

**LINCOLN PARISH  
WATERWORKS DISTRICT #3**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023**

# LINCOLN PARISH WATERWORKS DISTRICT #3

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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**INDEPENDENT AUDITOR'S REPORT**

Commissioners of the  
Lincoln Parish Waterworks District #3  
P.O.Box 366  
Ruston, Louisiana 71273

**Report on the Audit of the Financial Statements**

**Opinions**

I have audited the accompanying financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Parish Waterworks District #3 as of September 30, 2023 and 2022, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Lincoln Parish Waterworks District #3 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**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 Lincoln Parish Waterworks District #3'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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my opinions. Reasonable assurance is a high level of assurance but is not an absolute assurance and therefore is not a guarantee that audit conducted in accordance with generally accepted auditing standards and *Governmental 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*, I:

- 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 Lincoln Parish Waterworks District #3'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln Parish Waterworks District #3's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on the pages indicated in the table of contents 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. 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.

**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements. The accompanying supplemental schedule of per diem payments to commissioners and schedule of compensation, benefits, and other payments are presented for purposes of additional analysis and are 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 my opinion, the supplemental schedule of per diem payments to commissioners and schedule of compensation, benefits are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 29, 2024, on my consideration of the Lincoln Parish Waterworks District #3's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Lincoln Parish Waterworks District #3'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 Lincoln Parish Waterworks District #3's internal control over financial reporting and compliance.



Don M. McGehee  
Certified Public Accountant  
March 29, 2024

**REQUIRED SUPPLEMENTAL INFORMATION**  
**Management's Discussion and Analysis**

# Waterworks District #3

P.O. Box 366

Ruston, Louisiana 71273

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## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

The discussion and analysis of the performance of the Lincoln Parish Waterworks District #3 provides an overview of the financial activities for the year ended September 30, 2023. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 8.

### **Basic Financial Statements**

The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the District's enterprise fund, the only fund of the District. These statements tell how charges to customers for services were used to finance the District's business-like activities. Expenses primarily covered by these charges include repairs and maintenance, depreciation, salaries and wages, interest expense, and utilities.

One of the most important questions asked about finances is, "Is Lincoln Parish Waterworks District #3 better off or worse off as a result of the year's activities?" The basic financial statements report information about the activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These statements report the net position and the changes in the net position. You can think of net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the financial health, or financial position, of the District. Increases/(decreases) in net position are one indicator of whether the financial health is improving/(deteriorating). You will need to consider other non-financial factors, however, such as changes in the customer base and the condition of the District's water distribution system, to assess the overall health of the District.

### **Financial Analysis**

As noted above, net position may serve as a useful indicator of an entity's financial position. The analysis following focuses on the net position (Table 1) and changes in net position (Table 2) of the activities of the District.

Table 1  
Net Position

	<u>2023</u>	<u>2022</u>
Current Assets and Other Assets	\$ 722,764	\$ 773,312
Capital Assets	<u>1,275,923</u>	<u>1,303,224</u>
Total Assets	<u>1,998,687</u>	<u>2,076,536</u>
Long-term Debt Outstanding	169,000	187,000
Other Liabilities	<u>143,430</u>	<u>192,106</u>
Total Liabilities	<u>312,430</u>	<u>379,106</u>
Net Position:		
Investment in Capital Assets, Net of Debt	1,106,923	1,116,224
Restricted	10,294	8,862
Unrestricted Net Position	<u>569,040</u>	<u>572,344</u>
Total Net Position	<u>\$ 1,686,257</u>	<u>\$ 1,697,430</u>

Net position decreased by 1% (\$11,173) in the current year compared to the 2022 year and decreased by 4% (\$77,728) in 2022 compared to the 2021 year. About 34% (\$569,040) of total current year net position is unrestricted compared to about 34% (\$572,344) unrestricted in 2022, and about 43% (\$756,926) in 2021. Most of unrestricted net position is composed of cash and certificates of deposit as of September 30, 2023. Unrestricted net position can be used to finance the day-to-day operations of the District without constraints established by debt covenants.

Table 2  
Change in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Charges for Services	\$ 403,450	\$ 374,361
Nonoperating Revenues		
Intergovernmental FEMA Revenue		4,905
Interest Income	<u>1,695</u>	<u>762</u>
Total Revenues	<u>405,145</u>	<u>380,028</u>
Operating Expenses	409,140	449,876
Nonoperating Expenses		
Interest Expense	<u>7,178</u>	<u>7,880</u>
Total Expenses	<u>416,318</u>	<u>457,756</u>
Increase (Decrease) in Net Position	(11,173)	(77,728)
Beginning Net Position	<u>1,697,430</u>	<u>1,775,158</u>
Ending Net Position	<u>\$ 1,686,257</u>	<u>\$ 1,697,430</u>

Revenues increased 7% (\$25,117) in the current year compared to 2022, and the prior year decreased 9% (\$37,389) from the 2021 year. In the current year, the District experienced an increase of 8% (\$29,089) in charges for services, and in 2022 a decrease of 4% (\$14,549) from 2021. Operating expenses in the current year decreased 9% (\$40,736) from 2022, and in the prior year increased 39% (\$125,737) from 2021. The current year decrease in operating expenses was primarily due to a decrease in repairs and maintenance.



The current year operating revenues and expenses resulted in a \$11,173 decrease in net position, which was \$66,555 less than the decrease in net position for 2022 of \$77,728, which was \$162,424 less than the increase in net position of \$84,696 in 2021.

### **Capital Assets and Debt Administration**

#### Capital Assets

At the end of 2023 the District had \$3,346,113 invested in land, water wells, storage tanks, elevated water tanks, water lines, buildings, and office equipment. For the upcoming year, there are plans to upgrade the distribution system, but there are no plans to issue debt to finance the projects or a future project. More detailed information about the District's capital assets is presented in the notes to the financial statements.

#### Debt

The District had \$169,000 in bonds outstanding at September 30, 2023, which was a 10% (\$18,000) decrease from the prior year. This decrease was a result of \$18,000 in restricted cash being applied to the 2018 bonds. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

### **Currently Known Facts, Decisions, or Conditions**

We are not aware of any facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations after the reporting date.

### **Contacting the District's Management**

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Lincoln Parish Waterworks District #3 and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lincoln Parish Waterworks District #3 at P.O. Box 366, Ruston, Louisiana 71273. The phone number for the District's office is (318) 251-0853.

## **BASIC FINANCIAL STATEMENTS**

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 420,708	\$ 482,920
Investments	127,789	127,531
Accounts Receivable	57,633	47,745
Due from Other Government Units	3,675	8,031
Interest Receivable	42	47
Prepaid Expenses	9,289	6,995
<b>TOTAL CURRENT ASSETS</b>	<u>619,136</u>	<u>673,269</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Cash and Cash Equivalents	52,246	48,764
Investments	51,382	51,279
<b>Total Restricted Assets</b>	<u>103,628</u>	<u>100,043</u>
Capital Assets		
Land	19,585	19,585
Plant and Equipment	3,326,527	3,147,492
Construction in Progress	0	145,197
Less Accumulated Depreciation	<u>(2,070,189)</u>	<u>(2,009,050)</u>
<b>Capital Assets, Net</b>	<u>1,275,923</u>	<u>1,303,224</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,379,551</u>	<u>1,403,267</u>
<b>TOTAL ASSETS</b>	<u>1,998,687</u>	<u>2,076,536</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	17,449	20,381
Due to Other Government Units	26,087	72,907
Accrued Liabilities	3,834	4,447
Accrued Interest Payable	1,083	1,199
Current Maturities of Long-Term Debt	19,000	18,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>67,453</u>	<u>116,934</u>
<b>NONCURRENT LIABILITIES</b>		
Water Customers' Deposits	81,737	80,112
Sewer Customers' Deposits	13,240	13,060
Long-Term Debt	150,000	169,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>244,977</u>	<u>262,172</u>
<b>TOTAL LIABILITIES</b>	<u>312,430</u>	<u>379,106</u>
<b>NET POSITION</b>		
<b>INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT</b>	1,106,923	1,116,224
<b>RESTRICTED</b>		
Restricted for Repairs and Maintenance	7,112	5,845
Restricted for Debt Service	3,182	3,017
<b>UNRESTRICTED</b>	<u>569,040</u>	<u>572,344</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,686,257</u>	<u>\$ 1,697,430</u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF REVENUES, EXPENSES, AND

### CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
<b>CHARGES FOR SERVICES</b>		
Water Sales	\$ 334,213	\$ 326,458
New Installations	24,893	12,370
Penalties	11,270	11,938
Collection Fees	15,081	13,845
Sewage Collection Fee	6,300	6,300
Reconnection Fees	5,680	3,255
Miscellaneous Income	<u>6,013</u>	<u>195</u>
<b>TOTAL OPERATING REVENUES</b>	<u>403,450</u>	<u>374,361</u>
<b>OPERATING EXPENSES</b>		
Accounting	16,000	16,700
Auto Allowance	1,852	1,838
Commissioners' Fees	4,200	4,060
Depreciation	61,140	60,693
Installations	9,300	3,175
Insurance	8,594	5,012
Meter Maintenance	12,205	11,500
Miscellaneous Expenses	2,368	580
Office Supplies	12,615	14,326
Outside Services	3,920	10,541
Repairs and Maintenance	112,866	201,594
Safe Water Administration Fee	9,935	10,004
Salaries and Wages	81,168	57,896
System Supplies	8,058	4,048
Taxes-Payroll	7,738	5,343
Utilities	<u>57,181</u>	<u>42,566</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>409,140</u>	<u>449,876</u>
<b>OPERATING LOSS</b>	(5,690)	(75,515)
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	1,695	762
Intergovernmental FEMA Revenue	0	4,905
Interest Expense	<u>(7,178)</u>	<u>(7,880)</u>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>(5,483)</u>	<u>(2,213)</u>
<b>CHANGES IN NET POSITION</b>	(11,173)	(77,728)
<b>NET POSITION-BEGINNING</b>	<u>1,697,430</u>	<u>1,775,158</u>
<b>NET POSITION-ENDING</b>	<u>\$1,686,257</u>	<u>\$1,697,430</u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 352,902	\$ 431,611
Cash Payments for Goods and Services	(263,882)	(317,274)
Cash Payments to Employees	(89,959)	(67,038)
Net Cash Provided (Used) by Operating Activities	(939)	47,299
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(179,171)	(178,810)
Proceeds from Surrender of Investments	178,810	178,145
Interest Received	1,701	863
Net Cash Provided by Investing Activities	1,340	198
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceed from Intergovernmental FEMA Revenue	0	4,905
Net Cash Provided by Noncapital Financing Activities	0	4,905
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(18,000)	(18,000)
Interest Paid	(7,293)	(7,995)
Extension of Parking Lot	(14,750)	(3,057)
Construction of Water System Improvements	(19,088)	(169,512)
Net Cash Used by Capital and Related Financing Activities	(59,131)	(198,564)
<b>NET DECREASE IN CASH</b>	(58,730)	(146,162)
<b>CASH AT BEGINNING OF YEAR</b>	531,684	677,846
<b>CASH AT END OF YEAR</b>	\$ 472,954	\$ 531,684
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (5,690)	\$ (75,515)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	61,140	60,693
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(9,888)	(3,960)
(Increase) Decrease in Due from Other Governments	4,355	(3,889)
(Increase) Decrease in Prepaid Expenses	(2,294)	(521)
Increase (Decrease) in Accounts Payable	(2,932)	2,141
Increase (Decrease) in Customers' Deposits	1,805	3,700
Increase (Decrease) in Due to Police Jury	(46,820)	61,399
Increase (Decrease) in Accrued Liabilities	(615)	3,251
Total Adjustments	4,751	122,814
Net Cash Provided (Used) by Operating Activities	\$ (939)	\$ 47,299
<b>CASH PER STATEMENT OF NET POSITION</b>		
Current Cash	\$ 420,708	\$ 482,920
Restricted Cash	52,246	48,764
<b>TOTAL CASH AT END OF YEAR</b>	\$ 472,954	\$ 531,684

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

The Lincoln Parish Waterworks District #3 was organized by the Lincoln Parish Police Jury for the purpose of constructing a waterworks system and providing such service to the residents in Waterworks District #3, Lincoln Parish.

The accompanying basic financial statements of the Lincoln Parish Waterworks District #3 are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements (Statements of Interpretations). The more significant accounting policies established in generally accepted accounting principles and used by the District are discussed below.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

For financial reporting purposes, in conformity with GASB Statement No. 14, the Lincoln Parish Waterworks District #3 is a component unit of the Lincoln Parish Police Jury. For the purpose of this financial report, this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

#### B. BASIS OF PRESENTATION

The accounts of the Lincoln Parish Waterworks District #3 are organized on the basis of a proprietary fund, of which there exists only an enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### C. MEASUREMENT FOCUS

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### D. BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to when transactions are recorded in the financial statements regardless of the measurement focus applied. The financial records of the Lincoln Parish Waterworks District #3 are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Operating income includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues are charges to customers for sales of services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The District's net position is reported in three parts--invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted resources are available.

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. CASH AND INVESTMENTS**

Cash and cash equivalents consist of cash on hand, demand deposits, interest-bearing demand deposits, and short-term time deposits with original maturities of three months or less from the date of acquisition.

Under state law, the Lincoln Parish Waterworks District #3 may invest funds in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Also, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties. Investments are reported at cost, which approximates market.

**F. RESTRICTED ASSETS**

Certain resources set aside for the repayment of the Revenue Bonds are classified as restricted assets because their use is limited by applicable bond covenants.

Under the terms of the Waterworks Water Revenue Refunding Bond agreement, February 21, 2018, all of the income and revenues derived from the operation of the waterworks system and payment of all reasonable and necessary expenses of operating and maintaining the system shall be administered in the following order of priority:

- (a) Money sufficient to pay the principal and interest due in bi-annual installments shall be set aside and accumulated on a monthly basis in an amount equal to 1/6 of the bi-annual installments into the Waterworks Revenue Bond and Interest Sinking Fund.
- (b) An amount equal to five percent (5%) of the amount to be deposited into the Sinking Fund must be deposited into the Waterworks Depreciation and Contingency Fund, until there is on deposit an amount equal to \$30,000.

**G. ACCOUNTS RECEIVABLE**

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Accounts receivable balances are considered delinquent after the 10th of each month and delinquent penalties are charged to the respective customer's account. Management uses the direct write-off method to provide for uncollectible amounts based on its assessment of the current status of individual receivables from water customers. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to bad debt expense and a credit to the applicable accounts receivable. The difference in the amount reported using the direct write-off method compared to the amounts that would be reported using the allowance method is not material to the financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. VACATION AND SICK LEAVE

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

#### I. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. All capital assets, other than land, are depreciated. Depreciation is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using either the straight-line method or the declining balance method. The estimated useful lives are as follows:

Buildings	10-39 years
Land Improvements	15 years
Water Lines and Well	20-50 years
Equipment	5-15 years

#### J. USE OF ESTIMATES

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

#### K. COMPARATIVE DATA

Comparative amounts for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

### NOTE 2 - CASH AND INVESTMENTS

At September 30, 2023, the District has cash and restricted cash (book balances) totaling \$472,954 and investments and restricted investments (book balances) totaling \$179,171 as follows:

	<u>Cash</u>	<u>Investments</u>
Cash on Hand	\$ 100	\$ 0
Demand Deposits	79,265	0
Time and Savings Deposits	393,589	179,171
Total	<u>\$ 472,954</u>	<u>\$ 179,171</u>



# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The District maintains its cash accounts in various banks. Each bank provides up to \$250,000 of Federal Deposit Insurance Corporation (FDIC) coverage. At September 30, 2023, the District has \$684,342 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance of \$361,583 and \$322,759 of pledged securities held by custodial banks in the name of the fiscal agent banks. The pledged securities meet the deposit collateralization requirements of LSA-R.S. 39:1229, which require the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand. However, the deposits are considered uncollateralized under the provisions of GASB Statement 3.

### NOTE 3 - RESTRICTED ASSETS

Certain assets of the Lincoln Parish Waterworks District #3 have been restricted for debt service, customer deposits, and repairs and maintenance of the water system. These assets consist of cash and investments restricted at September 30, as follows:

	2023	2022
Debt Service - Sinking Fund	\$ 4,265	\$ 4,215
Depreciation Fund	7,112	5,845
Customer Deposits	92,251	89,983
Total Restricted Assets	\$ 103,628	\$ 100,043

### NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets activity for the years ending September 30, 2023:

	Beginning Balance 10/01/22	Additions	Deletions	Ending Balance 09/30/23
<b>Capital Assets</b>				
Land	\$ 19,585	\$ 0	\$ 0	\$ 19,585
Land Improvements	27,440	14,750	0	42,190
Buildings	103,593	0	0	103,593
Water System and Equipment	3,016,459	164,286	0	3,180,745
Construction In Progress	145,197	19,088	(164,285)	0
Total Capital Assets	3,312,274	198,124	(164,285)	3,346,113
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	10,861	1,262	0	12,123
Buildings	76,451	2,558	0	79,009
Water System and Equipment	1,921,738	57,320	0	1,979,058
Total Accumulated Depreciation	2,009,050	61,140	0	2,070,190
Capital Assets, Net	\$ 1,303,224	\$ 136,984	\$ (164,285)	\$ 1,275,923

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

### NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consisted of the following at September 30,

	<u>2023</u>	<u>2022</u>
Due from Lincoln Parish Police Jury	\$ 3,675	\$ 6,300
State of Louisiana, Overpayment of Withholding Tax	<u>0</u>	<u>1,731</u>
Total	<u>\$ 3,675</u>	<u>\$ 8,031</u>

Lincoln Parish Waterworks District #3 entered into a cooperative agreement with the Lincoln Parish Police Jury on November 14, 1995. This agreement established a \$200 per month fee to be paid to the District for billing of sewer fees for Eastern Hills/Blueberry Hills Subdivisions beginning January 1, 1996. This monthly fee was increased to \$450 per month beginning January, 2005, and then to \$525 beginning December, 2006. The Police Jury owed the District the amounts shown in the summary above, according to this agreement.

### NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 collects sewer fees for the Lincoln Parish Police Jury, per a cooperative agreement with the Police Jury. The District remits collections to the Police Jury monthly. At September 30, the District recognized certain sewer fees from customers in accounts receivable and recognized the related payable to the Police Jury, as follows:

	<u>2023</u>	<u>2022</u>
Due to Lincoln Parish Police Jury	<u>\$ 26,087</u>	<u>\$ 72,907</u>

### NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt activity of the Lincoln Parish Waterworks District #3 for the periods ended as indicated:

#### Revenue Bonds

\$259,000 Waterworks Revenue Refunding Bonds; Series 2018, dated February 21, 2018, due in annual principal installments of \$18,000 - \$23,000 and semi-annual interest payments of \$449 - \$5,051 through August 1, 2031; interest at an effective rate of 3.9% until maturity; secured by revenues earned by the District from the operation of the waterworks system.

Balance at September 30, 2022	\$ 187,000
Debt Retired	<u>(18,000)</u>
Balance at September 30, 2023	169,000
Less Current Maturities	<u>(19,000)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 150,000</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

### NOTE 8 - LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity for all debt outstanding as of September 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 19,000	\$ 6,591	\$ 25,591
2025	20,000	5,850	25,850
2026	20,000	5,070	25,070
2027	21,000	4,290	25,290
2028-2031	<u>89,000</u>	<u>8,813</u>	<u>97,813</u>
Totals	<u>\$ 169,000</u>	<u>\$ 30,614</u>	<u>\$ 199,614</u>

### NOTE 8 - RESTRICTED NET POSITION

The District's bond covenant requires certain reservations of its net position for repairs and maintenance and debt service.

## **OTHER REPORTS AND SCHEDULES**

**DON M. MCGEHEE**  
(A Professional Accounting Corporation)

P.O. Box 1344  
205 Reynolds Drive, Suite A  
Ruston, Louisiana 71273-1344

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

Commissioners of the  
Lincoln Parish Waterworks District #3  
P.O.Box 366  
Ruston, Louisiana 71273

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 Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements and have issued my report thereon dated March 29, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Lincoln Parish Waterworks District #3'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lincoln Parish Waterworks District #3's internal control. Accordingly, I do not express an opinion on the effectiveness of the Lincoln Parish Waterworks District #3's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiency described in the accompanying schedule of findings and questioned costs as #2023-1 to be a material weakness.

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. I consider the deficiency described in the accompanying schedule of findings and questioned costs as #2023-2 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lincoln Parish Waterworks District #3'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 financial statements. 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*.

**District's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the Lincoln Parish Waterworks District #3's responses to the findings identified in my audit and described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

**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 the testing, and not to provide an opinion on the effectiveness of the entity'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.



Don M. McGehee  
Certified Public Accountant  
March 29, 2024

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

I have audited the financial statements of the Lincoln Parish Waterworks District #3, as of and for the year ended September 30, 2023, and have issued my report thereon dated March 29, 2024. 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. My audit of the financial statements as of September 30, 2023 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes  No

Significant Deficiencies  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

**Section II Financial Statement Findings**

**Finding #2023-1. Segregation of Duties.** The Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

**Finding #2023-2. Inadequate Controls over Preparation of the Financial Statements.** Personnel for the Lincoln Parish Waterworks District #3 do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with GAAP. However, they can understand the key issues identified, make any required management decisions, and fulfill the competency requirements, so that they can accept responsibility for the financial statements.

**Section III Management Letter**

No findings.

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT**

- |  |                          |
|--|--------------------------|
| <b>Finding #2022-1.</b> Too few personnel involved in the accounting system to have adequate segregation of duties for internal control. | Unresolved. See #2023-1. |
| <b>Finding #2022-2.</b> Inadequate controls over preparation of the financial statements.  | Unresolved. See #2023-2. |
| <b>Finding #2022-3.</b> Meter Deposit Listing updated and reconciled.  | Resolved.                |
| <b>Finding #2022-4.</b> Timely remittance of payment to the Lincoln Parish Police Jury.  | Resolved.                |

**SECTION II MANAGEMENT LETTER**

No findings.



**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT**

**Finding #2023-1. Segregation of Duties.** The District is required to design internal controls with proper segregation of duties to prevent, or detect and correct, misstatements in the accounting system. The District has inadequate segregation of duties because there are too few personnel involved in the accounting system. The financial statements could have a misstatement that would not be prevented, or detected and corrected. Recommend that the District involve more personnel in the accounting system to allow for adequate segregation of duties.

**Response:** The District has an accounting workload that can be easily managed by two employees. The hiring/involvement of additional employees to provide enhanced internal control does not appear to be the best use of the District's resources.

**Finding #2023-2. Preparation of Financial Statements.** The District is required to have controls over the financial reporting process to prevent, or detect and correct misstatements in the financial statements. The District does not have sufficient controls in place to ensure that the financial statements are in conformity with GAAP because employees do not have the financial expertise to fulfill their assigned functions. The District's financial statements could have a misstatement that would not be prevented, or detected and corrected. Recommend that controls be strengthened by providing personnel with additional training.

**Response:** The District has employees with the ability to record cash receipts and disbursements, prepare adjusting entries, and prepare draft financial statements. However, there are times they do not have the expertise to apply certain accounting principles. Providing employees with additional education does not appear to be the best use of the District's resources, but the District will encourage the employees to use all technical assistance available.

**SUPPLEMENTAL INFORMATION**

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF PER DIEM PAYMENTS TO COMMISSIONERS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Willard Anderson	\$	840
Mike Hogan		840
Linda Kimble		840
Randy Snow		840
Ralph McVay		840
Total	\$	<u>4,200</u>

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO THE PRESIDENT OF THE  
BOARD OF COMMISSIONERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**President of the Board of Commissioners, Randy Snow:**

<u>Purpose</u>	<u>Amount</u>
Per diem for Attending Board Meetings	\$ 840