

*Water Works District No. 3
of Rapides Parish*

Tioga, Louisiana

December 31, 2021

**Water Works District No. 3
of Rapides Parish**

December 31, 2021

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

Independent Auditor's Report

To the Board of Commissioners
Water Works District No. 3 of Rapides Parish

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish (the District), Tioga, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners
Water Works District No. 3 of Rapides Parish

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners
Water Works District No. 3 of Rapides Parish

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 through 4 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Schedules 5 and 6 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners
Water Works District No. 3 of Rapides Parish

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 11, 2022

Required Supplementary Information

Management's Discussion and Analysis

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis

As management of the Water Works District No. 3 of Rapides Parish (the District) in Tioga, Louisiana, we are pleased to provide this narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2021. The District's financial information and performance is analyzed and discussed within the context of the accompanying financial statements and disclosures.

Financial Highlights

- The District's net position increased by \$110,106 in 2021.
- The District's operating revenues were \$4,949,462 which were more than total operating expenditures of \$4,780,174 resulting in an operating income of \$169,288.
- Total non-operating loss was \$86,782.
- Total net position of \$22,424,802 is made up of the following:
 1. Net investment in Capital assets of \$17,729,308 includes property and equipment, net of accumulated depreciation and related debt
 2. Restricted net position of \$407,646
 3. Unrestricted net position of \$4,287,848
- In December 2020, the District refinanced all outstanding bonds resulting in a bond issue of \$5,155,000, with a 13 year term.

Overview of the Financial Statements

This discussion and analysis document serves as an introduction to the District's basic financial statements. These statements include the financial statements and notes to those statements, as well as additional information to supplement the basic financial statements. Comparative data is also presented.

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and provides a useful tool to determine improving or deteriorating financial positions.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's assets changed as a result of its current year operations. All changes in net position are reported when the underlying transactions occur, regardless of when actual cash flows are affected. As a result, transactions are included in this statement that will not affect cash until future periods.

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis

Financial Analysis

The District's net position at calendar year end was \$22,424,802. The following exhibit provides a summary of the District's net position:

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 4,458,000	\$ 4,466,131
Restricted assets	884,205	670,761
Capital assets	<u>23,082,818</u>	<u>23,432,916</u>
Total assets	28,425,023	28,569,808
Liabilities:		
Current liabilities	170,152	186,797
Restricted liabilities	476,559	470,761
Long-term liabilities	<u>5,353,510</u>	<u>5,597,554</u>
Total liabilities	6,000,221	6,255,112
Net position:		
Net investment in capital assets	17,729,308	17,835,361
Restricted net position	407,646	200,000
Unrestricted net position	<u>4,287,848</u>	<u>4,279,335</u>
Total net position	\$ 22,424,802	\$ 22,314,696

As of December 31, 2021, net position was restricted for bond contingencies of \$200,000 and debt service of \$207,646.

The following represents a summary of the District's changes in net position:

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 4,949,462	\$ 4,923,193
Nonoperating revenues	<u>90,655</u>	<u>53,264</u>
Total revenues	5,040,117	4,976,457
Depreciation expense	1,181,025	1,175,975
Other operating expenses	3,599,149	3,683,708
Interest expense	158,898	244,216
Other nonoperating expenses	<u>18,539</u>	<u>165,899</u>
Total expenses	<u>4,957,611</u>	<u>5,269,798</u>
Change in Net Position before Capital Contributions	82,506	(293,341)
Contributions in aid of construction	27,600	66,081
Beginning Net Position	<u>22,314,696</u>	<u>22,541,956</u>
Ending Net Position	\$ 22,424,802	\$ 22,314,696

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis

Contributions in aid of construction for 2021 were \$27,600. All of these funds were received for customer taps and third party development.

The following exhibit represents a summary of the changes in cash and cash equivalents for 2021:

Operating income (loss)	\$ 169,288
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,181,025
Changes in operating assets and liabilities	<u>(116,059)</u>
Total cash provided by operating activities	1,234,254
 Cash used in capital and related financing activities	 (1,107,569)
 Cash provided by investing activities	 <u>41,138</u>
Net increase (decrease) in cash and cash equivalents	167,823
 Cash and cash equivalents, Beginning of year	 <u>2,310,877</u>
Cash and cash equivalents, End of year	\$ 2,478,700

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, as of December 31, 2021, was \$23,082,818. The following provides a summary by asset type at December 31, 2021 and 2020.

	2021	2020
Nondepreciable assets:		
Construction in progress	\$ 353,833	\$ 55,280
Land	367,369	367,369
Depreciable assets:		
Plant and equipment	13,737,470	14,171,676
Buildings and improvements	136,244	114,938
Vehicles	259,439	287,761
Furniture, fixtures, and equipment	10,354	13,715
Infrastructure	<u>8,218,109</u>	<u>8,422,177</u>
Total capital assets (net)	\$ 23,082,818	\$ 23,432,916

The change in capital assets before depreciation expense was \$830,927. Total depreciation expense for 2021 was \$1,181,025 resulting in a net decrease of \$350,098.

Long-Term Debt

In December 2020, the District refinanced all outstanding bonds. The outstanding balance at year-end 2021 is \$5,353,510, which includes a bond premium of \$408,510, and \$384,043 due within the next year.

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report, the information it contains, or if you would like to request additional information, contact the District's main office at (318) 640-1379 and speak with Mr. Jimmy R. French, General Manager.

Basic Financial Statements

Water Works District No. 3 of Rapides Parish
Statement of Net Position
December 31, 2021

Exhibit A

Assets		
Cash and cash equivalents		\$ 2,402,141
Certificates of deposit		1,192,354
Accounts receivable		
Water sales	433,868	
Other	1,880	435,748
Interest receivable		15,941
Inventories		313,750
Prepaid expenses		98,066
Restricted assets		
Restricted cash and cash equivalents	76,559	
Restricted certificates of deposit	807,646	884,205
Capital assets, net of depreciation		
Nondepreciable		
Construction in progress	353,833	
Land and improvements	367,369	
Depreciable		
Plant and equipment	13,737,470	
Buildings and improvements	136,244	
Vehicles	259,439	
Furniture, fixtures, and equipment	10,354	
Infrastructure	8,218,109	23,082,818
Total Assets		<u>28,425,023</u>
Liabilities		
Accounts payable		53,908
Accrued expenses		46,617
Short-term compensated absences		7,815
Bond interest payable		61,812
Restricted liabilities, payable from restricted assets		
Customers' meter deposits		476,559
Long-term liabilities		
Due within one year	384,043	
Due in more than one year	4,969,467	5,353,510
Total Liabilities		<u>6,000,221</u>
Net Position		
Net investment in capital assets		17,729,308
Restricted for		
Debt service	207,646	
Bond contingencies	200,000	407,646
Unrestricted		4,287,848
Net Position		<u>\$ 22,424,802</u>

The accompanying notes are an integral part of the financial statements.

Water Works District No. 3 of Rapides Parish
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2021

Exhibit B

Operating Revenues	
Water sales	\$ 4,736,549
Delinquent surcharges	63,779
Connection fees	30,400
Other operating revenues	118,734
Total Operating Revenues	<u>4,949,462</u>
Operating Expenses	
Administration	959,387
Purification	1,153,976
Distribution	971,372
Meter	65,099
Production	72,448
Wells	376,867
Depreciation	1,181,025
Total Operating Expenses	<u>4,780,174</u>
Operating Income (Loss)	<u>169,288</u>
Nonoperating Revenues (Expenses)	
Interest income	41,761
Gain (loss) on disposition of capital assets	14,850
Bond premium	34,044
Interest expense	(158,898)
Bond issuance expense	(18,539)
Total Nonoperating Revenues (Expenses)	<u>(86,782)</u>
Change in Net Position Before Capital Contributions	82,506
Contributions in Aid of Construction	<u>27,600</u>
Change in Net Position	110,106
Total Net Position - Beginning of Year	<u>22,314,696</u>
Total Net Position - End of Year	<u><u>\$ 22,424,802</u></u>

The accompanying notes are an integral part of the financial statements.

**Water Works District No. 3 of Rapides Parish
Statement of Cash Flows
Year Ended December 31, 2021**

**Exhibit C
(Continued)**

Cash Flows from Operating Activities	
Receipts from customers	\$ 4,913,051
Payments to suppliers for goods and services	(1,945,817)
Payments to employees for services and benefit costs	<u>(1,732,980)</u>
Net Cash Provided by (Used in) Operating Activities	1,234,254
 Net Cash Provided by (Used in) Noncapital Financing Activities	
	-
 Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(830,927)
Proceeds from disposal of capital assets	14,850
Contributions in aid of construction	34,133
Principal payments on bonds	(210,000)
Interest paid on bonds	(97,086)
Bond issuance expense	<u>(18,539)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,107,569)
 Cash Flows from Investing Activities	
Interest received on interest-bearing deposits	<u>41,138</u>
Net Cash Provided by (Used in) Investing Activities	41,138
 Net Increase (Decrease) in Cash and Cash Equivalents	
	167,823
 Cash and Cash Equivalents, Beginning of Year	
	<u>2,310,877</u>
 Cash and Cash Equivalents, End of Year	
	<u><u>\$ 2,478,700</u></u>
 Classified As:	
Current assets	\$ 2,402,141
Restricted assets	<u>76,559</u>
Total	<u><u>\$ 2,478,700</u></u>

The accompanying notes are an integral part of the financial statements.

Water Works District No. 3 of Rapides Parish
Statement of Cash Flows
Year Ended December 31, 2021

Exhibit C
(Concluded)

**Reconciliation of Operating Income to Net Cash Provided
by (Used in) Operating Activities:**

Operating income (loss)	\$	169,288
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation		1,181,025
Changes in assets and liabilities:		
Accounts and other receivables		1,911
Inventories		(44,120)
Prepaid expenses		(1,191)
Accounts payable		(75,990)
Accrued expenses		(543)
Short-term compensated absences		(1,924)
Customers' meter deposits		5,798
Total Adjustments		1,064,966
Net Cash Provided by (Used in) Operating Activities	\$	1,234,254

The accompanying notes are an integral part of the financial statements.

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the Water Works District No. 3 of Rapides Parish (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 accounting and reporting framework and the more significant of the District's accounting policies are described below.

Reporting Entity

Upon the presentation of a petition by property owners to the Louisiana Legislature, the Rapides Parish Police Jury was made responsible for creating a water district to utilize certain water facilities at Camp Livingston, which had been abandoned. As a result, the District was created by an ordinance of the Rapides Parish Police Jury on February 8, 1949. The District provides water to 6,892 residential, commercial, governmental, public recreational area, industrial, and non-profit water system customers primarily in Ward 10 of Rapides Parish.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the primary government are financially accountable. Some of the criteria considered under "legally separate organization" are the capacity for the organization to have its own name, the right for the organization to sue and be sued in its own name without recourse to the primary government, and the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to consider "financially accountable" include appointment of a voting majority of the organization's governing body, ability for primary government to impose its will on the organization, whether the organization has the potential to provide specific financial benefits to, or improve specific financial burdens on the primary government, and fiscal dependence of the organization. Based upon the application of these criteria, only the operating activities of the District are included in these financial statements.

The District operates autonomously from the other state or local governments, as a special purpose government that is fiscally independent. Fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges, and issue bonded debt. Therefore, the District reports as an independent reporting entity. This report includes all funds, which are controlled by or dependent upon the District.

Fund Accounting

A fund is a separate accounting entity with a self-balancing set of accounts. The District only has one fund, which is classified as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Where goods or services are provided to outside parties, such as customers receiving water, the proprietary fund is considered an enterprise fund.

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

Basis of Accounting

Proprietary funds account for operations that are primarily financed by user charges. All proprietary funds are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus. The economic resource focus is concerned with determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned, and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, benefits paid, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents and Certificates of Deposit

Cash includes amounts on hand, in demand deposits, interest-bearing demand deposits, and time deposits. For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturity of three months or less from date of acquisition to be cash equivalents, which includes certificates of deposit.

The certificates of deposit with maturities of greater than three months are valued at cost, which equals fair value.

Accounts Receivable

Bad debts arising from customers' water receivables are recognized by the direct charge-off method, whereby uncollectible accounts are written off upon delinquency as they are considered uncollectible. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid balance. In the opinion of management, at December 31, 2021, all receivables were collectible, and an allowance for doubtful accounts was not considered necessary.

Inventories

Inventories consist of treatment chemicals, pipe, fittings, and other construction materials that are stated at the lower of average cost or market, primarily on a first-in, first-out basis.

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid expenses.

Prepaid expenses consist of prepaid insurance, service contracts, and permits.

Restricted Assets

Certain proceeds are classified as restricted assets on the Statement of Net Position because applicable laws and regulations limit their use. Restricted assets of the proprietary fund include:

- 1) Meter funds (Meter Funds) are used to account for customers' meter deposits received from and returned to customers.
- 2) Capital Project funds (Capital Project Funds) are used to account for bond proceeds to be expended for construction, improvements, and extensions to the waterworks system and as otherwise provided in the bond resolution.
- 3) Water Revenue Refunding Bond Debt Service funds (Sinking Fund) is used to account for debt service funds, as required by the water revenue refunding bond documents. Transfers are made monthly from the water district operating account, under a formula provided in the bond covenant.
- 4) The Depreciation and Contingencies fund (Contingencies Fund) is used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system, as required by the water revenue bond resolution. Transfers are made monthly from the water district operating account until there has been accumulation of \$200,000 in the Contingencies Fund. The Contingencies Fund is currently at its maximum of \$200,000.

Capital Assets

Capital assets are stated at cost when purchased and at fair market value when donated to the District. Costs that extend the useful lives of capital assets beyond their initial estimated useful lives or improve their efficiency or capacity are capitalized, whereas costs for repairs and maintenance are expensed.

Depreciation is computed using the straight-line method over the useful lives of capitalized assets.

Public domain ("infrastructure") capital assets consisting of water mains 2" to 20" in size, water meters, connections, and hydrants are capitalized.

The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. The District has adopted a minimum capitalization threshold for any individual item of \$1,500. There is no set threshold in which infrastructure capital assets are capitalized.

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the current period.

Compensated Absences

Vacation not used by the end of the year is carried over to the next year. Employees can accumulate a maximum of forty hours that may be carried forward and taken in subsequent periods.

Long-term Liabilities

All liabilities, including long-term debt, are included in the Statement of Net Position. Interest expense on long-term debt is recognized as the interest accrues, regardless of when it is due.

Net Position

Net position is reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Contributions in Aid of Construction

The District receives various contributions from customers, developers, and other governments in the ordinary course of business, relating to construction of waterlines and/or installation of taps and fire hydrants.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management of the District 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents and Certificates of Deposit

Cash and Cash Equivalents

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 1,550	\$ -	\$ 1,550
Demand deposits	2,400,591	76,559	2,477,150
	<u>\$ 2,402,141</u>	<u>\$ 76,559</u>	<u>\$ 2,478,700</u>

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

Certificates of Deposit

The District may invest in United States bonds, treasury notes, or certificates of deposit at state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana, an investment as stipulated in Louisiana Revised Statute 39:1271, or any other federally insured investment.

At December 31, 2021, the District had certificates of deposit totaling \$2,000,000, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book Balance</u>	<u>Market Value</u>
Certificates of deposit	\$ 1,192,354	\$ 807,646	\$ 2,000,000	\$ 2,000,000

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. There were no uncollateralized bank balances at December 31, 2021.

3. Accounts Receivable - Water Sales

Receivables arising from water services provided to customers consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to customers between billing cycles. At December 31, 2021, these receivables were as follows:

Uncollected cycle billings	\$ 283,228
Estimated services between cycles	<u>150,640</u>
	\$ 433,868

4. Inventories

Inventory at December 31, 2021, consists of the following:

Chemicals	\$ 112,371
Materials and supplies	<u>201,379</u>
	\$ 313,750

5. Restricted Assets

Restricted asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance 12/31/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/21</u>
Meter Fund	\$ 470,761	\$ 352,328	\$ 346,530	\$ 476,559
Sinking Fund	-	514,732	307,086	207,646
Contingency Fund	<u>200,000</u>	-	-	<u>200,000</u>
	\$ 670,761	\$ 867,060	\$ 653,616	\$ 884,205

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance 12/31/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/21</u>
Capital assets, nondepreciable				
Construction in progress	\$ 55,280	\$ 298,553	\$ -	\$ 353,833
Land and improvements	367,369	-	-	367,369
Total capital assets, nondepreciable	<u>422,649</u>	<u>298,553</u>	-	<u>721,202</u>
Other capital assets				
Plant and equipment	25,424,880	238,639	-	25,663,519
Buildings and improvements	984,666	36,136	-	1,020,802
Vehicles	1,062,542	53,587	55,465	1,060,664
Furniture, fixtures, and equipment	258,120	-	-	258,120
Infrastructure	<u>17,347,455</u>	<u>204,012</u>	-	<u>17,551,467</u>
Total other capital assets	45,077,663	532,374	55,465	45,554,572
Less				
Accumulated depreciation				
Plant and equipment	11,253,204	672,845	-	11,926,049
Buildings and improvements	869,728	14,830	-	884,558
Vehicles	774,781	81,909	55,465	801,225
Furniture, fixtures, and equipment	244,405	3,361	-	247,766
Infrastructure	<u>8,925,278</u>	<u>408,080</u>	-	<u>9,333,358</u>
Total accumulated depreciation	<u>22,067,396</u>	<u>1,181,025</u>	<u>55,465</u>	<u>23,192,956</u>
Other capital assets, net	<u>23,010,267</u>	<u>(648,651)</u>	-	<u>22,361,616</u>
Net Capital Assets	\$ 23,432,916	\$ (350,098)	\$ -	\$ 23,082,818

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Plant and equipment	2-50 years
Buildings and improvements	10-40 years
Vehicles	2-10 years
Furniture, fixtures, and equipment	3-15 years
Infrastructure	5-50 years

Total depreciation expense for the year ended December 31, 2021, was \$1,181,025.

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

7. Long-term Liabilities

The District issued a Refunded Revenue Bond, Series 2020 to refund two previously issued bonds for the purpose of lowering the interest rates. It was issued for \$5,155,000 at an interest rate of 3.00%.

The following changes occurred in bonds during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Refunded Revenue Bond, Series 2020	\$ 5,155,000	\$ -	\$ 210,000	\$ 4,945,000	\$ 350,000
Bond Premium	442,554	-	34,044	408,510	34,043
	<u>\$ 5,597,554</u>	<u>\$ -</u>	<u>\$ 244,044</u>	<u>\$ 5,353,510</u>	<u>\$ 384,043</u>

The annual requirements to amortize outstanding bonds and premiums are as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2022	\$ 384,043	\$ 148,350	\$ 532,393
2023	394,043	137,850	531,893
2024	404,043	127,050	531,093
2025	414,043	115,950	529,993
2026	424,043	104,550	528,593
2027-2031	2,310,213	340,050	2,650,263
2032-2033	1,023,082	42,300	1,065,382
	<u>\$ 5,353,510</u>	<u>\$ 1,016,100</u>	<u>\$ 6,369,610</u>

8. Net Position

Restricted Net Position

In accordance with the terms of security provisions and protective covenants for the Water Revenue Bond issued during 2020, the District has restricted \$207,646 of net position for debt service.

Also to comply with the revenue bond covenants, the District has restricted \$200,000 of net position for bond contingencies.

Unrestricted Net Position

The change in unrestricted net position is as follows:

Balance, December 31, 2021	\$ 4,287,848
Less: Balance, December 31, 2020	4,279,335
Increase (Decrease)	<u>\$ 8,513</u>

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

9. Pension Plan

Employees of the District are not covered under a State of Louisiana PERS plan. They are members of the social security system.

10. Deferred Compensation Plan

The District has a tax deferred compensation plan under section 457 of the Internal Revenue Code. This plan is administered by a third-party administrator. Under the terms of that plan, the District matches a limited portion of the employees' contribution. The District made contributions totaling \$34,647 for the year ended December 31, 2021.

11. Commitments and Contingencies

Construction Contracts

The District has planned construction or renovation of various capital assets as follows:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Contract Liability</u>	<u>Remaining Authorization</u>
Flagon – 1204 Ball Cut Off Road	\$ 500,000	\$ 24,206	\$ -	\$ 475,794
Well at 1306	10,500,000	288,102	-	10,211,898
Office Remodel	75,000	10,452	-	64,548
Filtered and Settled Solids Containment System and Dewatering and Disposal System	<u>820,000</u>	<u>18,729</u>	-	<u>801,271</u>
	<u>\$ 11,895,000</u>	<u>\$ 341,489</u>	<u>\$ -</u>	<u>\$ 11,553,511</u>

Another project started in 2020 was on Well No. 9. An estimation of cost has not been determined, and \$5,500 has been expended to date.

No further financing is expected to complete these authorized projects.

Leases of Computer Equipment and Copiers

On March 27, 2018, the District entered into a lease agreement for computer hardware for a period of thirty-six months for a monthly payment of \$461, ending April 2021. A new lease went into effect on July 29, 2021, for a period of thirty-six months for a monthly payment of \$423, ending July 2024. Total lease payments made during the current year under this agreement were \$3,956.

On July 19, 2019, the District entered into a lease agreement for a digital copier for a period of thirty-six months for a monthly payment of \$445, ending June 2022. Total lease payments made during the current year under this agreement were \$5,343.

**Water Works District No. 3 of Rapides Parish
December 31, 2021**

Notes to Basic Financial Statements

On December 29, 2020, the District entered into a lease agreement for computer hardware for a period of thirty-six months for a monthly payment of \$454, ending December 2023. Total lease payments made during the current year under this agreement were \$5,444.

Future minimum lease payments required as of December 31, 2021, under the terms of these leases are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 13,185
2023	10,514
2024	2,958

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. These risks of loss are covered by a comprehensive commercial insurance policy and workers compensation insurance. Claims resulting from these risks have historically not exceeded insurance coverage.

Contingent Liability

The District entered into agreements with the Louisiana Department of Transportation and Development (LDOTD) for utility relocation assistance funding in 1986 with the understanding that these funds were not to be repaid. In 2010, the District received a request for payment of these funds in the amount of \$536,473. The District has not made any payments and continues to be in negotiations with the LDOTD regarding this funding.

12. Notes to Statement of Cash Flows

There were no material noncash capital, noncapital, financing, or investing activities that affected recognized assets or liabilities during the year. Interest in the amount of \$97,086 was paid in 2021.

Additional Information

**Water Works District No. 3 of Rapides Parish
 Schedule of Compensation, Benefits, and Other Payments to
 Agency Head or Chief Executive Officer
 Year Ended December 31, 2021**

Schedule 1

Agency Head Name: Jimmy R. French, General Manager

Purpose	Amount
Salary	\$ 92,242
Benefits - insurance	17,049
Benefits - retirement	3,524
Benefits - Social Security	5,719
Benefits - Medicare	1,338
Benefits - worker's compensation	231
Vehicle provided by government	2,125
Reimbursements	1,928
	1,928
Total	\$ 124,156

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Revenues, Expenses, and Changes in
Net Position - Budget and Actual (Non-GAAP Basis)
Year Ended December 31, 2021**

Schedule 2

**Variance
Favorable
(Unfavorable)**

	Budget	Actual	(Unfavorable)
Revenues			
Water sales	\$ 4,676,000	\$ 4,736,549	\$ 60,549
Delinquent surcharges	65,000	63,779	(1,221)
Connection fees	35,000	30,400	(4,600)
Interest income	35,000	41,761	6,761
Gain (loss) on disposition of capital assets	-	14,850	14,850
Bond premium	-	34,044	34,044
Other operating revenue	95,000	118,734	23,734
Totals	4,906,000	5,040,117	134,117
Expenses (Schedule 3)	5,133,350	4,588,974	544,376
Revenues Over Expenses	\$ (227,350)	\$ 451,143	\$ 678,493

The District's budget included \$1,750,000 from unrestricted net position.
This appropriation resulted in a budget surplus of \$1,522,650.

Reconciliation of Change in Net Position

Revenues Over Expenses	\$ 451,143
Plus:	
Capital additions	830,927
Contributions in aid of construction	27,600
Less:	
Depreciation	(1,181,025)
Bond issuance expenses	(18,539)
Change in Net Position (Exhibit B)	\$ 110,106

See independent auditor's report.

Water Works District No. 3 of Rapides Parish
Schedule of Expenses - Budget and Actual (Non-GAAP Basis)
Year Ended December 31, 2021

Schedule 3

**Variance
Favorable**

(Unfavorable)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenses by Department			
Administration	\$ 960,500	\$ 959,387	\$ 1,113
Purification	1,251,350	1,153,976	97,374
Distribution	1,047,900	971,372	76,528
Meter	80,950	65,099	15,851
Production	186,000	72,448	113,552
Wells	256,650	376,867	(120,217)
Interest expense	215,000	158,898	56,102
Capital additions	1,135,000	830,927	304,073
	Totals	\$ 4,588,974	\$ 544,376
	\$ 5,133,350	\$ 4,588,974	\$ 544,376

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Per Diem Paid to Board Members
Year Ended December 31, 2021**

Schedule 4

	<u>Amount</u>
Coody, Oscar	\$ 4,536
Flowers, Russell	4,696
Lindsay, Elizabeth Q.	5,024
McKay, Billy	4,856
Moore, Clyde	6,052
O'Neal, Don T.	4,696
Sibley, Robert C.	4,376
Simpson, Marion Jr.	4,856
Williams, D. W.	<u>5,344</u>
Total	<u><u>\$ 44,436</u></u>

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Current Water Rates (Unaudited)
Year Ended December 31, 2021**

Schedule 5

The District currently has the following rate structures:

Residential

0 to 3,000 gallons	\$	22.00/month
All over 3,000 gallons	\$	5.15/1,000 gallons
Aggregate dollar billed for services rendered	\$	2,670,647
Average monthly billed per user	\$	34.43

Commercial

0 to 5,000 gallons	\$	28.20/month
All over 5,000 gallons	\$	5.15/1,000 gallons
Aggregate dollar billed for services rendered	\$	596,112
Average monthly billed per user	\$	128.63

Governmental

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	5.15/1,000 gallons
Aggregate dollar billed for services rendered	\$	447,062
Average monthly billed per user	\$	1,774.06

Public Recreational Areas

0 to 3,000 gallons	\$	20.50/month
All over 3,000 gallons	\$	5.15/1,000 gallons
Aggregate dollar billed for services rendered	\$	14,476
Average monthly billed per user	\$	241.26

Industrial

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	4.10/1,000 gallons
Aggregate dollar billed for services rendered	\$	1,016,457
Average monthly billed per user	\$	7,058.73

Non-Profit Water Systems

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	4.55/1,000 gallons
Aggregate dollar billed for services rendered	\$	53,438
Average monthly billed per user	\$	4,453.15

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Listing of Insurance in Force (Unaudited)
Year Ended December 31, 2021**

Schedule 6

Per bond reporting requirements, the following insurance policies are in force at December 31, 2021:

The District has insurance through Allied World through November 15, 2022 for the following coverages:

Coverages:	<u>Coverage Amount</u>
Property	
Real property & business personal property	\$ 15,544,829
Coverage extension	2,000,000
Mobile equipment	885,990
Commercial crime	
Employee theft (per occurrence)	250,000
Forgery or alteration (per occurrence)	250,000
Internal theft of money & securities (per occurrence)	250,000
Internal robbery & safe burglary (per occurrence)	5,000
Outside the premises (per occurrence)	250,000
Computer fraud (per occurrence)	100,000
Funds transfer fraud (per occurrence)	100,000
Money orders (per occurrence)	100,000
Commercial General Liability	
Bodily injury, property damage, & medical expenses	3,000,000
Products/completed operations	3,000,000
Personal & advertising	1,000,000
Damage to premises rent to you (any one premises)	1,000,000
Medical expenses (any one person)	10,000
Public Officials and Management Liability	
Wrongful acts (each claim)	1,000,000
Employment practices (each claim)	1,000,000
Employee benefit plans (each claim)	1,000,000

The District has a workers compensation and employees liability insurance policy through LUBA Casualty Insurance Company through November 1, 2022 for the following coverages:

Coverages:	<u>Coverage Amount</u>
Bodily injury by accident (each accident)	\$ 1,000,000
Bodily injury by disease (each employee, policy limit)	1,000,000

See independent auditor's report.

**Other Reports Required by
*Government Auditing Standards***

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

**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
Water Works District No. 3 of Rapides Parish

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish (the District), Tioga, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners
Water Works District No. 3 of Rapides Parish

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 our 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

February 11, 2022

Schedule of Findings and Questioned Costs

**Water Works District No. 3 of Rapides Parish
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	
<i>Management's Corrective Action Plan</i>	Not applicable		
<i>Management's Summary Schedule of Prior Audit Findings</i>	Not applicable		
<i>Memorandum of Other Comments and Recommendations</i>	Not applicable		
<i>Federal Awards</i>	Not applicable		

*Water Works District No. 3
of Rapides Parish*

Statewide Agreed-Upon Procedures Report

Tioga, Louisiana

December 31, 2021



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners of
Water Works District No. 3 of Rapides Parish
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Water Works District No. 3 of Rapides Parish's management is responsible for those C/C areas identified in the SAUPs.

Water Works District No. 3 of Rapides Parish has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 01, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user for this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe 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.

Rebecca B. Morris, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners of
Water Works District No. 3 of Rapides Parish
and the Louisiana Legislative Auditor

- 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, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions noted.



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners of
Water Works District No. 3 of Rapides Parish
and the Louisiana Legislative Auditor

Board or Finance Committee

2. **Procedure:** 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 whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: Minutes did not reference or include quarterly budget-to-actual comparisons on the proprietary fund.

Management's Response: Water Works District No. 3 of Rapides Parish is not required to prepare an annual budget but does so as a matter of practice. Budget comparison financials were provided to the board of commissioners in the first quarter of 2021 but were not provided in subsequent quarters, due to COVID-19 and other factors. We will provide such information quarterly to board members going forward.

Bank Reconciliations

3. **Procedure:** Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each account selected, and observe that:



PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners of
Water Works District No. 3 of Rapides Parish
and the Louisiana Legislative Auditor

- a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated or 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 twelve (12) months from the statement closing date, if applicable.

Results: No exceptions noted.

Collections (excluding electronic funds transfers)

4. **Procedure:** 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 five (5) deposit sites [or all deposit sites if less than five (5)].

Results: No exceptions noted.

5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [i.e. five (5) collection locations for five (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 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 ledgers, 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.



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Results: No exceptions noted.

6. **Procedure:** Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions noted.

7. **Procedure:** Randomly select two (2) deposit dates for each of the five (5) 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). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten (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 the deposit was made within one (1) business day of receipt at the collection location [within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100 and cash is stored securely in a locked safe or drawer].
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions noted.

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

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

Results: No exceptions noted.



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9. Procedure: 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 agency 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 (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two (2) 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.

Results: No exceptions noted.

10. Procedure: 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 that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted.

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

11. Procedure: 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.

Results: No exceptions noted.



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- 12. Procedure:** Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card [for a debit card, randomly select one (1) monthly bank statement], obtain supporting documentation, and:
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions noted.

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

Results: No exceptions noted.

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

- 14. Procedure:** 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 five (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 five (5) reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).



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- 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 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 each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

Contracts

- 15. Procedure:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five (5) contracts [or all contracts if less than five (5)] from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether 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 order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one (1) payment from the fiscal period for each of the five (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.

Results: No exceptions noted.



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Payroll and Personnel

- 16. Procedure:** Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: Of the five (5) employees tested, we noted one (1) instance in which the paid salary did not agree to the authorized salary/pay rate in the personnel file.

Management's Response: Water Works District No. 3 of Rapides Parish attempts to maintain all payroll records for efficiency and accuracy. Concerning this one employee, his personnel file failed to be updated for his last pay increase in 2021. He was later terminated.

- 17. Procedure:** Randomly select one (1) pay period during the fiscal period. For the five (5) employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: Of the five (5) employees tested, we noted one (1) instance in which the paid salary did not agree to the authorized salary/pay rate in the personnel file.

Management's Response: Water Works District No. 3 of Rapides Parish attempts to maintain all payroll records for efficiency and accuracy. Concerning this one employee, his personnel file failed to be updated for his last pay increase in 2021. He was later terminated.



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18. Procedure: Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to the entity policy.

Results: Of the two (2) employees tested, we noted one (1) instance in which the paid salary did not agree to the authorized salary/pay rate in the personnel file.

Management's Response: Water Works District No. 3 of Rapides Parish attempts to maintain all payroll records for efficiency and accuracy. Concerning this one employee, his personnel file failed to be updated for his last pay increase in 2021.

19. Procedure: Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions noted.

Ethics

20. Procedure: Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one (1) hour of ethics training during the fiscal period.
- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: No exceptions noted.



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Debt Service

21. Procedure: Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Results: No exceptions noted.

22. Procedure: 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 (1) 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: No exceptions noted.

Fraud Notice

23. Procedure: 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.

Results: No exceptions noted.

24. Procedure: Observe 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.

Results: No exceptions noted.

Information Technology Disaster Recover/Business Continuity

25. Procedure: Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedures and discussed the results with management."**

a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.



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- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three (3) months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select five (5) computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: No exceptions noted.

Sexual Harassment

26. **Procedure:** Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Results: No exceptions noted.

27. **Procedure:** Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: No exceptions noted.

28. **Procedure:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;



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- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: The entity did not have any sexual harassment complaints to report. Therefore, this procedure is not applicable to the entity.

We were engaged by Water Works District No. 3 of Rapides Parish to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Water Works District No. 3 of Rapides Parish and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Payne, Moore & Herrington, LLP

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Alexandria, Louisiana

February 11, 2022