

**LINCOLN PARISH  
WATERWORKS DISTRICT #3**

**FINANCIAL STATEMENTS**

SEPTEMBER 30, 2025

# LINCOLN PARISH WATERWORKS DISTRICT #3

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

### CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	1 - 3
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Management's Discussion and Analysis	5 - 7
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 17
<b>OTHER REPORTS AND SCHEDULES</b>	
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 <u>Government Auditing Standards</u>	19 - 20
Schedule of Findings and Questioned Costs	21
Schedule of Prior Year Findings	22
Management's Corrective Action Plan	23
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Per Diem	25
Schedule of Compensation, Benefits and Other Payments to the President of the Board of Commissioners	26

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

P.O. Box 1344  
205 Reynolds Drive, Suite A  
Ruston, Louisiana 71273-1344

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

**Opinions**

I have audited the accompanying financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Parish Waterworks District #3 as of September 30, 2025 and 2024, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Lincoln Parish Waterworks District #3 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln Parish Waterworks District #3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not an absolute assurance and therefore is not a guarantee that audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Parish Waterworks District #3's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln Parish Waterworks District #3's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

### ***Required Supplementary Information***

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

**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements. The accompanying supplemental schedule of per diem payments to commissioners and schedule of compensation, benefits, and other payments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedule of per diem payments to commissioners and schedule of compensation, benefits are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2026, on my consideration of the Lincoln Parish Waterworks District #3's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lincoln Parish Waterworks District #3's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln Parish Waterworks District #3's internal control over financial reporting and compliance.



Don M. McGehee  
Certified Public Accountant  
March 31, 2026

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

**Waterworks District #3**  
P.O. Box 366  
Ruston, Louisiana 71273  
Phone: (318) 251-0853 Fax: (318) 251-0853

MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2025

The discussion and analysis of the performance of the Lincoln Parish Waterworks District #3 provides an overview of the financial activities for the year ended September 30, 2025. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 8.

**Basic Financial Statements**

The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the District's enterprise fund, the only fund of the District. These statements tell how charges to customers for services were used to finance the District's business-like activities. Expenses primarily covered by these charges include repairs and maintenance, depreciation, salaries and wages, interest expense, and utilities.

One of the most important questions asked about finances is, "Is Lincoln Parish Waterworks District #3 better off or worse off as a result of the year's activities?" The basic financial statements report information about the activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These statements report the net position and the changes in the net position. You can think of net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the financial health, or financial position, of the District. Increases/(decreases) in net position are one indicator of whether the financial health is improving/(deteriorating). You will need to consider other non-financial factors, however, such as changes in the customer base and the condition of the District's water distribution system, to assess the overall health of the District.

**Financial Analysis**

As noted above, net position may serve as a useful indicator of an entity's financial position. The analysis following focuses on the net position (Table 1) and changes in net position (Table 2) of the activities of the District.

Table 1  
Net Position

	<u>2025</u>	<u>2024</u>
Current Assets and Other Assets	\$ 682,454	\$ 799,846
Capital Assets	<u>1,322,860</u>	<u>1,212,528</u>
Total Assets	<u>2,005,314</u>	<u>2,012,374</u>
Long-term Debt Outstanding	130,000	150,000
Other Liabilities	<u>145,698</u>	<u>164,955</u>
Total Liabilities	<u>275,698</u>	<u>314,955</u>
Net Position:		
Investment in Capital Assets, Net of Debt	1,192,860	1,062,528
Restricted	13,025	11,741
Unrestricted Net Position	<u>523,731</u>	<u>623,150</u>
Total Net Position	<u>\$ 1,729,616</u>	<u>\$ 1,697,419</u>

Net position increased by 2% (\$32,197) in the current year compared to the 2024 year and increased by 1% (\$11,162) in 2024 compared to the 2023 year. About 30% (\$523,731) of total current year net position is unrestricted compared to about 37% (\$623,150) unrestricted in 2024, and about 34% (\$569,040) in 2023. Most of unrestricted net position is composed of cash and certificates of deposit as of September 30, 2025. Unrestricted net position can be used to finance the day-to-day operations of the District without constraints established by debt covenants.

Table 2  
Change in Net Position

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Charges for Services	\$ 475,420	\$ 410,172
Nonoperating Revenues		
Insurance Proceeds for Loss	6,878	0
Interest Income	<u>4,027</u>	<u>4,700</u>
Total Revenues	<u>486,325</u>	<u>414,872</u>
Operating Expenses	448,406	397,241
Nonoperating Expenses		
Interest Expense	<u>5,722</u>	<u>6,469</u>
Total Expenses	<u>454,128</u>	<u>403,710</u>
Increase (Decrease) in Net Position	32,197	11,162
Beginning Net Position	<u>1,697,419</u>	<u>1,686,257</u>
Ending Net Position	<u>\$ 1,729,616</u>	<u>\$ 1,697,419</u>

Revenues increased 17% (\$71,453) in the current year compared to 2024, and the prior year increased 2% (\$9,727) from the 2023 year. In the current year, the District experienced an increase of 16% (\$65,248) in charges for services, and in 2024 an increase of 2% (\$6,722) from 2023. Operating expenses in the current year increased 13% (\$51,165) from 2024, and in the prior year decreased 3% (\$11,899) from 2023. The current year increase in operating expenses was primarily due to writing off of old accounts and an increase in new installations.

The current year operating revenues and expenses resulted in a \$32,197 increase in net position, which was \$21,035 more than the increase in net position for 2024 of \$11,162, which was \$22,335 more than the decrease in net position of \$11,173 in 2023.

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

#### Capital Assets

At the end of 2025 the District had \$3,522,388 invested in land, water wells, storage tanks, elevated water tanks, water lines, buildings, and office equipment. For the upcoming year, there are plans to purchase equipment, but there are no plans to issue debt to finance the purchase or a future project. More detailed information about the District's capital assets is presented in the notes to the financial statements.

#### Debt

The District had \$130,000 in bonds outstanding at September 30, 2025, which was a 13% (\$20,000) decrease from the prior year. This decrease was a result of \$20,000 in restricted cash being applied to the 2018 bonds. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

### **Currently Known Facts, Decisions, or Conditions**

We are not aware of any facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations after the reporting date, except that the series 2018 bonds payable of \$130,000 were repaid on March 17, 2026.

### **Contacting the District's Management**

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

## **BASIC FINANCIAL STATEMENTS**

# LINCOLN PARISH WATERWORKS DISTRICT #3

STATEMENTS OF NET POSITION  
AS OF SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 368,285	\$ 485,838
Investments	129,064	128,045
Accounts Receivable	50,814	60,577
Due from Other Government Units	5,025	5,025
Interest Receivable	208	88
Prepaid Expenses	11,341	10,531
<b>TOTAL CURRENT ASSETS</b>	<u>564,737</u>	<u>690,104</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Cash and Cash Equivalents	65,296	57,842
Investments	52,421	51,900
<b>Total Restricted Assets</b>	<u>117,717</u>	<u>109,742</u>
Capital Assets		
Land	19,585	19,585
Plant and Equipment	3,502,803	3,327,228
Less Accumulated Depreciation	<u>(2,199,528)</u>	<u>(2,134,285)</u>
<b>Capital Assets, Net</b>	<u>1,322,860</u>	<u>1,212,528</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,440,577</u>	<u>1,322,270</u>
<b>TOTAL ASSETS</b>	<u>2,005,314</u>	<u>2,012,374</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	10,602	11,286
Due to Other Government Units	24,636	50,342
Accrued Liabilities	3,665	2,803
Accrued Interest Payable	833	962
Current Maturities of Long-Term Debt	20,000	20,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>59,736</u>	<u>85,393</u>
<b>NONCURRENT LIABILITIES</b>		
Water Customers' Deposits	88,187	83,712
Sewer Customers' Deposits	17,775	15,850
Long-Term Debt	110,000	130,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>215,962</u>	<u>229,562</u>
<b>TOTAL LIABILITIES</b>	<u>275,698</u>	<u>314,955</u>
<b>NET POSITION</b>		
<b>INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT</b>	1,192,860	1,062,528
<b>RESTRICTED</b>		
Restricted for Repairs and Maintenance	9,680	8,394
Restricted for Debt Service	3,345	3,347
<b>UNRESTRICTED</b>	<u>523,731</u>	<u>623,150</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,729,616</u>	<u>\$ 1,697,419</u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF REVENUES, EXPENSES, AND

### CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
<b>CHARGES FOR SERVICES</b>		
Water Sales	\$ 386,618	\$ 339,940
New Installations	44,683	21,031
Penalties	14,321	13,130
Collection Fees	12,610	10,935
Sewage Collection Fee	9,600	7,400
Reconnection Fees	6,980	6,525
Miscellaneous Income	608	11,211
<b>TOTAL OPERATING REVENUES</b>	<u>475,420</u>	<u>410,172</u>
<b>OPERATING EXPENSES</b>		
Accounting	14,000	13,600
Auto Allowance	1,845	1,845
Bad Debts	18,160	0
Commissioners' Fees	4,900	4,620
Depreciation	65,243	64,095
Installations	25,300	3,480
Insurance	10,482	9,351
Meter Maintenance	12,450	12,905
Miscellaneous Expenses	575	587
Office Supplies	15,805	16,094
Professional Fees	6,000	0
Repairs and Maintenance	92,570	96,748
Safe Water Administration Fee	10,314	10,049
Salaries and Wages	102,949	99,880
System Supplies	7,589	6,125
Taxes-Payroll	9,404	9,166
Utilities	50,820	48,696
<b>TOTAL OPERATING EXPENSES</b>	<u>448,406</u>	<u>397,241</u>
<b>OPERATING INCOME (LOSS)</b>	27,014	12,931
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	4,027	4,700
Insurance Proceeds for Loss	6,878	0
Interest Expense	(5,722)	(6,469)
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>5,183</u>	<u>(1,769)</u>
<b>CHANGES IN NET POSITION</b>	32,197	11,162
<b>NET POSITION-BEGINNING</b>	<u>1,697,419</u>	<u>1,686,257</u>
<b>NET POSITION-ENDING</b>	<u>\$1,729,616</u>	<u>\$1,697,419</u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 472,755	\$ 434,719
Cash Payments for Goods and Services	(271,392)	(232,628)
Cash Payments to Employees	(112,403)	(108,953)
Net Cash Provided by Operating Activities	88,960	93,138
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(181,484)	(179,945)
Proceeds from Surrender of Investments	179,945	179,171
Interest Received	3,906	4,654
Net Cash Provided by Investing Activities	2,367	3,880
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(20,000)	(19,000)
Interest Paid	(5,850)	(6,591)
Improvements to Wells	(173,364)	0
Purchase of Computers	(2,211)	(700)
Net Cash Used by Capital and Related Financing Activities	(201,425)	(26,291)
<b>NET INCREASE (DECREASE) IN CASH</b>	(110,098)	70,727
<b>CASH AT BEGINNING OF YEAR</b>	543,679	472,953
<b>CASH AT END OF YEAR</b>	\$ 433,581	\$ 543,680
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 27,014	\$ 12,931
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Proceeds from Insurance for Loss	6,878	0
Depreciation and Amortization	65,243	64,095
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	9,763	(2,943)
(Increase) Decrease in Due from Other Governments	0	(1,350)
(Increase) Decrease in Prepaid Expenses	(810)	(1,242)
Increase (Decrease) in Accounts Payable	(684)	(6,162)
Increase (Decrease) in Customers' Deposits	6,400	4,585
Increase (Decrease) in Due to Police Jury	(25,706)	24,255
Increase (Decrease) in Accrued Liabilities	862	(1,031)
Total Adjustments	61,946	80,207
Net Cash Provided by Operating Activities	\$ 88,960	\$ 93,138
<b>CASH PER STATEMENT OF NET POSITION</b>		
Current Cash	\$ 368,285	\$ 485,838
Restricted Cash	65,296	57,842
<b>TOTAL CASH AT END OF YEAR</b>	\$ 433,581	\$ 543,680

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

The Lincoln Parish Waterworks District #3 was organized by the Lincoln Parish Police Jury for the purpose of constructing a waterworks system and providing such service to the residents in Waterworks District #3, Lincoln Parish.

The accompanying basic financial statements of the Lincoln Parish Waterworks District #3 are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements (Statements of Interpretations). The more significant accounting policies established in generally accepted accounting principles and used by the District are discussed below.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

For financial reporting purposes, in conformity with GASB Statement No. 14, the Lincoln Parish Waterworks District #3 is a component unit of the Lincoln Parish Police Jury. For the purpose of this financial report, this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

#### B. BASIS OF PRESENTATION

The accounts of the Lincoln Parish Waterworks District #3 are organized on the basis of a proprietary fund, of which there exists only an enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### C. MEASUREMENT FOCUS

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### D. BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to when transactions are recorded in the financial statements regardless of the measurement focus applied. The financial records of the Lincoln Parish Waterworks District #3 are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Operating income includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues are charges to customers for sales of services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The District's net position is reported in three parts--invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted resources are available.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. CASH AND INVESTMENTS

Cash and cash equivalents consist of cash on hand, demand deposits, interest-bearing demand deposits, and short-term time deposits with original maturities of three months or less from the date of acquisition.

Under state law, the Lincoln Parish Waterworks District #3 may invest funds in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Also, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties. Investments are reported at cost, which approximates market.

#### F. RESTRICTED ASSETS

Certain resources set aside for the repayment of the Revenue Bonds are classified as restricted assets because their use is limited by applicable bond covenants.

Under the terms of the Waterworks Water Revenue Refunding Bond agreement, February 21, 2018, all of the income and revenues derived from the operation of the waterworks system and payment of all reasonable and necessary expenses of operating and maintaining the system shall be administered in the following order of priority:

- (a) Money sufficient to pay the principal and interest due in bi-annual installments shall be set aside and accumulated on a monthly basis in an amount equal to 1/6 of the bi-annual installments into the Waterworks Revenue Bond and Interest Sinking Fund.
- (b) An amount equal to five percent (5%) of the amount to be deposited into the Sinking Fund must be deposited into the Waterworks Depreciation and Contingency Fund, until there is on deposit an amount equal to \$30,000.

#### G. ACCOUNTS RECEIVABLE

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Accounts receivable balances are considered delinquent after the 10th of each month and delinquent penalties are charged to the respective customer's account. Management uses the direct write-off method to provide for uncollectible amounts based on its assessment of the current status of individual receivables from water customers. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to bad debt expense and a credit to the applicable accounts receivable. The difference in the amount reported using the direct write-off method compared to the amounts that would be reported using the allowance method is not material to the financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. VACATION AND SICK LEAVE

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

#### I. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are capitalized at historical cost. Donated assets are recorded as capital assets at their acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. All capital assets, other than land, are depreciated. Depreciation is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using either the straight-line method or the declining balance method. The estimated useful lives are as follows:

Buildings	10-39 years
Land Improvements	15 years
Water Lines and Well	20-50 years
Equipment	5-15 years

#### J. USE OF ESTIMATES

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

#### K. COMPARATIVE DATA

Comparative amounts for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

### NOTE 2 - CASH AND INVESTMENTS

At September 30, 2025, the District has cash and restricted cash (book balances) totaling \$433,581 and investments and restricted investments (book balances) totaling \$181,485 as follows:

	<u>Cash</u>	<u>Investments</u>
Cash on Hand	\$ 100	\$ 0
Demand Deposits	120,598	0
Time and Savings Deposits	<u>312,883</u>	<u>181,485</u>
Total	<u>\$ 433,581</u>	<u>\$ 181,485</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The District maintains its cash accounts in various banks. Each bank provides up to \$250,000 of Federal Deposit Insurance Corporation (FDIC) coverage. At September 30, 2025, the District has \$653,915 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance of \$409,548 and \$244,367 of pledged securities held by custodial banks in the name of the fiscal agent banks. The pledged securities meet the deposit collateralization requirements of LSA-R.S. 39:1229, which require the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand. However, the deposits are considered uncollateralized under the provisions of GASB Statement 3.

### NOTE 3 - RESTRICTED ASSETS

Certain assets of the Lincoln Parish Waterworks District #3 have been restricted for debt service, customer deposits, and repairs and maintenance of the water system. These assets consist of cash and investments restricted at September 30, as follows:

	2025	2024
Debt Service - Sinking Fund	\$ 4,178	\$ 4,309
Depreciation Fund	9,680	8,394
Customer Deposits	103,858	97,039
Total Restricted Assets	\$ 117,716	\$ 109,742

### NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets activity for the years ending September 30, 2025:

	Beginning Balance 10/01/24	Additions	Deletions	Ending Balance 09/30/25
<b>Capital Assets</b>				
Land	\$ 19,585	\$ 0	\$ 0	\$ 19,585
Land Improvements	42,190	0	0	42,190
Buildings	103,593	0	0	103,593
Water System and Equipment	3,181,445	175,575	0	3,357,020
Total Capital Assets	3,346,813	175,575	0	3,522,388
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	14,061	1,938	0	15,999
Buildings	81,567	2,557	0	84,124
Water System and Equipment	2,038,657	60,748	0	2,099,405
Total Accumulated Depreciation	2,134,285	65,243	0	2,199,528
Capital Assets, Net	\$ 1,212,528	\$ 110,332	\$ 0	\$ 1,322,860

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

### NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

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

	<u>2025</u>	<u>2024</u>
Due from Lincoln Parish Police Jury	\$ <u>5,025</u>	\$ <u>5,025</u>

Lincoln Parish Waterworks District #3 entered into a cooperative agreement with the Lincoln Parish Police Jury. This agreement established a monthly fee to be paid to the District for billing of sewer fees for Eastern Hills/Blueberry Hills Subdivisions. Beginning December 1, 2006, this monthly fee was \$525. The monthly fee was increased to \$800 per month beginning June 1, 2024. The Police Jury owed the District the amounts shown in the summary above, according to this agreement.

### NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 collects sewer fees for the Lincoln Parish Police Jury, per a cooperative agreement with the Police Jury. At September 30, the District recognized the related payable to the Police Jury, as follows:

	<u>2025</u>	<u>2024</u>
Due to Lincoln Parish Police Jury	\$ <u>24,636</u>	\$ <u>50,342</u>

### NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt activity of the Lincoln Parish Waterworks District #3 for the periods ended as indicated:

#### Revenue Bonds

\$259,000 Waterworks Revenue Refunding Bonds, Series 2018, dated February 21, 2018, due in annual principal installments of \$18,000 - \$23,000 and semi-annual interest payments of \$449 - \$5,051 through August 1, 2031; interest at an effective rate of 3.9% until maturity; secured by revenues earned by the District from the operation of the waterworks system.

Balance at September 30, 2024	\$ 150,000
Debt Retired	<u>(20,000)</u>
Balance at September 30, 2025	130,000
Less Current Maturities	<u>(20,000)</u>
Long-Term Debt, Net of Current Maturities	\$ <u>110,000</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

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

The annual debt service requirements to maturity for all debt outstanding as of September 30, 2025, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 20,000	\$ 5,070	\$ 25,070
2027	21,000	4,290	25,290
2028	21,000	3,471	24,471
2029	22,000	2,652	24,652
2030-2031	46,000	2,691	48,691
Totals	<u>\$ 130,000</u>	<u>\$ 18,174</u>	<u>\$ 148,174</u>

### NOTE 8 - RESTRICTED NET POSITION

The District's bond covenant requires certain reservations of its net position for repairs and maintenance and debt service.

### NOTE 9 - SUBSEQUENT EVENT

The Lincoln Parish Waterworks District #3 repaid the series 2018 bonds payable of \$130,000 on March 17, 2026.

**OTHER REPORTS AND SCHEDULES**

**DON M. MCGEHEE**

(A Professional Accounting Corporation)

P.O. Box 1344  
205 Reynolds Drive, Suite A  
Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements and have issued my report thereon dated March 31, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Lincoln Parish Waterworks District #3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lincoln Parish Waterworks District #3's internal control. Accordingly, I do not express an opinion on the effectiveness of the Lincoln Parish Waterworks District #3's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as #2025-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompany schedule of findings and questioned costs as #2025-2 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lincoln Parish Waterworks District #3's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the Lincoln Parish Waterworks District #3's responses to the findings identified in my audit and described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

**Purpose of this Report**

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



Don M. McGehee  
Certified Public Accountant  
March 31, 2026

# LINCOLN PARISH WATERWORKS DISTRICT #3

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

I have audited the financial statements of the Lincoln Parish Waterworks District #3, as of and for the year ended September 30, 2025, and have issued my report thereon dated March 31, 2026. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of September 30, 2025 resulted in an unqualified opinion.

### Section I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes  No

Significant Deficiencies  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

### Section II Financial Statement Findings

**Finding #2025-1. Segregation of Duties.** The Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

**Finding #2025-2. Inadequate Controls over Preparation of the Financial Statements.** Personnel for the Lincoln Parish Waterworks District #3 do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles that are in conformity with GAAP. However, they can understand the key issues identified, make any required management decisions, and fulfill the competency requirements, so that they can accept responsibility for the financial statements.

### Section III Management Letter

No findings.

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

**Finding #2024-1.** Too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

Unresolved. See #2025-1.

**Finding #2024-2.** Inadequate controls over preparation of the financial statements.

Unresolved. See #2025-2.

**SECTION II MANAGEMENT LETTER**

No findings.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

**Finding #2025-1. Segregation of Duties.** The District is required to design internal controls with proper segregation of duties to prevent, or detect and correct, misstatements in the accounting system. The District has inadequate segregation of duties because there are too few personnel involved in the accounting system. The financial statements could have a misstatement that would not be prevented, or detected and corrected. Recommend that the District involve more personnel in the accounting system to allow for adequate segregation of duties.

**Response:** The District has an accounting workload that can be easily managed by two employees. The hiring/involvement of additional employees to provide enhanced internal control does not appear to be the best use of the District's resources.

**Finding #2025-2. Preparation of Financial Statements.** The District is required to have controls over the financial reporting process to prevent, or detect and correct misstatements in the financial statements. The District does not have sufficient controls in place to ensure that the financial statements are in conformity with GAAP because employees do not have the financial expertise to fulfill their assigned functions. The District's financial statements could have a misstatement that would not be prevented, or detected and corrected. Recommend that controls be strengthened by providing personnel with additional training.

**Response:** The District has employees with the ability to record cash receipts and disbursements, prepare adjusting entries, and prepare draft financial statements. However, there are times they do not have the expertise to apply certain accounting principles. Providing employees with additional education does not appear to be the best use of the District's resources, but the District will encourage the employees to use all technical assistance available.

**SUPPLEMENTAL INFORMATION**

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF PER DIEM PAYMENTS TO COMMISSIONERS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Joseph Clark	\$	980
Mike Hogan		980
Linda Kimble		980
Randy Snow		980
Ralph McVay		<u>980</u>
Total	\$	<u><u>4,900</u></u>

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO THE PRESIDENT OF THE  
BOARD OF COMMISSIONERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

<u>Purpose</u>	<u>Amount</u>
Per diem for Attending Board Meetings	\$ 980