

**LINCOLN PARISH
WATERWORKS DISTRICT #3**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

LINCOLN PARISH WATERWORKS DISTRICT #3

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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DON M. MCGEHEE
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2020 and 2019, 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, 2020 and 2019, 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 March 31, 2021, 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
March 31, 2021

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, 2020

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, 2020. 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>2020</u>	<u>2019</u>
Current Assets and Other Assets	\$ 968,201	\$ 860,552
Capital Assets	<u>1,094,046</u>	<u>1,107,718</u>
Total Assets	<u>2,062,247</u>	<u>1,968,270</u>
Long-term Debt Outstanding	223,000	241,000
Other Liabilities	<u>148,785</u>	<u>107,590</u>
Total Liabilities	<u>371,785</u>	<u>348,590</u>
Net Position:		
Investment in Capital Assets, Net of Debt	871,046	866,719
Restricted	6,242	4,879
Unrestricted Net Position	<u>813,174</u>	<u>748,082</u>
Total Net Position	<u>\$ 1,690,462</u>	<u>\$ 1,619,680</u>

Net position increased by 4% (\$70,782) in the current year compared to the 2019 year and by 6% (\$97,134) in 2019 compared to the 2018 year. About 48% (\$813,174) of total current year net position is unrestricted compared to about 46% (\$748,082) unrestricted in 2019, and about 42% (\$631,982) in 2018. Most of unrestricted net position is composed of cash and certificates of deposit as of September 30, 2020. 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>2020</u>	<u>2019</u>
Operating Revenues		
Charges for Services	\$ 382,863	\$ 378,830
Nonoperating Revenues		
Interest Income	<u>2,494</u>	<u>2,595</u>
Total Revenues	<u>385,357</u>	<u>381,425</u>
Operating Expenses	305,291	274,305
Nonoperating Expenses		
Interest Expense	<u>9,284</u>	<u>9,986</u>
Total Expenses	<u>314,575</u>	<u>284,291</u>
Increase (Decrease) in Net Position	70,782	97,134
Beginning Net Position	<u>1,619,680</u>	<u>1,522,546</u>
Ending Net Position	<u>\$ 1,690,462</u>	<u>\$ 1,619,680</u>

Revenues increased 1% (\$3,932) in the current year compared to 2019, and the prior year decreased 17% (\$75,688) from the 2018 year. In the current year, the District experienced an increase of 1% (\$4,033) in charges for services, and in 2019 a decrease of 6% (\$24,089) from 2018, primarily because of changes in water usage and number of customers. Operating expenses in the current year increased 11% (\$30,986) from 2019, and in the prior year decreased 21% (\$73,424) from 2018. The current year increase in operating expenses was primarily due to an increase in salaries, repairs and maintenance, and system supplies.

The current year operating revenues and expenses resulted in an \$70,782 increase in net position, which was \$26,352 less than the increase in net position for 2019 of \$97,134, which was \$7,430 more than the increase in net position of \$89,704 in 2018.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020 the District had \$2,946,485 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 and complete the renovation of a water well, 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 \$223,000 in bonds outstanding at September 30, 2020, which was a 7% (\$18,000) decrease from the prior year. This decrease was a result of \$18,000 in restricted cash being applied to the 2018 bonds. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

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

Contacting the District's Management

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

BASIC FINANCIAL STATEMENTS

LINCOLN PARISH WATERWORKS DISTRICT #3

STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 702,806	\$ 602,800
Investments	125,594	124,218
Accounts Receivable	43,059	40,363
Due from Other Government Units	1,050	1,050
Interest Receivable	147	167
Prepaid Expenses	6,108	5,622
TOTAL CURRENT ASSETS	878,764	774,220
NONCURRENT ASSETS		
Restricted Assets		
Cash and Cash Equivalents	38,401	35,551
Investments	51,036	50,781
Total Restricted Assets	89,437	86,332
Capital Assets		
Land	19,585	19,585
Plant and Equipment	2,926,900	2,923,080
Construction in Progress	37,993	0
Less Accumulated Depreciation	(1,890,432)	(1,834,947)
Capital Assets, Net	1,094,046	1,107,718
TOTAL NONCURRENT ASSETS	1,183,483	1,194,050
TOTAL ASSETS	2,062,247	1,968,270
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	21,528	9,964
Contracts Payable	27,073	0
Due to Other Government Units	11,592	11,219
Accrued Liabilities	2,620	2,265
Accrued Interest Payable	1,430	1,545
Current Maturities of Long-Term Debt	18,000	18,000
TOTAL CURRENT LIABILITIES	82,243	42,993
NONCURRENT LIABILITIES		
Water Customers' Deposits	72,262	70,227
Sewer Customers' Deposits	12,280	12,370
Long-Term Debt	205,000	223,000
TOTAL NONCURRENT LIABILITIES	289,542	305,597
TOTAL LIABILITIES	371,785	348,590
NET POSITION		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	871,046	866,719
RESTRICTED		
Restricted for Repairs and Maintenance	3,222	1,858
Restricted for Debt Service	3,020	3,021
UNRESTRICTED	813,174	748,082
TOTAL NET POSITION	\$ 1,690,462	\$ 1,619,680

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
CHARGES FOR SERVICES		
Water Sales	\$ 339,925	\$ 333,112
New Installations	9,450	11,151
Penalties	13,271	13,043
Collection Fees	9,345	10,130
Sewage Collection Fee	6,300	6,300
Reconnection Fees	3,560	3,580
Miscellaneous Income	<u>1,012</u>	<u>1,514</u>
TOTAL OPERATING REVENUES	<u>382,863</u>	<u>378,830</u>
OPERATING EXPENSES		
Accounting	14,200	14,000
Auto Allowance	1,725	896
Bad Debts	3,482	3,562
Commissioners' Fees	3,600	3,000
Depreciation	55,485	56,279
Installations	4,320	4,842
Insurance	6,524	7,890
Meter Maintenance	10,600	8,660
Miscellaneous Expenses	1,229	586
Office Supplies	9,508	9,435
Professional Fees	1,500	3,000
Repairs and Maintenance	57,828	45,280
Safe Water Administration Fee	9,986	9,984
Salaries and Wages	66,134	55,334
System Supplies	16,568	10,301
Taxes-Payroll	5,760	4,817
Utilities	<u>36,842</u>	<u>36,439</u>
TOTAL OPERATING EXPENSES	<u>305,291</u>	<u>274,305</u>
OPERATING INCOME	77,572	104,525
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	2,494	2,595
Interest Expense	<u>(9,284)</u>	<u>(9,986)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(6,790)</u>	<u>(7,391)</u>
CHANGES IN NET POSITION	70,782	97,134
NET POSITION-BEGINNING	<u>1,619,680</u>	<u>1,522,546</u>
NET POSITION-ENDING	<u>\$1,690,462</u>	<u>\$1,619,680</u>

See accompanying notes to financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 382,485	\$ 382,928
Cash Payments for Goods and Services	(163,938)	(165,659)
Cash Payments to Employees	(74,434)	(62,625)
Net Cash Provided by Operating Activities	<u>144,113</u>	<u>154,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(176,630)	(174,999)
Proceeds from Surrender of Investments	174,999	172,763
Interest Received	2,513	3,314
Net Cash Provided by Investing Activities	<u>882</u>	<u>1,078</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(18,000)	(18,000)
Interest Paid	(9,399)	(10,101)
Purchase of Fixed Assets	(3,820)	(17,915)
Construction of Water System Improvements	(10,920)	0
Net Cash Used by Capital and Related Financing Activities	<u>(42,139)</u>	<u>(46,016)</u>
NET INCREASE IN CASH	102,856	109,706
CASH AT BEGINNING OF YEAR	<u>638,351</u>	<u>528,645</u>
CASH AT END OF YEAR	<u>\$ 741,207</u>	<u>\$ 638,351</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 77,572	\$ 104,525
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	55,485	56,279
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(2,696)	2,604
(Increase) Decrease in Due from Police Jury	0	1,575
(Increase) Decrease in Prepaid Expenses	(485)	38
Increase (Decrease) in Accounts Payable	11,564	(10,266)
Increase (Decrease) in Customers' Deposits	1,945	110
Increase (Decrease) in Due to Police Jury	373	(191)
Increase (Decrease) in Accrued Liabilities	355	(30)
Total Adjustments	<u>66,541</u>	<u>50,119</u>
Net Cash Provided by Operating Activities	<u>\$ 144,113</u>	<u>\$ 154,644</u>
CASH PER STATEMENT OF NET POSITION		
Current Cash	\$ 702,806	\$ 602,800
Restricted Cash	<u>38,401</u>	<u>35,551</u>
TOTAL CASH AT END OF YEAR	<u>\$ 741,207</u>	<u>\$ 638,351</u>

See accompanying notes to financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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, 2020

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, 2020

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

Interest incurred during the construction of a fixed asset is capitalized in the cost of the asset constructed, net of interest earned on the invested proceeds over the same period.

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, 2020, the District has cash and restricted cash (book balances) totaling \$741,207 and investments and restricted investments (book balances) totaling \$176,630 as follows:

	<u>Cash</u>	<u>Investments</u>
Cash on Hand	\$ 100	\$ 0
Demand Deposits	310,065	0
Time and Savings Deposits	<u>431,042</u>	<u>176,630</u>
Total	<u>\$ 741,207</u>	<u>\$ 176,630</u>

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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, 2020, the District has \$929,721 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance of \$509,958 and \$419,763 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:

	2020	2019
Debt Service - Sinking Fund	\$ 4,449	\$ 4,567
Depreciation Fund	3,222	1,858
Customer Deposits	81,766	79,907
Total Restricted Assets	\$ 89,437	\$ 86,332

NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets activity for the years ending September 30, 2020:

	Beginning Balance 10/01/19	Additions	Deletions	Ending Balance 09/30/20
Capital Assets				
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	2,792,047	3,820	0	2,795,867
Construction In Progress	0	37,993	0	37,993
Total Capital Assets	2,942,665	41,813	0	2,984,478
Less Accumulated Depreciation for:				
Land Improvements	7,261	1,200	0	8,461
Buildings	68,778	2,558	0	71,336
Water System and Equipment	1,758,908	51,727	0	1,810,635
Total Accumulated Depreciation	1,834,947	55,485	0	1,890,432
Capital Assets, Net	\$ 1,107,718	\$ (13,672)	\$ 0	\$ 1,094,046

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

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 following at September 30, according to this agreement:

	2020	2019
Due from Lincoln Parish Police Jury	\$ 1,050	\$ 1,050

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:

	2020	2019
Due to Lincoln Parish Police Jury	\$ 11,592	\$ 11,219

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:

	2018 Bonds Payable
Balance at September 30, 2019	\$ 241,000
Debt Incurred	0
Debt Retired	(18,000)
Balance at September 30, 2020	223,000
Less Current Maturities	(18,000)
Long-Term Debt at September 30, 2020	\$ 205,000

Long-Term debt payable is comprised of the following individual debt instruments:

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.

	\$ 223,000
Less Current Maturities	(18,000)
Long-Term Debt, Net of Current Maturities	\$ 205,000

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity for all debt outstanding as of September 30, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 18,000	\$ 8,697	\$ 26,697
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	23,000	897	23,897
Totals	<u>\$ 223,000</u>	<u>\$ 54,600</u>	<u>\$ 277,600</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.

NOTE 9 - COMMITMENTS

The Lincoln Parish Waterworks District #3 has one active project as of September 30, 2020, a water well renovation project. The project is estimated to cost \$211,950 all of which will be funded by the District's unrestricted funds. The following commitments with contractors for this project at year end are as follows:

	<u>Charges Incurred</u>	<u>Remaining Commitment</u>
Schuler Consulting Company	\$ 10,920	\$ 4,680
Womack and Sons Construction	<u>27,073</u>	<u>169,277</u>
Total	<u>\$ 37,993</u>	<u>\$ 173,957</u>

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, 2020, and the related notes to the financial statements, which collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements and have issued my report thereon dated March 31, 2021.

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) to determine the 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 did identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as #2020-1, that I consider to be a material weakness, as described above.

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 as #2020-2 in the accompany schedule of findings and questioned costs 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Don M. McGehee
Certified Public Accountant
March 31, 2021

LINCOLN PARISH WATERWORKS DISTRICT #3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

I have audited the financial statements of the Lincoln Parish Waterworks District #3, as of and for the year ended September 30, 2020, and have issued my report thereon dated March 31, 2021. 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, 2020 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 #2020-1. 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 #2020-2. Inadequate Controls over Preparation of the Financial Statements. Personnel for the Lincoln Parish Waterworks District #3 do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with GAAP. However, they can understand the key issues identified, make any required management decisions, and fulfill the competency requirements, so that they can accept responsibility for the financial statements.

Section III Management Letter

No findings.

LINCOLN PARISH WATERWORKS DISTRICT #3

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

Finding #2019-1. Too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

Unresolved. See #2020-1.

Finding #2019-2. Inadequate controls over preparation of the financial statements.

Unresolved. See #2020-2.

SECTION II MANAGEMENT LETTER

No findings.

LINCOLN PARISH WATERWORKS DISTRICT #3

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

Finding #2020-1. 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 #2020-2.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.

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, 2020

Willard Anderson	\$	720
Mike Hogan		720
Linda Kimble		720
Randy Snow		720
Ralph McVay		720
Total	\$	<u>3,600</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, 2020

President of the Board of Commissioners, Randy Snow:

<u>Purpose</u>	<u>Amount</u>
Per diem for Attending Board Meetings	\$ 720