit terms - There were no changes of benefit terms for the year ended December 31, 2019.

Changes of assumptions - There were no changes of benefit assumptions for the year ended December 31, 2019.

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, 2019

Agency Head: John Neilson, Systems Administrator

Salary	<u>\$ 81,827</u>
Payroll Taxes	<u>\$ 1,368</u>
Insurance	<u>\$ 17,584</u>
Retirement	<u>\$ 9,591</u>

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Insurance Coverage

Year Ended December 2019

Insurance Coverage:

Auto Policy: Policy # 5106-1154-05: 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, 2019 to January 1, 2020.

Crime Policy: Policy # 69074909: CNA Surety, P.O. Box 5077 Sioux Falls, SD 57117, \$106,000 Employee Dishonesty, effective dates October 13, 2018 thru October 13, 2019.

Liability Policy: Policy # 5105-1154-05: Allied World Specialty Insurance Company, 1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$3,000,000 Combined Single Limit, effective dates January 1, 2019 to January 1, 2020.

Public Officials and Management Policy: Policy: Policy # 5105-1154-05: Allied world Specialty Insurance Company, 1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$1,000.000 Combined Single Limit, effective dates January 1, 2019 to January 1, 2020.

Commercial Property Policy: Policy # 5105-1154-05: Allied world Specialty Insurance Company, 1690 New Britain Avenue, Suite 101, Farmington, CT 06032, \$3,000.000 Combined Single Limit, effective dates January 1, 2019 to January 1, 2020.

Workers Compensation Policy: 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, 2019 to February 14, 2020.

WATERWORKS DISTRICT 1 BOARD MEMBERS

P.O. Box 1409, Mansfield, LA 71052 mailing
 320 Liberty Lane, Grand Cane, LA 71032 physical
 318-872-0004 office 318-872-0005 fax

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	call on cell phone	465-8514
David Evans Sept 17, 2003	4845 Hwy 175 Frierson, LA 71027	797-3323		617-7891
Ronnie Land May 27, 2020	409 Mockingbird Logansport, LA 71049	318-294-5003		
Kenneth E. "Ed" Campbell Vice President March 11, 2013	820 Fifth Street Grand Cane, LA 71032	858-3774 Email: edcampbell820@gmail.com		464-4111
Carolyn Landrum April 9, 2018	3770 Blunt Mill Road Grand Cane, LA 71032	872-0407		655-2077
Bryan "Bo" Norwood Jan. 27, 2014	180 Norwood Rd. Mansfield, LA 71052	872-4707 email: brvanbnorwood@aol.com		455-7869
Randy Rodgers Aug 8, 2017	173 Lee Lane Stonewall, LA 71078	925-3854 email: rr6698@att.net	best # to reach cell	294-1331
Jim Vidler June 1, 2018	208 South 2 nd St. Logansport, LA 71049	655-3357 email: jrvidler@gmail.com		
John Neilson, Administrator	Doris Burns, Plant Operator	Ricky Welton, Plant Operator		
Tim Bryson, Plant Manager	Joe Cawthorn, Asst. Plant Manager	Dennis Washington, Field Operator		
Teresa Register, Administrative Assistant	Christian Roberts, Plant Operator	Angela Gamble, Field Operator		
Patrick Taylor, Field Supervisor	Rebecca Foster, Office Staff and Plant Operator			
Willie Burkes, Part-time Field Operator	Frankie Bartley, Field Operator			

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Current Rate Structure

APRIL 24, 2017

Amount	Item
At Cost	New Meter Install--Two Inch Meter
\$725.00	New Meter Install--One Inch Meter
\$625.00	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 \$4.25 per 1,000 gals after 1,000 gals
\$22.00	HWY 513 & Judy Sub. \$6.25 per 1,000 gals after 1,000 gals
\$25.00	Texas: 4.50 per 1,000 after 1,000 gals
\$22.00	Mounce Road \$5.25 per 1,000 gals after 1,000 gals
\$37.50	Commercial \$4.75 per 1,000 gals after 10,000 gals
\$35.00	Bulk water \$3.75 per 1,000 gals after 10,000 gals
\$37.50	Industrial Rates \$4.75 per 1,000 gals
\$37.50	Fire Hydrant \$13.75 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, 2019, the District had 2,148 residential customers
133 commercial customers
for a total 2,281 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

To the 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, 2019, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated August 24, 2020.

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 24, 2020

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2019

There were no findings for the year ended December 31, 2018.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings

Year Ended December 31, 2019

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, 2019.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

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

I have performed the procedures enumerated below, which agreed to by the Board of Commissioners of Waterworks District No. 1 of the Parish of Caddo (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed Upon Procedures (SAUPs) for the fiscal year January 1 through December 31, 2019. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Council. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

My procedures and associated findings are enumerated below.

Written Policies and Procedures

(The following written policies and procedures were not reviewed since there were no exceptions for the prior year, with the exception of the new policy added for Year 3, Disaster Recovery/Business Recovery/Business Continuity).

1. I obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt insurance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Procedure Results - I noted no exceptions.

Board or Finance Committee

(The following procedures were not performed since there were no exceptions in the prior year.)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
- c) For governmental entities, obtain the prior year audit and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

(The following procedures were not performed since there were no exceptions in the prior year.)

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

Collections

(The following procedures were not performed since there were no exceptions in the prior year.)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

(The following procedures were not performed since there were no exceptions in the prior year.)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the entity has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- 10 For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

(The following procedures were not performed since there were no exceptions in the prior year.)

- 11 Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12 Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved in writing (or electronically approved) by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

13 Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the participating in meals (for meal charges only).

Travel and Expense Reimbursement

(The following procedures were not performed since there were no exceptions in the prior year.)

14 Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

(The following procedures were not performed since there were no exceptions in the prior year.)

15 Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly, select 5 contracts (or all contracts if less than 5) from the listing and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change orders, observe that the original contract terms provided for such an amendment.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

(The following procedures were not performed since there were no exceptions in the prior year.)

- 16 Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employee's/official, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17 Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18 Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly, select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees/officials' authorized pay rates in the employees/officials' personnel files.
- 19 Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

(The following procedures were not performed since there were no exceptions in the prior year.)

- 20 Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

(The following procedures were not performed since there were no exceptions in the prior year.)

- 21 Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.
- 22 Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

(The following procedures were not performed since there were no exceptions in the prior year.)

- 23 Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
- 24 Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

I was not engaged and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the District and the LLA, and is not intended to be, and should not be, used by anyone other than the specified parties.



Certified Public Accountant
August 24, 2020