

*Water Works District No. 3
of Rapides Parish*

Tioga, Louisiana

December 31, 2020

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

December 31, 2020

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
Required Supplementary Information		4
Management's Discussion and Analysis.....		5-9
Basic Financial Statements.....		10
Statement of Net Position.....	A	11
Statement of Revenues, Expenses, and Changes in Net Position	B	12
Statement of Cash Flows	C	13-14
Notes to Basic Financial Statements		15-23
Additional Information.....		24
	<u>Schedule</u>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	1	25
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	2	26
Schedule of Expenses – Budget and Actual (Non-GAAP Basis)	3	27
Schedule of Per Diem Paid to Board Members	4	28
Schedule of Current Water Rates (Unaudited)	5	29
Listing of Insurance in Force (Unaudited).....	6	30
Other Reports Required by <i>Government Auditing Standards</i>		31
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 <i>Government Auditing Standards</i>		32-34
Schedule of Findings and Questioned Costs		35-36



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 Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the District'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

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we 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, we 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.

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

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

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



PAYNE, MOORE & HERRINGTON, LLP

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, 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.

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 5 through 9 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 the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.



PAYNE, MOORE & HERRINGTON, LLP

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

Schedules 1 through 4 included in the additional information section are the responsibility of management and were derived from and relate 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 our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Schedules 5 and 6 included in the additional information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, 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

January 15, 2021

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, 2020. 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 decreased by \$227,260 in 2020.
- The District's operating revenues were \$4,923,193 which were more than total operating expenditures of \$4,859,683 resulting in an operating income of \$63,510.
- Total non-operating loss was \$356,851.
- Total net position of \$22,314,696 is made up of the following:
 1. Net investment in Capital assets of \$17,835,361 includes property and equipment, net of accumulated depreciation and related debt
 2. Restricted net position of \$200,000
 3. Unrestricted net position of \$4,279,335
- In December 2020, the District refinanced all outstanding bonds resulting in a bond issue of \$5,155,000, with a 13 year term.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

**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 \$22,314,696. The following exhibit provides a summary of the District's net position:

	2020	2019
Assets:		
Current assets	\$ 4,466,131	\$ 3,962,701
Restricted assets	670,761	1,104,166
Capital assets	23,432,916	24,086,579
Total assets	28,569,808	29,153,446
Liabilities:		
Current liabilities	186,797	171,636
Restricted liabilities	470,761	465,854
Long-term liabilities	5,597,554	5,974,000
Total liabilities	6,255,112	6,611,490
Net position:		
Net investment in capital assets	17,835,361	18,112,579
Restricted net position	200,000	638,312
Unrestricted net position	4,279,335	3,791,065
Total net position	\$ 22,314,696	\$ 22,541,956

As of December 31, 2020, net position was restricted for bond contingencies of \$200,000.

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

	2020	2019
Operating revenues	\$ 4,923,193	\$ 4,523,064
Nonoperating revenues	53,264	95,654
Total revenues	4,976,457	4,618,718
Depreciation expense	1,175,975	1,142,814
Other operating expenses	3,683,708	3,649,179
Interest expense	244,216	214,044
Other nonoperating expenses	165,899	0
Total expenses	5,269,798	5,006,037
Change in Net Position before Capital Contributions	(293,341)	(387,319)
Contributions in aid of construction	66,081	55,279
Beginning Net Position	22,541,956	22,873,996
Ending Net Position	\$ 22,314,696	\$ 22,541,956

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

Management's Discussion and Analysis

Contributions in aid of construction for 2020 were \$66,081. 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 2020:

Operating income (loss)	\$	63,510
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		1,175,975
Changes in operating assets and liabilities		<u>102,808</u>
Total cash provided by operating activities		1,342,293
 Cash used in capital and related financing activities		 (1,331,042)
 Cash provided by investing activities		 <u>192,875</u>
Net increase (decrease) in cash and cash equivalents		204,126
 Cash and cash equivalents, Beginning of year		 <u>2,106,751</u>
Cash and cash equivalents, End of year	\$	<u>2,310,877</u>

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, as of December 31, 2020, was \$23,432,916. The following provides a summary by asset type at December 31, 2020 and 2019.

	2020	2019
Nondepreciable assets:		
Construction in progress	\$ 55,280	\$ 49,570
Land	367,369	367,369
Depreciable assets:		
Plant and equipment	14,171,676	14,589,565
Buildings and improvements	114,938	129,225
Vehicles	287,761	269,290
Furniture, fixtures, and equipment	13,715	18,857
Infrastructure	<u>8,422,177</u>	<u>8,662,703</u>
Total capital assets (net)	\$ 23,432,916	\$ 24,086,579

The change in capital assets before depreciation expense was \$522,312. Total depreciation expense for 2020 was \$1,175,975 resulting in a net decrease of \$653,663.

Long-Term Debt

In December, 2020, the District refinanced all outstanding bonds. The outstanding balance at year-end 2020 is \$5,155,000. Of this balance, \$244,043 is 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, 2020

Exhibit A

Assets		
Cash and cash equivalents		\$ 2,240,116
Certificates of deposit		1,400,000
Accounts receivable		
Water sales	435,779	
Other	8,413	444,192
Interest receivable		15,318
Inventories		269,630
Prepaid expenses		96,875
Restricted assets		
Restricted cash and cash equivalents	70,761	
Restricted certificates of deposit	600,000	670,761
Capital assets, net of depreciation		
Nondepreciable		
Construction in progress	55,280	
Land and improvements	367,369	
Depreciable		
Plant and equipment	14,171,676	
Buildings and improvements	114,938	
Vehicles	287,761	
Furniture, fixtures, and equipment	13,715	
Infrastructure	8,422,177	23,432,916
Total Assets		28,569,808
 Liabilities 		
Accounts payable		129,898
Accrued expenses		47,160
Short-term compensated absences		9,739
Restricted liabilities, payable from restricted assets		
Customers' meter deposits		470,761
Long-term liabilities		
Due within one year	244,043	
Due in more than one year	5,353,511	5,597,554
		6,255,112
Total Liabilities		6,255,112
 Net Position 		
Net investment in capital assets		17,835,361
Restricted for		
Bond contingencies	200,000	200,000
Unrestricted		4,279,335
Net Position		\$ 22,314,696

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, 2020

Exhibit B

Operating Revenues	
Water sales	\$ 4,735,873
Delinquent surcharges	44,382
Connection fees	30,575
Other operating revenues	112,363
Total Operating Revenues	4,923,193
 Operating Expenses	
Administration	911,285
Purification	1,171,841
Distribution	970,474
Meter	71,174
Production	237,639
Wells	321,295
Depreciation	1,175,975
Total Operating Expenses	4,859,683
Operating Income (Loss)	63,510
 Nonoperating Revenues (Expenses)	
Interest income	53,264
Interest expense	(244,216)
Bond issuance expense	(165,899)
Total Nonoperating Revenues (Expenses)	(356,851)
 Change in Net Position Before Capital Contributions	 (293,341)
 Contributions in Aid of Construction	 66,081
 Change in Net Position	 (227,260)
 Total Net Position - Beginning of Year	 22,541,956
 Total Net Position - End of Year	 \$ 22,314,696

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, 2020**

**Exhibit C
Continued**

Cash Flows from Operating Activities

Receipts from customers	\$ 4,931,555
Payments to suppliers for goods and services	(1,918,191)
Payments to employees for services and benefit costs	(1,671,071)
Net Cash Provided by (Used in) Operating Activities	1,342,293

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

Cash Flows from Capital and Related Financing Activities

Proceeds from sale of revenue bonds	5,597,554
Acquisition and construction of capital assets	(522,312)
Contributions in aid of construction	64,226
Retirement of bonds through refunding	(5,974,000)
Interest paid on bonds	(330,611)
Bond issuance expense	(165,899)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,331,042)

Cash Flows from Investing Activities

Interest received on interest-bearing deposits	42,875
Purchase of investments	150,000
Net Cash Provided by (Used in) Investing Activities	192,875

Net Increase (Decrease) in Cash and Cash Equivalents 204,126

Cash and Cash Equivalents, Beginning of Year 2,106,751

Cash and Cash Equivalents, End of Year \$ 2,310,877

Classified As:

Current assets	\$ 2,240,116
Restricted assets	70,761
Total	\$ 2,310,877

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, 2020

Exhibit C
Concluded

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

Operating income (loss)	\$ 63,510
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	1,175,975
Changes in assets and liabilities:	
Accounts and other receivables	(22,321)
Inventories	25,776
Prepaid expenses	(7,110)
Accounts payable	87,096
Accrued expenses	11,060
Short-term compensated absences	3,400
Customers' meter deposits	4,907
Total Adjustments	<u>1,278,783</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 1,342,293</u></u>

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

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

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 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 6,806 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, 2020**

Notes to Basic Financial Statements

Basis of Accounting

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, benefits paid, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents and Certificates of Deposit

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

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

Accounts Receivable

Bad debts arising from customers' water receivables are recognized by the direct charge-off method, whereby uncollectible accounts are written off upon delinquency as they are considered uncollectible. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid balance. In the opinion of management, at December 31, 2020, all receivables were collectible, and an allowance for doubtful accounts was not considered necessary.

Inventories

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

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid expenses.

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

Restricted Assets

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

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

Capital Assets

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

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

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

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

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.

Estimates

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

2. Cash and Cash Equivalents and Certificates of Deposit

Cash and Cash Equivalents

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 1,550	\$ -	\$ 1,550
Demand deposits	<u>2,238,566</u>	<u>70,761</u>	<u>2,309,327</u>
	\$ 2,240,116	\$ 70,761	\$ 2,310,877

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

Certificates of Deposit

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

At December 31, 2020, the District had certificates of deposit totaling \$2,000,000, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book Balance</u>	<u>Market Value</u>
Certificates of deposit	\$ 1,400,000	\$ 600,000	\$ 2,000,000	\$ 2,000,000

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. There were no uncollateralized bank balances at December 31, 2020.

3. Accounts Receivable - Water Sales

Receivables arising from water services provided to customers consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to customers between billing cycles. At December 31, 2020, these receivables were as follows:

Uncollected cycle billings	\$ 291,976
Estimated services between cycles	<u>143,803</u>
	\$ 435,779

4. Inventories

Chemicals	\$ 128,960
Materials and supplies	<u>140,670</u>
	\$ 269,630

5. Restricted Assets

Restricted asset activity for the year ended December 31, 2020, was as follows:

	<u>Balance 12/31/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Meter Fund	\$ 465,854	\$ 259,295	\$ 254,388	\$ 470,761
Sinking Fund	232,553	-	232,553	-
Reserve Fund	205,759	-	205,759	-
Contingency Fund	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	\$ 1,104,166	\$ 259,295	\$ 692,700	\$ 670,761

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Balance 12/31/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital assets, nondepreciable				
Construction in progress	\$ 49,570	\$ 5,710	\$ -	\$ 55,280
Land and improvements	<u>367,369</u>	<u>-</u>	<u>-</u>	<u>367,369</u>
Total capital assets, nondepreciable	416,939	5,710	-	422,649
Other capital assets				
Plant and equipment	25,172,908	251,972	-	25,424,880
Buildings and improvements	984,666	-	-	984,666
Vehicles	965,325	97,217	-	1,062,542
Furniture, fixtures, and equipment	258,120	-	-	258,120
Infrastructure	<u>17,180,042</u>	<u>167,413</u>	<u>-</u>	<u>17,347,455</u>
Total other capital assets	44,561,061	516,602	-	45,077,663
	<u>Balance 12/31/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Less				
Accumulated depreciation				
Plant and equipment	10,583,343	669,861	-	11,253,204
Buildings and improvements	855,441	14,287	-	869,728
Vehicles	696,035	78,746	-	774,781
Furniture, fixtures, and equipment	239,262	5,143	-	244,405
Infrastructure	<u>8,517,340</u>	<u>407,938</u>	<u>-</u>	<u>8,925,278</u>
Total accumulated depreciation	<u>20,891,421</u>	<u>1,175,975</u>	<u>-</u>	<u>22,067,396</u>
Other capital assets, net	<u>23,669,640</u>	<u>(659,373)</u>	<u>-</u>	<u>23,010,267</u>
Net Capital Assets	\$ 24,086,579	\$ (653,663)	\$ -	\$ 23,432,916

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

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

Total depreciation expense for the year ended December 31, 2020, was \$1,175,975.

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

7. Long-term Liabilities

Long-term liabilities consisted of amounts due incident to the issuance of Refunded Revenue Bond, Series 2015 and Taxable Water Revenue Bond, Series 2015. During 2015, the District issued a Refunded Revenue Bond, Series 2015 for \$3,185,000 at an interest rate of 3.50% with the maturity period of 2016-2030. The District also issued a Taxable Water Revenue Bond, Series 2015, through the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund Program in an amount not to exceed \$5,000,000 with a fixed interest rate of 3.45%. The guidelines of this program forgave 30% of the principal amount of each draw up to the maximum amount of principal forgiveness of \$1,125,000. The District had requested the maximum amount of \$5,000,000 by December 31, 2019.

During the year, the District issued a Refunded Revenue Bond, Series 2020 to refund both previously issued bonds for the purpose of lowering the interest rates. It was issued for \$5,155,000 at an interest rate of 3.00%. The amount of defeased bonds totaled \$5,974,000. The cost of issuance was \$165,899, which is reported as bond issuance expense. The redemption premium was \$442,554, which will be amortized over the life of the bond.

The following changes occurred in bonds 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 2015	\$ 2,490,000	\$ -	\$ 2,490,000	\$ -	\$ -
Taxable Water Revenue Bond, Series 2015	3,484,000	-	3,484,000	-	-
Refunded Revenue Bond, Series 2020	-	5,155,000	-	5,155,000	210,000
Bond Premium	-	442,554	-	442,554	34,043
	<u>\$ 5,974,000</u>	<u>\$ 5,597,554</u>	<u>\$ 5,974,000</u>	<u>\$ 5,597,554</u>	<u>\$ 244,043</u>

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

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2021	\$ 244,043	\$ 97,086	\$ 341,129
2022	384,043	148,350	532,393
2023	394,043	137,850	531,893
2024	404,043	127,050	531,093
2025	414,043	115,950	529,993
2026-2030	2,245,212	402,300	2,647,512
2031-2033	<u>1,512,127</u>	<u>55,650</u>	<u>1,567,777</u>
	<u>\$ 5,597,554</u>	<u>\$ 1,084,236</u>	<u>\$ 6,681,790</u>

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

8. Net Position

Restricted Net Position

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, 2020	\$ 4,279,335
Less: Balance, December 31, 2019	<u>3,791,065</u>
Increase (Decrease)	\$ 488,270

9. Pension Plan

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

10. Deferred Compensation Plan

The District has a tax deferred compensation plan under section 457 of the Internal Revenue Code. This plan is administered by a third party administrator. Under the terms of that plan, the District matches a limited portion of the employees' contribution. The District made contributions totaling \$33,218 for the year ended December 31, 2020.

11. Commitments and Contingencies

Construction Contracts

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

Project Name	Project Authorization	Expended to Date	Contract Liability	Remaining Authorization
Flagon – 1204 Ball Cut Off Road	\$ 500,000	\$ 24,206	\$ -	\$ 475,794
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>
	<u>\$ 1,320,000</u>	<u>\$ 42,935</u>	<u>\$ -</u>	<u>\$ 1,277,065</u>

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

No further financing is expected to complete these authorized projects.

**Water Works District No. 3 of Rapides Parish
December 31, 2020**

Notes to Basic Financial Statements

Leases of Computer Equipment and Copiers

On October 25, 2017, the District entered into a lease agreement for computer hardware for a period of thirty-six months for a monthly payment of \$470, ending October 2020. A new lease will take effect in 2021 for a monthly payment of \$454. Total lease payments made during the current year under this agreement were \$4,950.

On March 27, 2018, the District entered into a lease agreement for computer hardware for a period of thirty-six months for a monthly payment of \$461, ending April 2021. Total lease payments made during the current year under this agreement were \$5,529.

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

Future minimum lease payments required as of December 31, 2020, under the terms of these leases are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 7,187
2022	2,670

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and workers compensation insurance. Claims resulting from these risks have historically not exceeded insurance coverage.

Contingent Liability

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

12. Notes to Statement of Cash Flows

There were no material noncash capital, noncapital, financing, or investing activities that affected recognized assets or liabilities during the year. Interest in the amount of \$207,348 was paid in 2020.

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, 2020**

Schedule 1

Agency Head Name: Jimmy R. French, General Manager

Purpose	Amount
Salary	\$ 90,878
Benefits - insurance	16,038
Benefits - retirement	3,476
Benefits - Social Security	5,634
Benefits - Medicare	1,318
Benefits - worker's compensation	228
Vehicle provided by government	2,604
Reimbursements	2,000
Total	<u>\$ 122,176</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, 2020**

Schedule 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Water sales	\$ 4,540,500	\$ 4,735,873	\$ 195,373
Delinquent surcharges	65,000	44,382	(20,618)
Connection fees	35,000	30,575	(4,425)
Interest income	70,000	53,264	(16,736)
Other operating revenue	90,000	112,363	22,363
Totals	<u>4,800,500</u>	<u>4,976,457</u>	<u>175,957</u>
Expenses (Schedule 3)	<u>4,583,350</u>	<u>4,450,236</u>	<u>133,114</u>
Revenues Over Expenses	<u>\$ 217,150</u>	<u>\$ 526,221</u>	<u>\$ 309,071</u>

The District's budget included \$1,750,000 from unrestricted net position.

This appropriation resulted in a budget surplus of \$1,967,150.

Reconciliation of Change in Net Position

Revenues Over Expenses	\$ 526,221
Plus:	
Capital additions	522,312
Contributions in aid of construction	66,081
Less:	
Depreciation	(1,175,975)
Bond issuance expenses	<u>(165,899)</u>
Change in Net Position (Exhibit B)	<u>\$ (227,260)</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, 2020

Schedule 3

**Variance
Favorable
(Unfavorable)**

	Budget	Actual	Variance Favorable (Unfavorable)
Expenses by Department			
Administration	\$ 947,500	\$ 911,285	\$ 36,215
Purification	1,135,350	1,171,841	(36,491)
Distribution	1,000,900	970,474	30,426
Meter	75,950	71,174	4,776
Production	57,000	237,639	(180,639)
Wells	331,650	321,295	10,355
Interest expense	-	244,216	(244,216)
Capital additions	1,035,000	522,312	512,688
	Totals	\$ 4,450,236	\$ 133,114
	\$ 4,583,350	\$ 4,450,236	\$ 133,114

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, 2020**

Schedule 4

	<u>Amount</u>
Coody, Oscar	\$ 4,823
Hailey, Otha O.	3,056
Hollingsworth, Tommy J.	1,771
Lindsay, Elizabeth Q.	4,662
McKay, Billy	4,823
Moore, Clyde	6,816
O'Neal, Don T.	2,247
Sibley, Robert C.	4,501
Simpson, Marion Jr.	4,662
Williams, D. W.	<u>4,662</u>
Total	<u><u>\$ 42,023</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, 2020**

Schedule 5

The District currently has the following rate structures:

Residential

0 to 3,000 gallons	\$	21.50/month
All over 3,000 gallons	\$	5.00/1,000 gallons
Aggregate dollar billed for services rendered	\$	2,615,636
Average monthly billed per user	\$	33.79

Commercial

0 to 5,000 gallons	\$	27.50/month
All over 5,000 gallons	\$	5.00/1,000 gallons
Aggregate dollar billed for services rendered	\$	552,769
Average monthly billed per user	\$	119.46

Governmental

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	5.00/1,000 gallons
Aggregate dollar billed for services rendered	\$	455,995
Average monthly billed per user	\$	1,809.50

Public Recreational Areas

0 to 3,000 gallons	\$	20.00/month
All over 3,000 gallons	\$	5.00/1,000 gallons
Aggregate dollar billed for services rendered	\$	17,920
Average monthly billed per user	\$	298.67

Industrial

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	4.00/1,000 gallons
Aggregate dollar billed for services rendered	\$	1,044,284
Average monthly billed per user	\$	7,251.97

Non-Profit Water Systems

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	4.45/1,000 gallons
Aggregate dollar billed for services rendered	\$	62,476
Average monthly billed per user	\$	5,206.31

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Listing of Insurance in Force (Unaudited)
Year Ended December 31, 2020**

Schedule 6

Per bond reporting requirements, the following insurance policies are in force at December 31, 2020:

The District has insurance through Allied World through November 15, 2021 for the following coverages:

Coverages:	<u>Coverage Amount</u>
Property	
Real property & business personal property	\$ 15,092,068
Coverage extension	2,000,000
Mobile equipment	885,990
Commercial crime	
Employee theft (per occurrence)	250,000
Forgery or alteration (per occurrence)	250,000
Internal theft of money & securities (per occurrence)	250,000
Internal robbery & safe burglary (per occurrence)	5,000
Outside the premises (per occurrence)	250,000
Computer fraud (per occurrence)	100,000
Funds transfer fraud (per occurrence)	100,000
Money orders (per occurrence)	100,000
Commercial General Liability	
Bodily injury, property damage, & medical expenses	3,000,000
Products/completed operations	3,000,000
Personal & advertising	1,000,000
Damage to premises rent to you (any one premises)	1,000,000
Medical expenses (any one person)	10,000
Public Officials and Management Liability	
Wrongful acts (each claim)	1,000,000
Employment practices (each claim)	1,000,000
Employee benefit plans (each claim)	1,000,000

The District has a workers compensation and employees liability insurance policy through LUBA Casualty Insurance Company through November 1, 2021 for the following coverages:

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

See independent auditor's report.

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

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish (the District), Tioga, Louisiana, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2021.

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) to determine the 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 may exist that have not been identified.

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

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





PAYNE, MOORE & HERRINGTON, LLP

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

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 determination of financial statement amounts. 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

January 15, 2021

Schedule of Findings and Questioned Costs

**Water Works District No. 3 of Rapides Parish
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2020**

Section I - Summary of Auditor's Results

Financial Statements

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