

**LINCOLN PARISH  
WATERWORKS DISTRICT #3**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

# LINCOLN PARISH WATERWORKS DISTRICT #3

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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

P.O. Box 1344  
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Ruston, Louisiana 71273-1344

**INDEPENDENT AUDITOR'S REPORT**

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

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 years ended September 30, 2021 and 2020, 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.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2021 and 2020, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other 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 supplemental information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information section 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information section is 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 April 9, 2022, 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 the 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 the Lincoln Parish Waterworks District #3's internal control over financial reporting and compliance.

  
Don M. McGehee  
Certified Public Accountant  
April 9, 2022

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

# **Waterworks District #3**

**P.O. Box 366**

**Ruston, Louisiana 71273**

Phone: (318) 251-0853 Fax: (318) 251-0853

## **MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 7.

### **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>2021</u>	<u>2020</u>
Current Assets and Other Assets	\$ 910,540	\$ 968,201
Capital Assets	<u>1,215,663</u>	<u>1,094,046</u>
Total Assets	<u>2,126,203</u>	<u>2,062,247</u>
Long-term Debt Outstanding	205,000	223,000
Other Liabilities	<u>146,045</u>	<u>148,785</u>
Total Liabilities	<u>351,045</u>	<u>371,785</u>
Net Position:		
Investment in Capital Assets, Net of Debt	1,010,663	871,046
Restricted	7,569	6,242
Unrestricted Net Position	<u>756,926</u>	<u>813,174</u>
Total Net Position	<u>\$ 1,775,158</u>	<u>\$ 1,690,462</u>

Net position increased by 5% (\$84,696) in the current year compared to the 2020 year and by 4% (\$70,782) in 2020 compared to the 2019 year. About 43% (\$756,926) of total current year net position is unrestricted compared to about 48% (\$813,174) unrestricted in 2020, and about 46% (\$748,082) in 2019. Most of unrestricted net position is composed of cash and certificates of deposit as of September 30, 2021. 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>2021</u>	<u>2020</u>
Operating Revenues		
Charges for Services	\$ 388,910	\$ 382,863
Nonoperating Revenues		
Intergovernmental Relocation Revenue	26,679	0
Interest Income	<u>1,828</u>	<u>2,494</u>
Total Revenues	<u>417,417</u>	<u>385,357</u>
Operating Expenses	324,139	305,291
Nonoperating Expenses		
Interest Expense	<u>8,582</u>	<u>9,284</u>
Total Expenses	<u>332,721</u>	<u>314,575</u>
Increase (Decrease) in Net Position	84,696	70,782
Beginning Net Position	<u>1,690,462</u>	<u>1,619,680</u>
Ending Net Position	<u>\$ 1,775,158</u>	<u>\$ 1,690,462</u>

Revenues increased 8% (\$32,060) in the current year compared to 2020, and the prior year increased 1% (\$3,932) from the 2019 year. In the current year, the District experienced an increase of 2% (\$6,047) in charges for services, and in 2020 an increase of 1% (\$4,033) from 2019, primarily because of changes in water usage and number of customers. Operating expenses in the current year increased 6% (\$18,848) from 2020, and in the prior year increased 11% (\$30,986) from 2019. The current year increase in operating expenses was primarily due to an increase in repairs and maintenance offset by decreases in salaries and system supplies.

The current year operating revenues and expenses resulted in an \$84,696 increase in net position, which was \$13,914 more than the increase in net position for 2020 of \$70,782, which was \$26,352 less than the increase in net position of \$97,134 in 2019.

In the current year, there was intergovernmental relocation revenue of \$26,679 to reimburse the District for the expense of relocating water lines for the extension of the airport runway from the City of Ruston.

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

#### Capital Assets

At the end of 2021 the District had \$3,164,020 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 \$205,000 in bonds outstanding at September 30, 2021, which was a 8% (\$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.



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## **BASIC FINANCIAL STATEMENTS**

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 633,198	\$ 702,806
Investments	126,982	125,594
Accounts Receivable	43,784	43,059
Due from Other Government Units	4,141	1,050
Interest Receivable	148	147
Prepaid Expenses	6,474	6,108
<b>TOTAL CURRENT ASSETS</b>	<u>814,727</u>	<u>878,764</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Cash and Cash Equivalents	44,649	38,401
Investments	51,164	51,036
<b>Total Restricted Assets</b>	<u>95,813</u>	<u>89,437</u>
Capital Assets		
Land	19,585	19,585
Plant and Equipment	3,144,435	2,926,900
Construction in Progress	0	37,993
Less Accumulated Depreciation	<u>(1,948,357)</u>	<u>(1,890,432)</u>
<b>Capital Assets, Net</b>	<u>1,215,663</u>	<u>1,094,046</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,311,476</u>	<u>1,183,483</u>
<b>TOTAL ASSETS</b>	<u>2,126,203</u>	<u>2,062,247</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	18,240	21,528
Contracts Payable	24,315	27,073
Due to Other Government Units	11,508	11,592
Accrued Liabilities	1,196	2,620
Accrued Interest Payable	1,314	1,430
Current Maturities of Long-Term Debt	18,000	18,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>74,573</u>	<u>82,243</u>
<b>NONCURRENT LIABILITIES</b>		
Water Customers' Deposits	76,862	72,262
Sewer Customers' Deposits	12,610	12,280
Long-Term Debt	187,000	205,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>276,472</u>	<u>289,542</u>
<b>TOTAL LIABILITIES</b>	<u>351,045</u>	<u>371,785</u>
<b>NET POSITION</b>		
<b>INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT</b>	1,010,663	871,046
<b>RESTRICTED</b>		
Restricted for Repairs and Maintenance	4,551	3,222
Restricted for Debt Service	3,018	3,020
<b>UNRESTRICTED</b>	<u>756,926</u>	<u>813,174</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,775,158</u>	<u>\$ 1,690,462</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
<b>CHARGES FOR SERVICES</b>		
Water Sales	\$ 338,853	\$ 339,925
New Installations	15,740	9,450
Penalties	10,881	13,271
Collection Fees	11,460	9,345
Sewage Collection Fee	6,300	6,300
Reconnection Fees	5,305	3,560
Miscellaneous Income	<u>371</u>	<u>1,012</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>388,910</b></u>	<u><b>382,863</b></u>
<b>OPERATING EXPENSES</b>		
Accounting	13,550	14,200
Auto Allowance	1,793	1,725
Bad Debts	0	3,482
Commissioners' Fees	4,200	3,600
Depreciation	57,925	55,485
Installations	4,875	4,320
Insurance	8,317	6,524
Meter Maintenance	12,825	10,600
Miscellaneous Expenses	396	1,229
Office Supplies	11,831	9,508
Outside Services	2,653	0
Professional Fees	0	1,500
Repairs and Maintenance	80,996	57,828
Safe Water Administration Fee	10,029	9,986
Salaries and Wages	60,614	66,134
System Supplies	9,047	16,568
Taxes-Payroll	5,643	5,760
Training and Travel	200	0
Utilities	<u>39,245</u>	<u>36,842</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>324,139</b></u>	<u><b>305,291</b></u>
<b>OPERATING INCOME</b>	64,771	77,572
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	1,828	2,494
Intergovernmental Relocation Revenue	26,679	0
Interest Expense	<u>(8,582)</u>	<u>(9,284)</u>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u><b>19,925</b></u>	<u><b>(6,790)</b></u>
<b>CHANGES IN NET POSITION</b>	84,696	70,782
<b>NET POSITION-BEGINNING</b>	<u>1,690,462</u>	<u>1,619,680</u>
<b>NET POSITION-ENDING</b>	<u><b>\$1,775,158</b></u>	<u><b>\$1,690,462</b></u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 389,939	\$ 382,485
Cash Payments for Goods and Services	(201,487)	(163,938)
Cash Payments to Employees	(69,806)	(74,434)
Net Cash Provided by Operating Activities	<u>118,646</u>	<u>144,113</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(178,145)	(176,630)
Proceeds from Surrender of Investments	176,630	174,999
Interest Received	1,827	2,513
Net Cash Provided by Investing Activities	<u>312</u>	<u>882</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Intergovernmental Relocation Revenue	<u>26,679</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(18,000)	(18,000)
Interest Paid	(8,697)	(9,399)
Purchase of Fixed Assets	0	(3,820)
Construction of Water System Improvements	(182,300)	(10,920)
Net Cash Used by Capital and Related Financing Activities	<u>(208,997)</u>	<u>(42,139)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(63,360)	102,856
<b>CASH AT BEGINNING OF YEAR</b>	<u>741,207</u>	<u>638,351</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 677,847</u>	<u>\$ 741,207</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 64,771	\$ 77,572
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	57,925	55,485
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(726)	(2,696)
(Increase) Decrease in Due from Other Governments	(3,091)	0
(Increase) Decrease in Prepaid Expenses	(366)	(485)
Increase (Decrease) in Accounts Payable	(3,289)	11,564
Increase (Decrease) in Customers' Deposits	4,930	1,945
Increase (Decrease) in Due to Police Jury	(84)	373
Increase (Decrease) in Accrued Liabilities	(1,424)	355
Total Adjustments	<u>53,875</u>	<u>66,541</u>
Net Cash Provided by Operating Activities	<u>\$ 118,646</u>	<u>\$ 144,113</u>
<b>CASH PER STATEMENT OF NET POSITION</b>		
Current Cash	\$ 633,198	\$ 702,806
Restricted Cash	<u>44,649</u>	<u>38,401</u>
<b>TOTAL CASH AT END OF YEAR</b>	<u>\$ 677,847</u>	<u>\$ 741,207</u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021

### 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, 2021

### 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, 2021, the District has cash and restricted cash (book balances) totaling \$677,847 and investments and restricted investments (book balances) totaling \$178,146 as follows:

	<u>Cash</u>	<u>Investments</u>
Cash on Hand	\$ 100	\$ 0
Demand Deposits	200,139	0
Time and Savings Deposits	<u>477,608</u>	<u>178,146</u>
Total	<u>\$ 677,847</u>	<u>\$ 178,146</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

### 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, 2021, the District has \$870,392 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance of \$464,639 and \$405,753 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:

	2021	2020
Debt Service - Sinking Fund	\$ 4,333	\$ 4,449
Depreciation Fund	4,551	3,222
Customer Deposits	86,929	81,766
Total Restricted Assets	\$ 95,813	\$ 89,437

### NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets activity for the years ending September 30, 2021:

	Beginning Balance 10/01/20	Additions	Deletions	Ending Balance 09/30/21
<b>Capital Assets</b>				
Land	\$ 19,585	\$ 0	\$ 0	\$ 19,585
Land Improvements	27,440	0	0	27,440
Buildings	103,593	0	0	103,593
Water System and Equipment	2,795,867	217,535	0	3,013,402
Construction In Progress	37,993	179,542	(217,535)	0
Total Capital Assets	2,984,478	397,077	(217,535)	3,164,020
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	8,461	1,200	0	9,661
Buildings	71,336	2,557	0	73,893
Water System and Equipment	1,810,635	54,168	0	1,864,803
Total Accumulated Depreciation	1,890,432	57,925	0	1,948,357
<b>Capital Assets, Net</b>	\$ 1,094,046	\$ 339,152	\$ (217,535)	\$ 1,215,663



# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

### NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

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

	<u>2021</u>	<u>2020</u>
Due from Lincoln Parish Police Jury	\$ 1,050	\$ 1,050
State of Louisiana, Overpayment of Withholding Tax	<u>3,091</u>	<u>0</u>
Total	<u>\$ 4,141</u>	<u>\$ 1,050</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>2021</u>	<u>2020</u>
Due to Lincoln Parish Police Jury	<u>\$ 11,508</u>	<u>\$ 11,592</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, 2020	\$ 223,000
Debt Retired	<u>(18,000)</u>
Balance at September 30, 2021	205,000
Less Current Maturities	<u>(18,000)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 187,000</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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

The annual debt service requirements to maturity for all debt outstanding as of September 30, 2021, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 18,000	\$ 7,995	\$ 25,995
2023	18,000	7,293	25,293
2024	19,000	6,591	25,591
2025	20,000	5,850	25,850
2026-2030	107,000	17,277	124,277
2031	<u>23,000</u>	<u>897</u>	<u>23,897</u>
Totals	<u>\$ 205,000</u>	<u>\$ 45,903</u>	<u>\$ 250,903</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, 2021, 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 April 9, 2022.

**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 #2021-1 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 accompany schedule of findings and questioned costs as #2021-2 to be a significant deficiency.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as #2021-3.

**District's Response to Findings**

Lincoln Parish Waterworks District #3's responses to the findings identified in my audit are 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 it.

**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  
April 9, 2022

# LINCOLN PARISH WATERWORKS DISTRICT #3

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

I have audited the financial statements of the Lincoln Parish Waterworks District #3, as of and for the year ended September 30, 2021, and have issued my report thereon dated April 9, 2022. 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, 2021 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 #2021-1. 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 #2021-2. 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.

**Finding #2021-3. Late Submission of Audit Report.** Lincoln Parish Waterworks District #3 did not submit their annual audit report to the Louisiana Legislative Auditor within six months of year end.

### Section III Management Letter

No findings.

**LINCOLN PARISH WATERWORKS DISTRICT #3**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

**Finding #2020-1.** Too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

Unresolved. See #2021-1.

**Finding #2020-2.** Inadequate controls over preparation of the financial statements.

Unresolved. See #2021-2.

**SECTION II MANAGEMENT LETTER**

No findings.

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

**Finding #2021-1. 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 #2021-2. 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 financials 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.

**Finding #2021-3. Preparation of Financial Statements.** The District's annual audit report was not submitted to the Legislative Auditor within six months of year end, as required by state law. Certain audit information was not available in a timely manner to perform and complete the audit until after the six month due date. I recommend the client provide all required information earlier next year to allow for the timely completion and submission of the audit.

**Response:** The District's former office manager retired during the year and a new office manager was appointed. This was the first time that she was responsible for preparing and gathering the information needed for the audit. It took her longer than she anticipated to provide all the information requested by the auditor. Next year, she will have the information prepared earlier to allow for the timely completion and submission of the audit.

**SECTION II MANAGEMENT LETTER**

No findings.



## **SUPPLEMENTAL INFORMATION**

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF PER DIEM PAYMENTS TO COMMISSIONERS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021

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

<u>Purpose</u>	<u>Amount</u>
Per diem for Attending Board Meetings	\$ 840
Reimbursements	162