

*Water Works District No. 3
of Rapides Parish*

Tioga, Louisiana

December 31, 2019

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

December 31, 2019

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

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

Report on the 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, 2019, 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.

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

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

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, 2019, 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.

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.



PAYNE, MOORE & HERRINGTON, LLP

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

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 29, 2020, 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 29, 2020

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, 2019. 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 \$332,040 in 2019.
- The District's operating revenues were \$4,523,064, which were less than total operating expenditures of \$4,791,993, resulting in an operating loss of \$268,929.
- Total nonoperating loss was \$118,390.
- Total net position of \$22,541,956 is made up of the following:
 1. Net investment in capital assets of \$18,112,579 includes property and equipment, net of accumulated depreciation and related debt
 2. Restricted net position of \$638,312
 3. Unrestricted net position of \$3,791,065
- In late summer 2005, the District issued \$4.6 million in revenue bonds to fund new construction projects. All remaining bond funds were expended in 2010. In June 2015 the District refinanced the remaining balance of these bonds, \$3,585,000.
- Also, in June 2015, the District received funding, not to exceed \$5,000,000, from the Department of Health and Hospitals Revolving Loan Fund. These funds were used to complete two specific projects for the District: 1) Construction of two 750,000 gallons ground storage tanks at the treatment plant, (completed in 2017) and 2) color removal treatment plant at wells 2 & 7 within Camp Beauregard. (All projects completed in 2019).

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 \$22,541,956. The following exhibit provides a summary of the District's net position:

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	\$ 3,962,701	\$ 4,413,277
Restricted assets	1,104,166	1,025,342
Capital assets	<u>24,086,579</u>	<u>24,538,273</u>
Total assets	<u>29,153,446</u>	<u>29,976,892</u>
Liabilities:		
Current liabilities	171,636	345,267
Restricted liabilities	465,854	458,224
Long-term liabilities	<u>5,974,000</u>	<u>6,299,405</u>
Total liabilities	<u>6,611,490</u>	<u>7,102,896</u>
Net position:		
Net investment in capital assets	18,112,579	18,238,867
Restricted net position	638,312	567,118
Unrestricted net position	<u>3,791,065</u>	<u>4,068,011</u>
Total net position	<u>\$ 22,541,956</u>	<u>\$ 22,873,996</u>

As of December 31, 2019, net position was restricted for debt service of \$438,312 and reserve for bond contingencies of \$200,000.

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

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 4,523,064	\$ 4,568,837
Nonoperating revenues	<u>95,654</u>	<u>95,207</u>
Total revenues	<u>4,618,718</u>	<u>4,664,044</u>
Depreciation expense	1,142,814	1,056,965
Other operating expenses	3,649,179	3,104,358
Interest expense	<u>214,044</u>	<u>214,724</u>
Total expenses	<u>5,006,037</u>	<u>4,376,047</u>
Change in Net Position before Capital Contributions	(387,319)	287,997
Contributions in aid of construction	55,279	112,566
Beginning Net Position	<u>22,873,996</u>	<u>22,473,433</u>
Ending Net Position	<u>\$ 22,541,956</u>	<u>\$ 22,873,996</u>

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

Management's Discussion and Analysis

The 2019 operating budget for total revenues was \$4,170,000 and for expenses was \$3,668,850 (excluding depreciation and capital additions), generating an estimated net income, before depreciation and capital additions, of \$749,150. Actual amounts varied from budget by less than 1% for expenses and 5% for revenues. The following exhibit displays these amounts:

	<u>Actual</u>	<u>Budget</u>
Water sales income	\$ 4,317,558	\$ 4,170,000
Other income	301,160	248,000
Expenses (excluding depreciation, amortization, interest expense, and capital additions)	3,649,179	3,668,850

Contributions in aid of construction for 2019 were \$55,279. 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 2019:

Operating income (loss)	\$ (268,929)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,142,814
Changes in operating assets and liabilities	<u>(57,368)</u>
Total cash provided by operating activities	816,517
Cash used in capital and related financing activities	(1,337,698)
Cash provided by investing activities	<u>77,080</u>
Net increase (decrease) in cash and cash equivalents	(444,101)
Cash and cash equivalents, Beginning of year	<u>2,550,852</u>
Cash and cash equivalents, End of year	\$ 2,106,751

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, as of December 31, 2019, was \$24,086,579. The following provides a summary by asset type at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Nondepreciable assets:		
Construction in progress	\$ 49,570	\$ 3,831,894
Land and improvements	367,369	367,369
Depreciable assets:		
Plant and equipment	14,589,565	11,272,359
Buildings and improvements	129,225	131,385
Vehicles	269,290	211,393
Furniture, fixtures, and equipment	18,857	25,485
Infrastructure	<u>8,662,703</u>	<u>8,698,388</u>
Total capital assets (net)	\$ 24,086,579	\$ 24,538,273

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

Management's Discussion and Analysis

The change in capital assets before depreciation expense was \$691,120. Total depreciation expense for 2019 was \$1,142,814, resulting in a net decrease of \$451,694.

Long-Term Debt

In June, 2015, the District refinanced the Revenue Bonds from 2005. The outstanding balance at year-end 2019 is \$2,490,000. Of this balance, \$190,000 is due within the next year. In addition, the District secured funding from the Department of Health and Hospitals, Drinking Water Revolving Loan Fund in 2015. At year-end 2019, the outstanding debt to DHH is \$3,484,000 with \$154,000 due within the next year.

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

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Water Works District No. 3 of Rapides Parish
Statement of Net Position
December 31, 2019

Exhibit A

Assets		
Cash and cash equivalents		\$ 1,602,585
Certificates of deposit		1,550,000
Accounts receivable		
Water sales	413,458	
Other	6,558	420,016
Interest receivable		4,929
Inventories		295,406
Prepaid expenses		89,765
Restricted assets		
Restricted cash and cash equivalents	504,166	
Restricted certificates of deposit	600,000	1,104,166
Capital assets, net of depreciation		
Nondepreciable		
Construction in progress	49,570	
Land and improvements	367,369	
Depreciable		
Plant and equipment	14,589,565	
Buildings and improvements	129,225	
Vehicles	269,290	
Furniture, fixtures, and equipment	18,857	
Infrastructure	8,662,703	24,086,579
Total Assets		29,153,446
Liabilities		
Accounts payable		42,802
Accrued expenses		36,100
Short-term compensated absences		6,339
Bond interest payable		86,395
Restricted liabilities, payable from restricted assets		
Customers' meter deposits		465,854
Long-term liabilities		
Due within one year	344,000	
Due in more than one year	5,630,000	5,974,000
Total Liabilities		6,611,490
Net Position		
Net investment in capital assets		18,112,579
Restricted for		
Debt service	438,312	
Bond contingencies	200,000	638,312
Unrestricted		3,791,065
Net Position		\$ 22,541,956

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, 2019

Exhibit B

Operating Revenues

Water sales	\$ 4,317,558
Delinquent surcharges	66,887
Connection fees	32,995
Other operating revenues	105,624
Total Operating Revenues	<u>4,523,064</u>

Operating Expenses

Administration	899,876
Purification	1,082,259
Distribution	945,083
Meter	63,756
Production	198,326
Wells	459,879
Depreciation	1,142,814
Total Operating Expenses	<u>4,791,993</u>

Operating Income (Loss)

(268,929)

Nonoperating Revenues (Expenses)

Interest income	77,005
Gain (loss) on disposition of capital assets	18,649
Interest expense	(214,044)
Total Nonoperating Revenues (Expenses)	<u>(118,390)</u>

Change in Net Position Before Capital Contributions

(387,319)

Contributions in Aid of Construction

55,279

Change in Net Position

(332,040)

Total Net Position - Beginning of Year

22,873,996

Total Net Position - End of Year

\$ 22,541,956

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, 2019

Exhibit C
Continued

Cash Flows from Operating Activities

Receipts from customers	\$ 4,470,255
Payments to suppliers for goods and services	(2,091,204)
Payments to employees for services and benefit costs	(1,562,534)
Net Cash Provided by (Used in) Operating Activities	<u>816,517</u>

Cash Flows from Noncapital Financing Activities

Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>
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Cash Flows from Capital and Related Financing Activities

Proceeds from sale of revenue bonds	8,595
Acquisition and construction of capital assets	(864,401)
Proceeds from disposal of capital assets	18,649
Contributions in aid of construction	51,410
Principal payments on bonds	(334,000)
Interest paid on bonds	(217,951)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,337,698)</u>

Cash Flows from Investing Activities

Interest received on interest-bearing deposits	77,080
Net Cash Provided by (Used in) Investing Activities	<u>77,080</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(444,101)
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Cash and Cash Equivalents, Beginning of Year	<u>2,550,852</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 2,106,751</u></u>
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Classified As:

Current assets	\$ 1,602,585
Restricted assets	504,166
Total	<u><u>\$ 2,106,751</u></u>

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

Water Works District No. 3 of Rapides Parish
Statement of Cash Flows
Year Ended December 31, 2019

Exhibit C
Concluded

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

Operating income (loss)	\$ (268,929)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	1,142,814
Changes in assets and liabilities:	
Accounts and other receivables	(9,907)
Inventories	(50,532)
Prepaid expenses	(8,116)
Accounts payable	(8,387)
Accrued expenses	8,700
Short-term compensated absences	3,244
Customers' meter deposits	7,630
Total Adjustments	<u>1,085,446</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 816,517</u>

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

**Water Works District No. 3 of Rapides Parish
December 31, 2019**

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 6,922 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, 2019**

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, 2019, 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, 2019**

Notes to Basic Financial Statements

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid expenses.

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

Restricted Assets

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

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

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, 2019**

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>1,601,035</u>	<u>504,166</u>	<u>2,105,201</u>
	\$ 1,602,585	\$ 504,166	\$ 2,106,751

**Water Works District No. 3 of Rapides Parish
December 31, 2019**

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, 2019, the District had certificates of deposit totaling \$2,150,000, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book Balance</u>	<u>Market Value</u>
Certificates of deposit	\$ 1,550,000	\$ 600,000	\$ 2,150,000	\$ 2,150,000

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, 2019.

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, 2019, these receivables were as follows:

Uncollected cycle billings	\$ 278,379
Estimated services between cycles	<u>135,079</u>
	\$ 413,458

4. Inventories

Chemicals	\$ 140,187
Materials and supplies	<u>155,219</u>
	\$ 295,406

5. Restricted Assets

Restricted asset activity for the year ended December 31, 2019, was as follows:

	<u>Balance 12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Meter Fund	\$ 458,224	\$ 226,275	\$ 218,645	\$ 465,854
Sinking Fund	232,616	560,268	560,331	232,553
Reserve Fund	134,502	71,257	-	205,759
Contingency Fund	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	\$ 1,025,342	\$ 857,800	\$ 778,976	\$ 1,104,166

**Water Works District No. 3 of Rapides Parish
December 31, 2019**

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Balance 12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Capital assets, nondepreciable				
Construction in progress	\$ 3,831,894	\$ 596,005	\$4,378,329	\$ 49,570
Land and improvements	<u>367,369</u>	<u>-</u>	<u>-</u>	<u>367,369</u>
Total capital assets, nondepreciable	4,199,263	596,005	4,378,329	416,939
Other capital assets				
Plant and equipment	21,209,444	3,963,464	-	25,172,908
Buildings and improvements	972,266	12,400	-	984,666
Vehicles	926,815	129,624	91,114	965,325
Furniture, fixtures, and equipment	258,119	-	-	258,119
Infrastructure	<u>16,812,087</u>	<u>367,956</u>	<u>-</u>	<u>17,180,043</u>
Total other capital assets	40,178,731	4,473,444	91,114	44,561,061
	<u>Balance 12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Less				
Accumulated depreciation				
Plant and equipment	9,937,085	646,258	-	10,583,343
Buildings and improvements	840,881	14,560	-	855,441
Vehicles	715,422	71,727	91,114	696,035
Furniture, fixtures, and equipment	232,634	6,628	-	239,262
Infrastructure	<u>8,113,699</u>	<u>403,641</u>	<u>-</u>	<u>8,517,340</u>
Total accumulated depreciation	19,839,721	1,142,814	91,114	20,891,421
Other capital assets, net	<u>20,339,010</u>	<u>3,330,630</u>	<u>-</u>	<u>23,669,640</u>
Net Capital Assets	\$ 24,538,273	\$ 3,926,635	\$4,378,329	\$24,086,579

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, 2019, was \$1,142,814.

**Water Works District No. 3 of Rapides Parish
December 31, 2019**

Notes to Basic Financial Statements

7. Long-term Liabilities

Long-term liabilities consist of amounts due incident to the issuance of Water Revenue Bonds. Series 2005 bonds were issued totaling \$4,600,000 at interest rates ranging from 4.125% - 7.000% with an original maturity period of 2006–2030. During 2015, the District issued a Water Revenue Refunding Bond, Series 2015 for the purpose of lowering the interest rates. The Series 2015 Refunding Bond was issued for \$3,185,000 at an interest rate of 3.50% with the maturity period of 2016-2030.

The District 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 forgives 30% of the principal amount of each draw up to the maximum amount of principal forgiveness of \$1,125,000; however, it is not a condition to the issuance of the Series 2015 Bonds that such principal forgiveness be actually granted. The proceeds from this bond are being used for the construction and acquisition of improvements to the System, specifically the installation of color removal equipment at Camp Beauregard and the construction of ground storage tanks at Camp Livingston. As of December 31, 2019, the District has requested total funds of \$5,000,000. Of this amount, \$3,484,000 is reported as long-term liabilities due in scheduled increments by August 1, 2036 and the loan forgiveness of \$1,125,000 was maxed at December 31, 2017.

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 Bonds, Series 2015	\$ 2,675,000	\$ -	\$ 185,000	\$ 2,490,000	\$ 190,000
Taxable Water Revenue Bond, Series 2015	<u>3,624,405</u>	<u>8,595</u>	<u>149,000</u>	<u>3,484,000</u>	<u>154,000</u>
	\$ 6,299,405	\$ 8,595	\$ 334,000	\$ 5,974,000	\$ 344,000

The annual requirements to amortize outstanding bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2020	\$ 344,000	\$ 209,148	\$ 553,148
2021	354,000	195,389	549,389
2022	370,000	183,075	553,075
2023	381,000	170,207	551,207
2024	392,000	156,958	548,958
2025-2029	2,188,000	569,665	2,757,665
2030-2034	1,424,000	221,864	1,645,864
2035-2036	<u>521,000</u>	<u>27,117</u>	<u>548,117</u>
	\$ 5,974,000	\$ 1,733,423	\$ 7,707,423

**Water Works District No. 3 of Rapides Parish
December 31, 2019**

Notes to Basic Financial Statements

8. Net Position

Restricted Net Position

In accordance with the terms of the security provisions and protective covenants for the Water Revenue Bonds issued during 2015, the District has restricted the following net position for debt service at December 31, 2019:

Bond reserve	\$ 205,759
Debt service	<u>232,553</u>
	\$ 438,312

Also, to comply with the revenue bond covenants, the District has restricted \$200,000 of net position for bond contingencies.

Unrestricted Net Position

The change in unrestricted net position is as follows:

Balance, December 31, 2019	\$ 3,791,066
Less: Balance, December 31, 2018	<u>4,068,011</u>
Increase (Decrease)	\$ (276,945)

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 \$30,340 for the year ended December 31, 2019.

Water Works District No. 3 of Rapides Parish
December 31, 2019

Notes to Basic Financial Statements

11. Commitments and Contingencies

Construction Contracts

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Contract Liability</u>	<u>Remaining Authorization</u>
Flagon – 1204 Ball Cut Off Road	\$ 500,000	\$ 24,206	\$ -	\$ 475,794
Filtered and Settled Solids Containment System and Dewatering and Disposal System	820,000	18,729	-	801,271
	<u>\$ 1,320,000</u>	<u>\$ 42,935</u>	<u>\$ -</u>	<u>\$ 1,277,065</u>

No further financing is required to complete these authorized projects.

Leases of Computer Equipment and Copiers

On May 2, 2016, the District entered into an operating lease agreement for a digital copier. The lease is for a period of thirty-six months and requires minimum monthly lease payments of \$284 per month and provides the option to purchase the copier at fair market value at the end of the lease period. Total lease payments made during the current year under this agreement were \$1,705. The lease expired in June 2019.

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. At the end of the lease, the agreement will renew on for a series of three month renewals unless a written notice is provided at least sixty days prior to the end date of the intent to the return the equipment or the equipment is returned timely to the location designated by the company at the District's expense. Total lease payments made during the current year under this agreement were \$5,645.

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 \$2,671.

**Water Works District No. 3 of Rapides Parish
December 31, 2019**

Notes to Basic Financial Statements

Future minimum lease payments required as of December 31, 2019, under the terms of these leases are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 15,576
2021	7,186
2022	2,671

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 \$214,044 was paid in 2019.

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, 2019

Schedule 1

Agency Head Name: Jimmy R. French, General Manager

Purpose	Amount
Salary	\$ 86,379
Benefits - insurance	14,542
Benefits - retirement	3,131
Benefits - Social Security	5,356
Benefits - Medicare	1,252
Benefits - worker's compensation	217
Vehicle provided by government	2,604
Reimbursements	2,000
Total	\$ 115,481

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, 2019

Schedule 2

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water sales	\$ 4,170,000	\$ 4,317,558	\$ 147,558
Delinquent surcharges	65,000	66,887	1,887
Connection fees	35,000	32,995	(2,005)
Interest income	70,000	77,005	7,005
Gain (loss) on disposition of capital assets	-	18,649	18,649
Other operating revenue	78,000	105,624	27,624
Totals	<u>4,418,000</u>	<u>4,618,718</u>	<u>200,718</u>
Expenses (Schedule 3)	<u>4,703,850</u>	<u>4,554,344</u>	<u>149,506</u>
Revenues Over Expenses	<u>\$ (285,850)</u>	<u>\$ 64,374</u>	<u>\$ 350,224</u>

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

This appropriation resulted in a budget surplus of \$1,464,150.

Reconciliation of Change in Net Position

Revenues Over Expenses	\$ 64,374
Plus:	
Capital additions	691,121
Contributions in aid of construction	55,279
Less:	
Depreciation	<u>(1,142,814)</u>
Change in Net Position (Exhibit B)	<u>\$ (332,040)</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, 2019

Schedule 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenses by Department			
Administration	\$ 910,500	\$ 899,876	\$ 10,624
Purification	1,028,350	1,082,259	(53,909)
Distribution	933,900	945,083	(11,183)
Meter	70,450	63,756	6,694
Production	182,000	198,326	(16,326)
Wells	343,650	459,879	(116,229)
Interest expense	200,000	214,044	(14,044)
Capital additions	1,035,000	691,121	343,879
Totals	<u><u>\$ 4,703,850</u></u>	<u><u>\$ 4,554,344</u></u>	<u><u>\$ 149,506</u></u>

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Per Diem Paid to Board Members
Year Ended December 31, 2019**

Schedule 4

	Amount
Coody, Oscar	\$ 5,313
Hailey, Otha O.	6,440
Hollingsworth, Tommy J.	6,440
Lindsay, Elizabeth Q.	6,279
McKay, Billy	5,635
Moore, Clyde	7,464
Sibley, Robert C.	5,635
Simpson, Marion Jr.	5,796
Williams, D. W.	5,796
	<hr/>
Total	\$ 54,798
	<hr/> <hr/>

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Current Water Rates (Unaudited)
Year Ended December 31, 2019**

Schedule 5

The District currently has the following rate structures:

Residential

0 to 2,000 gallons	\$	16.50/month
All over 2,000 gallons	\$	4.35/1,000 gallons
Aggregate dollar billed for services rendered	\$	2,355,879
Average monthly billed per user	\$	30.61

Commercial

0 to 5,000 gallons	\$	22.50/month
All over 5,000 gallons	\$	4.35/1,000 gallons
Aggregate dollar billed for services rendered	\$	499,712
Average monthly billed per user	\$	110.05

Governmental

0 to 50,000 gallons	\$	150.00/month
All over 50,000 gallons	\$	4.35/1,000 gallons
Aggregate dollar billed for services rendered	\$	571,375
Average monthly billed per user	\$	2,267.36

Public Recreational Areas

0 to 3,000 gallons	\$	15.00/month
All over 3,000 gallons	\$	4.35/1,000 gallons
Aggregate dollar billed for services rendered	\$	15,699
Average monthly billed per user	\$	261.65

Industrial

0 to 50,000 gallons	\$	150.00/month
50,000 to 2,000,000 gallons	\$	3.50/1,000 gallons
All over 2,000,000 gallons	\$	3.35/1,000 gallons
Aggregate dollar billed for services rendered	\$	894,402
Average monthly billed per user	\$	6,211.13

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	\$	44,880
Average monthly billed per user	\$	3,740.04

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Listing of Insurance in Force (Unaudited)
Year Ended December 31, 2019**

Schedule 6

Per bond reporting requirements, the following insurance policies are in force at December 31, 2019:

The District has insurance through Allied World through November 15, 2020 for the following coverages:

Coverages:	<u>Coverage Amount</u>
Property	
Real property & business personal property	\$ 15,147,304
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, 2020 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, 2019, 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 29, 2020.

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 29, 2020

Schedule of Findings and Questioned Costs

**Water Works District No. 3 of Rapides Parish
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

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

Noncompliance material to financial
statements noted? Yes X No

Management's Corrective Action Plan Not applicable

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

*Memorandum of Other Comments and
Recommendations* Not applicable

Federal Awards Not applicable