

*Water Works District No. 3  
of Rapides Parish*

*Tioga, Louisiana*

*December 31, 2022*

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

**December 31, 2022**

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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

#### *Opinions*

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, 2022, 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, 2022, 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 Opinions*

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 to 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 opinions.

As discussed in Note 1 to the financial statements, in 2022 Water Works District No. 3 of Rapides Parish adopted new accounting guidance, *GASB No. 87, Leases*. Our opinions are not modified with respect to this matter.

#### *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.





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

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.

***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.





PAYNE, MOORE & HERRINGTON, LLP

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

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.

***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 and budgetary comparison information on pages 28 and 29 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 Schedules 1 through 4 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.



PAYNE, MOORE & HERRINGTON, LLP

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

***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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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 other 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 14, 2023, 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 14, 2023

### **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, 2022. 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 \$69,121 in 2022.
- The District's operating revenues were \$5,994,566 which were more than total operating expenditures of \$5,397,299 resulting in an operating income of \$597,267.
- Total non-operating loss was \$594,536.
- Total net position of \$22,493,923 is made up of the following:
  1. Net investment in capital assets of \$7,322,470 includes property and equipment, net of accumulated depreciation and related debt
  2. Restricted net position of \$602,135
  3. Unrestricted net position of \$14,569,318
- In December 2020, the District refinanced all outstanding bonds resulting in a bond issue of \$5,155,000, with a 13 year term.
- In April 2022, the District had a \$10,030,000 bond issue to provide funding for two water well on the District's Administrative office site.

**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.

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

**Management's Discussion and Analysis**

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.

**Financial Analysis**

The District's net position at calendar year end was \$22,493,923. The following exhibit provides a summary of the District's net position:

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets	\$ 14,979,161	\$ 4,458,000
Restricted assets	1,083,670	884,205
Capital assets	<u>23,104,576</u>	<u>23,082,818</u>
Total assets	39,167,407	28,425,023
Liabilities:		
Current liabilities	409,843	170,152
Restricted liabilities	481,535	476,559
Long-term liabilities	<u>15,782,106</u>	<u>5,353,510</u>
Total liabilities	16,673,484	6,000,221
Net position:		
Net investment in capital assets	7,322,470	17,729,308
Restricted net position	602,135	407,646
Unrestricted net position	<u>14,569,318</u>	<u>4,287,848</u>
Total net position	\$ 22,493,923	\$ 22,424,802

As of December 31, 2022, net position was restricted for bond contingencies of \$200,000 and debt service of \$402,135.

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

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 5,994,566	\$ 4,949,462
Nonoperating revenues	<u>159,019</u>	<u>90,655</u>
Total revenues	6,153,585	5,040,117
Depreciation and amortization expense	1,204,854	1,181,025
Other operating expenses	4,192,445	3,599,149
Interest expense	453,482	158,898
Other nonoperating expenses	<u>300,073</u>	<u>18,539</u>
Total expenses	<u>6,150,854</u>	<u>4,957,611</u>
Change in Net Position Before Capital Contributions	2,731	82,506
Contributions in aid of construction	66,390	27,600
Beginning Net Position	<u>22,424,802</u>	<u>22,314,696</u>
Ending Net Position	\$ 22,493,923	\$ 22,424,802

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

**Management's Discussion and Analysis**

Contributions in aid of construction for 2022 were \$66,390. 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 2022:

Operating income (loss)	\$ 597,267
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,204,854
Changes in operating assets and liabilities	<u>(187,872)</u>
Total cash provided by operating activities	1,614,249
Cash provided by capital and related financing activities	8,755,192
Cash used in investing activities	<u>(4,189,150)</u>
Net increase (decrease) in cash and cash equivalents	6,180,291
Cash and Cash Equivalents, Beginning of Year	<u>2,478,700</u>
Cash and Cash Equivalents, End of Year	\$ 8,658,991

**Capital Assets and Debt Administration**

The District's capital assets, net of accumulated depreciation and amortization, as of December 31, 2022, was \$23,104,576. The following provides a summary by asset type at December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Nondepreciable assets:		
Construction in progress	\$ 1,134,441	\$ 353,833
Land and improvements	367,369	367,369
Depreciable assets:		
Plant and equipment	13,100,750	13,737,470
Buildings and improvements	186,026	136,244
Vehicles	194,613	259,439
Furniture, fixtures, and equipment	20,726	10,354
Right-of-use lease assets	24,488	-
Infrastructure	<u>8,076,163</u>	<u>8,218,109</u>
Total capital assets (net)	\$ 23,104,576	\$ 23,082,818

The change in capital assets before depreciation expense was \$1,226,612. Total depreciation expense for 2022 was \$1,204,854 resulting in a net increase of \$21,758.

**Long-Term Debt**

In December 2020, the District refinanced all outstanding bonds and, in 2022, had a \$10,030,000 bond issue to provide funding for two water wells at the district's main office site. The outstanding balance of all bonds at year-end 2022 is \$15,755,910, which includes a bond premium of \$1,130,910, and \$434,300 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, 2022**

**Exhibit A**

<b>Assets</b>		
Cash and cash equivalents		\$ 8,577,456
Certificates of deposit and investments		5,249,109
Accounts receivable		
Water sales	567,303	
Other	<u>10,366</u>	577,669
Interest receivable		58,650
Inventories		404,778
Prepaid expenses		111,499
Restricted assets		
Restricted cash and cash equivalents	81,535	
Restricted certificates of deposit	<u>1,002,135</u>	1,083,670
Capital assets, net of depreciation and amortization		
Nondepreciable		
Construction in progress	1,134,441	
Land and improvements	367,369	
Depreciable		
Plant and equipment	13,100,750	
Buildings and improvements	186,026	
Vehicles	194,613	
Furniture, fixtures, and equipment	20,726	
Infrastructure	8,076,163	
Amortizable		
Right-of-use lease asset	<u>24,488</u>	23,104,576
<b>Total Assets</b>		<u>39,167,407</u>
<b>Liabilities</b>		
Accounts payable		93,672
Accrued expenses		58,097
Short-term compensated absences		10,105
Bond interest payable		247,969
Restricted liabilities, payable from restricted assets		
Customers' meter deposits		481,535
Long-term liabilities		
Due within one year	449,658	
Due in more than one year	<u>15,332,448</u>	15,782,106
<b>Total Liabilities</b>		<u>16,673,484</u>
<b>Net Position</b>		
Net investment in capital assets		7,322,470
Restricted for		
Debt service	402,135	
Bond contingencies	<u>200,000</u>	602,135
Unrestricted		14,569,318
<b>Total Net Position</b>		<u>\$ 22,493,923</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, 2022**

**Exhibit B**

**Operating Revenues**

Water sales	\$ 5,772,471
Delinquent surcharges	68,575
Connection fees	30,570
Other operating revenues	122,950
Total Operating Revenues	<u>5,994,566</u>

**Operating Expenses**

Administration	1,068,727
Purification	1,388,653
Distribution	1,178,488
Meter	84,671
Production	126,163
Wells	345,743
Depreciation and amortization	1,204,854
Total Operating Expenses	<u>5,397,299</u>

<b>Operating Income (Loss)</b>	597,267
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**Nonoperating Revenues (Expenses)**

Investment income	104,803
Bond premium	54,216
Interest expense	(453,482)
Bond issuance expense	(300,073)
Total Nonoperating Revenues (Expenses)	<u>(594,536)</u>

<b>Change in Net Position Before Capital Contributions</b>	2,731
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<b>Contributions in Aid of Construction</b>	<u>66,390</u>
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<b>Change in Net Position</b>	69,121
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<b>Total Net Position - Beginning of Year</b>	<u>22,424,802</u>
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<b>Total Net Position - End of Year</b>	<u><u>\$ 22,493,923</u></u>
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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, 2022**

**Exhibit C**  
**(Continued)**

**Cash Flows from Operating Activities**

Receipts from customers	\$ 5,766,593
Payments to suppliers for goods and services	(2,338,755)
Payments to employees for services and benefit costs	(1,813,589)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>1,614,249</u>

**Net Cash Provided by (Used in) Noncapital Financing Activities**

-

**Cash Flows from Capital and Related Financing Activities**

Proceeds from sale of revenue bonds	10,806,615
Acquisition and construction of capital assets	(1,188,077)
Contributions in aid of construction	66,390
Principal payments on bonds and leases	(362,339)
Interest paid on bonds and leases	(267,324)
Bond issuance expense	(300,073)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>8,755,192</u>

**Cash Flows from Investing Activities**

Investment income	62,094
Proceeds from maturities of investments	700,000
Purchase of investments	(4,951,244)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(4,189,150)</u>

**Net Increase (Decrease) in Cash and Cash Equivalents**

6,180,291

**Cash and Cash Equivalents, Beginning of Year**

2,478,700

**Cash and Cash Equivalents, End of Year**

\$ 8,658,991

**Classified As:**

Current assets	\$ 8,577,456
Restricted assets	81,535
<b>Total</b>	<u><u>\$ 8,658,991</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, 2022**

**Exhibit C**  
**(Concluded)**

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

Operating income (loss)	\$ 597,267
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,204,854
Changes in assets and liabilities:	
Accounts and other receivables	(141,921)
Inventories	(91,028)
Prepaid expenses	(13,433)
Accounts payable	39,764
Accrued expenses	11,480
Short-term compensated absences	2,290
Customers' meter deposits	4,976
Total Adjustments	<u>1,016,982</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 1,614,249</u></b>

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

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**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 6,900 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, 2022**

**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 and amortization, 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 and amortization on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

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.

Certificates of Deposit and Investments

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

Investments are reported at fair value. In establishing the fair value of investments, the District uses the following hierarchy. The lowest level of valuation available is used for all investments. U.S. treasury notes are Level 1 investments.

- Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the District has the ability to access.
- Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

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, 2022, 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.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2022, 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 Bond Debt Service funds (Sinking Fund) are used to account for debt service funds, as required by the water revenue bond documents. Transfers are made monthly from the water district operating account, under a formula provided in the bond covenants.
- 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 resolutions. 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.



**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

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 and amortization are 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.

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.

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

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.

GASB Statement No. 87 Implementation

Effective for the year December 31, 2022, Water Works District No. 3 of Rapides Parish implemented GASB Statement No. 87, *Leases*. Implementation of this standard increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

**2. Cash and Cash Equivalents**

At year end, the District's cash and cash equivalents were entirely covered by depository insurance or collateral held by the District or its agent in the District's name. Cash and cash equivalents are reported as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 1,550	\$ -	\$ 1,550
Demand deposits	8,575,906	81,535	8,657,441
	<u>\$ 8,577,456</u>	<u>\$ 81,535</u>	<u>\$ 8,658,991</u>

**3. Certificates of Deposit and Investments**

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, 2022, the District had certificates of deposit and investments totaling \$6,251,244, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book Balance</u>	<u>Market Value</u>
Certificates of deposit	\$ 297,865	\$ 1,002,135	\$ 1,300,000	\$ 1,300,000
U.S. treasury notes	4,951,244	-	4,951,244	4,951,244
	<u>\$ 5,249,109</u>	<u>\$ 1,002,135</u>	<u>\$ 6,251,244</u>	<u>\$ 6,251,244</u>

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have any deposits exposed to custodial credit risk.

Investments – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of any outside party. U.S. treasury notes are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Therefore, the District does not have any investments exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2022, the District's investments in U.S. treasury notes matured in twelve months or less.

**4. 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, 2022, these receivables were as follows:

Uncollected cycle billings	\$ 409,214
Estimated services between cycles	<u>158,089</u>
	\$ 567,303

**5. Inventories**

Inventory at December 31, 2022, consists of the following:

Chemicals	\$ 142,125
Materials and supplies	<u>262,653</u>
	\$ 404,778

**6. Restricted Assets**

Restricted asset activity for the year ended December 31, 2022, was as follows:

	<u>Balance 12/31/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/22</u>
Meter Fund	\$ 476,559	\$ 68,931	\$ 63,955	\$ 481,535
Sinking Fund	207,646	810,968	616,479	402,135
Contingency Fund	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	\$ 884,205	\$ 879,899	\$ 680,434	\$ 1,083,670

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

**7. Capital Assets**

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>Balance 12/31/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/22</u>
Capital assets, nondepreciable				
Construction in progress	\$ 353,833	\$ 879,879	\$ 99,271	\$ 1,134,441
Land and improvements	<u>367,369</u>	<u>-</u>	<u>-</u>	<u>367,369</u>
Total capital assets, nondepreciable	721,202	879,879	99,271	1,501,810
Other capital assets				
Plant and equipment	25,663,519	52,202	-	25,715,721
Buildings and improvements	1,020,802	69,564	-	1,090,366
Vehicles	1,060,664	-	-	1,060,664
Furniture, fixtures, and equipment	258,120	13,325	-	271,445
Infrastructure	<u>17,551,467</u>	<u>272,378</u>	<u>-</u>	<u>17,823,845</u>
Total other capital assets	45,554,572	407,469	-	45,962,041
Amortizable assets				
Right-of-use lease asset	-	38,535	-	38,535
Less				
Accumulated depreciation				
Plant and equipment	11,926,049	688,922	-	12,614,971
Buildings and improvements	884,558	19,782	-	904,340
Vehicles	801,225	64,826	-	866,051
Furniture, fixtures, and equipment	247,766	2,953	-	250,719
Infrastructure	<u>9,333,358</u>	<u>414,324</u>	<u>-</u>	<u>9,747,682</u>
Total accumulated depreciation	<u>23,192,956</u>	<u>1,190,807</u>	<u>-</u>	<u>24,383,763</u>
Accumulated amortization				
Right-of-use lease asset	<u>-</u>	<u>14,047</u>	<u>-</u>	<u>14,047</u>
Other capital assets, net	<u>22,361,616</u>	<u>(758,850)</u>	<u>-</u>	<u>21,602,766</u>
Net Capital Assets	\$23,082,818	\$ 121,029	\$ 99,271	\$23,104,576

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
Right-of-use lease asset	Lease term

Total depreciation and amortization expense for the year ended December 31, 2022, was \$1,204,854.

**Water Works District No. 3 of Rapides Parish**  
**December 31, 2022**

**Notes to Basic Financial Statements**

**8. Long-term Liabilities**

The District issued a Water Revenue Bond, Series 2022 to help with the costs of constructing and acquiring improvements, extensions, renovations, and replacements to the water system. It was issued for \$10,030,000 at varying interest rates from 4.00-5.00%.

The District, as lessee, has entered into lease agreements for computer and copier equipment. As stated in Note 7, the total cost of the District's lease assets are recorded as \$38,535, less accumulated amortization of \$14,047.

The following changes occurred in long-term liabilities during the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Refunded Revenue Bond, Series 2020	\$ 4,945,000	\$ -	\$ 350,000	\$ 4,595,000	\$ 360,000
Water Revenue Bond, Series 2022	-	10,030,000	-	10,030,000	10,000
Bond Premium	408,510	776,615	54,215	1,130,910	64,300
Lease Liability	-	<u>38,535</u>	<u>12,339</u>	<u>26,196</u>	<u>15,358</u>
	<u>\$ 5,353,510</u>	<u>\$10,845,150</u>	<u>\$ 416,554</u>	<u>\$ 15,782,106</u>	<u>\$ 449,658</u>

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

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 449,658	\$ 595,625	\$ 1,045,283
2024	452,479	584,047	1,036,526
2025	456,960	572,437	1,029,397
2026	464,300	560,625	1,024,925
2027	479,300	548,525	1,027,825
2028-2032	2,586,502	2,547,200	5,133,702
2033-2037	2,875,331	2,120,300	4,995,631
2038-2042	3,581,289	1,388,500	4,969,789
2043-2047	<u>4,436,287</u>	<u>527,600</u>	<u>4,963,887</u>
	<u>\$ 15,782,106</u>	<u>\$ 9,444,859</u>	<u>\$ 25,226,965</u>

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

**9. Net Position**

Restricted Net Position

In accordance with the terms of security provisions and protective covenants for the Water Revenue Bonds issued during 2020 and 2022, the District has restricted \$402,135 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, 2022	\$ 14,569,318
Less: Balance, December 31, 2021	<u>4,287,848</u>
Increase (Decrease)	\$ 10,281,470

**10. Pension Plan**

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

**11. 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 \$38,823 for the year ended December 31, 2022.

**12. 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>
Well at 1306	\$ 10,500,000	\$ 525,188	\$ -	\$ 9,974,812
20" Raw Water Main	8,800,000	538,400	-	8,261,600
Pax Mixers	59,268	45,280	-	13,988
Filtered and Settled Solids Containment System and Dewatering and Disposal System	<u>820,000</u>	<u>18,729</u>	<u>-</u>	<u>801,271</u>
	\$ 20,179,268	\$ 1,127,597	\$ -	\$ 19,051,671

No further financing is expected to complete these authorized projects.

**Water Works District No. 3 of Rapides Parish  
December 31, 2022**

**Notes to Basic Financial Statements**

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.

**13. 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 \$267,324 was paid in 2022.

### **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, 2022**

**Schedule 1**

**Agency Head Name: Jimmy R. French, General Manager**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 94,464
Benefits - insurance	17,767
Benefits - retirement	3,567
Benefits - Social Security	6,078
Benefits - Medicare	1,421
Benefits - worker's compensation	4,914
Vehicle provided by government	2,549
Reimbursements	<u>2,000</u>
<b>Total</b>	<u><u>\$ 132,760</u></u>

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, 2022**

**Schedule 2**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Water sales	\$ 4,919,000	\$ 5,772,471	\$ 853,471
Delinquent surcharges	65,000	68,575	3,575
Connection fees	35,000	30,570	(4,430)
Investment income	20,000	104,803	84,803
Bond premium	-	54,216	54,216
Other operating revenue	95,000	122,950	27,950
Totals	<u>5,134,000</u>	<u>6,153,585</u>	<u>1,019,585</u>
<b>Expenses (Schedule 3)</b>	<u>6,705,000</u>	<u>5,872,539</u>	<u>832,461</u>
<b>Revenues Over Expenses</b>	<u>\$ (1,571,000)</u>	<u>\$ 281,046</u>	<u>\$ 1,852,046</u>

The District's budget included \$1,750,000 from unrestricted net position.  
This appropriation resulted in a budget surplus of \$179,000.

**Reconciliation of Change in Net Position**

<b>Revenues Over Expenses</b>	<b>\$ 281,046</b>
Plus:	
Capital additions	1,226,612
Contributions in aid of construction	66,390
Less:	
Depreciation	(1,204,854)
Bond issuance expenses	<u>(300,073)</u>
<b>Change in Net Position (Exhibit B)</b>	<u><u>\$ 69,121</u></u>

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, 2022**

**Schedule 3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenses by Department</b>			
Administration	\$ 1,059,000	\$ 1,068,727	\$ (9,727)
Purification	1,377,350	1,388,653	(11,303)
Distribution	1,139,900	1,178,488	(38,588)
Meter	70,100	84,671	(14,571)
Production	345,000	126,163	218,837
Wells	453,650	345,743	107,907
Interest expense	125,000	453,482	(328,482)
Capital additions	2,135,000	1,226,612	908,388
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Totals</b>	<u><u>\$ 6,705,000</u></u>	<u><u>\$ 5,872,539</u></u>	<u><u>\$ 832,461</u></u>

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, 2022**

**Schedule 4**

	<u><b>Amount</b></u>
Coody, Oscar	\$ 5,754
Flowers, Russell	5,936
Lavespere, Raymond L.	4,074
Lindsay, Elizabeth Q.	6,272
McKay, Billy	5,929
Moore, Clyde	5,148
O'Neal, Don T.	5,929
Sibley, Robert C.	168
Simpson, Marion Jr.	6,608
Williams, D. W.	<u>6,608</u>
<b>Total</b>	<u><u>\$ 52,426</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, 2022**

**Schedule 5**

The District currently has the following rate structures:

**Residential**

0 to 3,000 gallons	\$	29.50/month
All over 3,000 gallons	\$	6.75/1,000 gallons
Aggregate dollar billed for services rendered	\$	3,193,559
Average monthly billed per user	\$	41.15

**Commercial**

0 to 5,000 gallons	\$	37.50/month
All over 5,000 gallons	\$	6.75/1,000 gallons
Aggregate dollar billed for services rendered	\$	714,345
Average monthly billed per user	\$	152.34

**Governmental**

0 to 50,000 gallons	\$	187.50/month
All over 50,000 gallons	\$	6.75/1,000 gallons
Aggregate dollar billed for services rendered	\$	484,541
Average monthly billed per user	\$	1,922.78

**Public Recreational Areas**

0 to 3,000 gallons	\$	27.25/month
All over 3,000 gallons	\$	6.75/1,000 gallons
Aggregate dollar billed for services rendered	\$	19,880
Average monthly billed per user	\$	331.34

**Industrial**

0 to 50,000 gallons	\$	187.50/month
All over 50,000 gallons	\$	5.45/1,000 gallons
Aggregate dollar billed for services rendered	\$	1,324,091
Average monthly billed per user	\$	9,195.08

**Non-Profit Water Systems**

0 to 50,000 gallons	\$	187.50/month
All over 50,000 gallons	\$	6.00/1,000 gallons
Aggregate dollar billed for services rendered	\$	55,277
Average monthly billed per user	\$	4,606.40

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish  
Listing of Insurance in Force (Unaudited)  
Year Ended December 31, 2022**

**Schedule 6**

Per bond reporting requirements, the following insurance policies are in force at December 31, 2022:

The District has insurance through Allied World through November 15, 2023 for the following coverages:

<b>Coverages:</b>	<b><u>Coverage Amount</u></b>
Property	
Real property & business personal property	\$ 17,099,311
Coverage extension	2,000,000
Mobile equipment	885,991
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 & counterfeit money (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 rented 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, 2023 for the following coverages:

<b>Coverages:</b>	<b><u>Coverage Amount</u></b>
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, 2022, 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 14, 2023.

**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.





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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 14, 2023

### **Schedule of Findings and Questioned Costs**

**Water Works District No. 3 of Rapides Parish  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2022**

**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        X   No

Significant deficiencies identified  
that are not considered to be  
material weaknesses? \_\_\_\_\_ Yes        X   None Reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ Yes        X   No

*Management's Corrective Action Plan* Not applicable

*Management's Summary Schedule of Prior  
Audit Findings* Not applicable

*Memorandum of Other Comments and  
Recommendations* Not applicable

*Federal Awards* Not applicable

*Water Works District No. 3  
of Rapides Parish*

*Statewide Agreed-Upon Procedures Report*

*Tioga, Louisiana*

*December 31, 2022*



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, 2022 through December 31, 2022. 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 1, 2022 through December 31, 2022. 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 of 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***

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1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe whether 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.  
Michael A. Juneau, C.P.A.  
Cindy L. Humphries, C.P.A.

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



1419 Metro Drive • P.O. Box 13200  
Alexandria, LA 71315-3200  
Ph: (318) 443-1893 • Fax: (318) 443-2515



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- 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates 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) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) ***Credit Cards (and debit cards, fuel cards, purchase 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).
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 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) ***Prevention of 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.



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***Board or Finance Committee***

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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. *Alternatively, for those entities reporting on the non-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - 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.
  - d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

**Results:** Minutes did not reference or include quarterly budget-to-actual comparisons on the proprietary fund during one quarter of the fiscal period.

**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 last three quarters of 2022 but were not provided in the first quarter. We will provide such information quarterly to board members going forward.





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### ***Bank Reconciliations***

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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:
- 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 or a 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 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)***

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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 [e.g., five (5) collection locations for five (5) deposit sites], obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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;



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- 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; and
- 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, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

**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 that the bond or insurance policy for theft was in force 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 Bank Reconciliations procedure #3 (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 that 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.



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

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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.

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 or 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; and
- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

**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, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and



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- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #9 above, as applicable.

**Results:** No exceptions noted.

- 11. **Procedure:** Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select five (5) non-payroll-related electronic disbursements [or all electronic disbursements if less than five (5)] and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

**Note:** Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.

**Results:** No exceptions noted.

#### ***Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)***

- 12. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.

- 13. **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 (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

- b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** No exceptions noted.



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- 14. Procedure:** Using the monthly statements or combined statements selected under procedure #13 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 [e.g., each card should have ten (10) transactions subject to inspection]. 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

**Results:** No exceptions noted.

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

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- 15. 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 that 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](http://www.gsa.gov));
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1g; and
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** No exceptions noted.



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### ***Contracts***

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- 16. 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 that 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, the documented approval); and
  - 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.

### ***Payroll and Personnel***

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- 17. 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:** No exceptions noted.

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





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- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials;
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
- d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

**Results:** No exceptions noted.

19. **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 and 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's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to the entity policy.

**Results:** No exceptions noted.

20. **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***

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21. **Procedure:** Using the five (5) randomly selected employees/officials from Payroll and Personnel procedure #17 obtain ethics documentation from management, and
- a) Observe whether the documentation demonstrates that each employee/official completed one (1) hour of ethics training during the calendar year as required by R.S. 42:1170; and



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- b) Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

**Results:** Of the five (5) employees/officials selected, we noted one (1) employee/official who did not complete the one (1) hour of ethics training.

**Management's Response:** Water Works District No. 3 of Rapides Parish lost a board member through death as a result of COVID-19. He deceased in January of 2022 before he could complete his ethics training for the year.

- 22. **Procedure:** Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

**Results:** No exceptions noted.

#### ***Debt Service***

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- 23. **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 that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

**Results:** No exceptions noted.

- 24. **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.





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### ***Fraud Notice***

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- 25. 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 as required by R.S. 24:523.

**Results:** No exceptions noted.

- 26. Procedure:** Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** No exceptions noted.

### ***Information Technology Disaster Recovery/Business Continuity***

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- 27. 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then 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:** We performed the procedures and discussed the results with management.



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28. **Procedure:** Randomly select five (5) terminated employees [or all terminated employees if less than five (5)] using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

**Results:** No exceptions noted.

#### ***Prevention of Sexual Harassment***

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29. **Procedure:** Using the five (5) randomly selected employees/officials from Payroll and Personnel procedure #17, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one (1) hour of sexual harassment training during the calendar year as required by R.S. 42:343.

**Results:** Of the five (5) employees/officials selected, we noted one (1) employee/official who did not complete the one (1) hour of sexual harassment training.

**Management's Response:** Water Works District No. 3 of Rapides Parish lost a board member through death as a result of COVID-19. He deceased in January of 2022 before he could complete his sexual harassment training for the year

30. **Procedure:** Observe that 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.

31. **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 that the report 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;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

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e) Amount of time it took to resolve each complaint.

**Results:** No exceptions noted.

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*

Payne, Moore & Herrington, LLP  
Alexandria, Louisiana

February 14, 2023