

**LINCOLN PARISH  
WATERWORKS DISTRICT #3**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

# LINCOLN PARISH WATERWORKS DISTRICT #3

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

### CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS</b>	1 - 2
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Management's Discussion and Analysis	4 - 6
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 16
<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>	18 - 19
Schedule of Findings and Questioned Costs	20
Schedule of Prior Year Findings	21
Management's Corrective Action Plan	22
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Per Diem	24
Schedule of Compensation, Benefits and Other Payments to the President of the Board of Commissioners	25

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 4 through 6 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

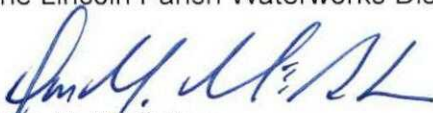
*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Parish Waterworks District #3's basic financial statements. The supplemental information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental information section is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated March 31, 2017, on my consideration of the Lincoln Parish Waterworks District #3's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lincoln Parish Waterworks District #3's internal control over financial reporting and compliance.



Don M. McGehee  
Certified Public Accountant  
March 31, 2017

**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, 2016**

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, 2016. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 7.

### **Basic Financial Statements**

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

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

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

### **Financial Analysis**

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

Table 1  
Net Position

	<u>2016</u>	<u>2015</u>
Current Assets and Other Assets	\$ 683,213	\$ 666,555
Capital Assets	<u>1,266,885</u>	<u>1,336,099</u>
Total Assets	<u>1,950,098</u>	<u>2,002,654</u>
Long-term Debt Outstanding	362,310	377,430
Other Liabilities	<u>106,391</u>	<u>96,020</u>
Total Liabilities	<u>468,701</u>	<u>473,450</u>
Net Position:		
Investment in Capital Assets, Net of Debt	908,777	963,531
Restricted	130,865	127,674
Unrestricted Net Position	<u>441,755</u>	<u>437,999</u>
Total Net Position	<u>\$ 1,481,397</u>	<u>\$ 1,529,204</u>

Net position decreased by 3% (\$47,807) in the current year compared to the prior year. About 30% (\$441,755) of total current year net position is unrestricted compared to about 29% (\$437,999) in the prior year. Most of unrestricted net position is composed of cash and certificates of deposit as of September 30, 2016. 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>2016</u>	<u>2015</u>
Operating Revenues		
Charges for Services	\$ 363,077	\$ 357,526
Nonoperating Revenues		
Interest Income	<u>1,980</u>	<u>1,549</u>
Total Revenues	<u>365,057</u>	<u>359,075</u>
Operating Expenses	416,002	289,998
Nonoperating Expenses		
Interest Expense	<u>21,619</u>	<u>22,446</u>
Total Expenses	<u>437,621</u>	<u>312,444</u>
Increase (Decrease) in Net Position	(72,564)	46,631
Capital Contributions	24,757	10,800
Beginning Net Position	<u>1,529,204</u>	<u>1,471,773</u>
Ending Net Position	<u>\$ 1,481,397</u>	<u>\$ 1,529,204</u>

Revenues increased 2% (\$5,982) from the prior year. The District experienced an increase of 2% (\$5,551) from the prior year in charges for services primarily because of an increase in the number of customers. Operating expenses increased 43% (\$126,004) primarily due to an increase in repairs and maintenance and meter maintenance. The current year operating revenues and expenses resulted in a \$72,564 decrease in net position, which was \$119,195 less than the change in net position of \$46,631 in the prior year. There was a capital contribution of \$24,757 from the Lincoln Parish Police Jury for improvements to the water distribution system in the current year.

## **Capital Assets and Debt Administration**

### Capital Assets

At the end of 2016 the District had \$2,914,509 invested in land, water wells, storage tanks, elevated water tanks, water lines, buildings, and office equipment. For the upcoming year, there are plans to upgrade the distribution system, but there are no plans to issue debt to finance the project 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 \$362,310 in bonds outstanding at September 30, 2016, which was a 4% (\$15,120) decrease from the prior year. This decrease was a result of regularly scheduled principal payments made on the outstanding bond. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

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

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

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

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



## **BASIC FINANCIAL STATEMENTS**

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 373,176	\$ 356,125
Investments	52,703	52,090
Accounts Receivable	37,162	39,820
Due from Other Government Units	1,575	1,575
Interest Receivable	934	1,190
Prepaid Expenses	5,863	7,717
<b>TOTAL CURRENT ASSETS</b>	<b>471,413</b>	<b>458,517</b>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Cash and Cash Equivalents	89,906	86,347
Investments	117,692	116,829
<b>Total Restricted Assets</b>	<b>207,598</b>	<b>203,176</b>
Bond Fees, Net of Accumulated Amortization of \$12,779 and \$12,118	4,202	4,862
Capital Assets		
Land	19,585	19,585
Plant and Equipment	2,894,924	2,888,474
Less Accumulated Depreciation	(1,647,624)	(1,571,960)
<b>Capital Assets, Net</b>	<b>1,266,885</b>	<b>1,336,099</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,478,685</b>	<b>1,544,137</b>
<b>TOTAL ASSETS</b>	<b>1,950,098</b>	<b>2,002,654</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	13,376	4,333
Due to Other Government Units	10,928	11,550
Accrued Liabilities	2,207	1,844
Accrued Interest Payable	1,998	2,081
Current Maturities of Long-Term Debt	15,991	15,121
<b>TOTAL CURRENT LIABILITIES</b>	<b>44,500</b>	<b>34,929</b>
<b>NONCURRENT LIABILITIES</b>		
Water Customers' Deposits	66,237	64,572
Sewer Customers' Deposits	11,645	11,640
Long-Term Debt	346,319	362,309
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>424,201</b>	<b>438,521</b>
<b>TOTAL LIABILITIES</b>	<b>468,701</b>	<b>473,450</b>
<b>NET POSITION</b>		
<b>INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT</b>	908,777	963,531
<b>RESTRICTED</b>		
Restricted for Repairs and Maintenance	89,902	86,794
Restricted for Debt Service	40,963	40,880
<b>UNRESTRICTED</b>	<b>441,755</b>	<b>437,999</b>
<b>TOTAL NET POSITION</b>	<b>\$ 1,481,397</b>	<b>\$ 1,529,204</b>

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
<b>CHARGES FOR SERVICES</b>		
Water Sales	\$ 319,866	\$ 317,916
New Installations	11,286	10,160
Penalties	12,948	12,748
Collection Fees	7,750	5,860
Sewage Collection Fee	6,300	6,300
Reconnection Fees	3,660	4,325
Miscellaneous Income	<u>1,267</u>	<u>217</u>
<b>TOTAL OPERATING REVENUES</b>	<u>363,077</u>	<u>357,526</u>
<b>OPERATING EXPENSES</b>		
Accounting	11,400	12,000
Amortization	660	660
Bad Debts	2,533	1,620
Commissioners' Fees	2,520	2,730
Depreciation	75,665	76,046
Installations	5,410	7,200
Insurance	7,337	6,280
Meter Maintenance	82,657	7,830
Meter Reading	9,467	8,714
Miscellaneous Expenses	1,196	913
Office Supplies	9,598	8,897
Professional Fees	5,700	0
Repairs and Maintenance	99,514	36,369
Safe Water Administration Fee	2,359	2,344
Salaries and Wages	50,763	52,300
System Supplies	4,707	8,454
Taxes-Payroll	4,466	4,584
Utilities	<u>40,050</u>	<u>53,057</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>416,002</u>	<u>289,998</u>
<b>OPERATING INCOME (LOSS)</b>	(52,925)	67,528
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	1,980	1,549
Interest Expense	<u>(21,619)</u>	<u>(22,446)</u>
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>(19,639)</u>	<u>(20,897)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(72,564)	46,631
<b>CAPITAL CONTRIBUTIONS</b>	<u>24,757</u>	<u>10,800</u>
<b>CHANGES IN NET POSITION</b>	(47,807)	57,431
<b>NET POSITION-BEGINNING</b>	<u>1,529,204</u>	<u>1,471,773</u>
<b>NET POSITION-ENDING</b>	<u>\$1,481,397</u>	<u>\$1,529,204</u>

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 366,782	\$ 354,815
Cash Payments for Goods and Services	(277,653)	(161,408)
Cash Payments to Employees	(50,763)	(52,300)
Net Cash Provided by Operating Activities	38,366	141,107
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(170,395)	(168,919)
Proceeds from Surrender of Investments	168,919	167,398
Interest Received	2,236	1,605
Net Cash Provided by Investing Activities	760	84
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	24,757	0
Principal Payments on Long-Term Debt	(15,121)	(14,299)
Interest Paid	(21,702)	(22,524)
Purchase of Fixed Assets	(6,450)	(2,717)
Construction of Water System Improvements	0	(6,500)
Net Cash Used by Capital and Related Financing Activities	(18,516)	(46,040)
<b>NET INCREASE IN CASH</b>	20,610	95,151
<b>CASH AT BEGINNING OF YEAR</b>	442,472	347,321
<b>CASH AT END OF YEAR</b>	\$ 463,082	\$ 442,472
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ (52,925)	\$ 67,528
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	76,325	76,706
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	2,658	(3,593)
(Increase) Decrease in Due from Police Jury	0	(1,050)
(Increase) Decrease in Prepaid Expenses	1,854	582
Increase (Decrease) in Accounts Payable	9,043	(1,307)
Increase (Decrease) in Customers' Deposits	1,670	2,476
Increase (Decrease) in Due to Police Jury	(622)	(544)
Increase (Decrease) in Accrued Liabilities	363	309
Total Adjustments	91,291	73,579
Net Cash Provided by Operating Activities	\$ 38,366	\$ 141,107
<b>NONCASH INVESTING ACTIVITIES</b>		
Contribution of Improvements from Government	\$ 0	\$ 10,800
<b>CASH PER STATEMENT OF NET POSITION</b>		
Current Cash	\$ 373,176	\$ 356,125
Restricted Cash	89,906	86,347
<b>TOTAL CASH AT END OF YEAR</b>	\$ 463,082	\$ 442,472

See accompanying notes to financial statements.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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, 2016

### 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 Revenue Bond agreement, January 15, 1992, all of the income and revenues earned 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 an annual installment shall be set aside and accumulated on a monthly basis in an amount equal to 1/12 of the annual installment into the Sinking Fund.
- (b) An amount equal to five percent (5%) of the amount to be paid into the Sinking Fund must be deposited into the Waterworks Reserve Fund, until there is on deposit an amount equal to \$36,823.
- (c) An amount equal to \$259 per month must be deposited into the Waterworks Depreciation Fund.

#### 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.

#### 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.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

#### I. CAPITAL ASSETS

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

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

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

#### J. USE OF ESTIMATES

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

#### K. COMPARATIVE DATA

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

### NOTE 2 - CASH AND INVESTMENTS

At September 30, 2016, the District has cash and restricted cash (book balances) totaling \$463,082 and investments and restricted investments (book balances) totaling \$170,395 as follows:

	<u>Cash</u>	<u>Investments</u>
Cash on Hand	\$ 100	\$ 0
Demand Deposits	131,379	0
Time Deposits	<u>331,603</u>	<u>170,395</u>
Total	<u>\$ 463,082</u>	<u>\$ 170,395</u>

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, 2016, the District has \$643,745 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance of \$391,746 and \$251,999 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.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

### 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:

	2016	2015
Debt Service - Sinking Fund	\$ 6,138	\$ 6,138
Debt Service - Reserve Fund	36,823	36,823
Depreciation Fund	89,902	86,794
Customer Deposits	74,735	73,421
Total Restricted Assets	\$ 207,598	\$ 203,176

### NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets activity for the years ending September 30, 2016:

	Beginning Balance 10/01/15	Additions	Deletions	Ending Balance 09/30/16
<b>Capital Assets</b>				
Land	\$ 19,585	\$ 0	\$ 0	\$ 19,585
Land Improvements	6,060	0	0	6,060
Buildings	103,593	0	0	103,593
Water System and Equipment	2,778,821	6,450	0	2,785,271
Total Capital Assets	2,908,059	6,450	0	2,914,509
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	5,353	404	0	5,757
Buildings	58,548	2,558	0	61,106
Water System and Equipment	1,508,059	72,702	0	1,580,761
Total Accumulated Depreciation	1,571,960	75,664	0	1,647,624
Capital Assets, Net	\$ 1,336,099	\$ (69,214)	\$ 0	\$ 1,266,885

### NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 entered into a cooperative agreement with the Lincoln Parish Police Jury on November 14, 1995. This agreement established a \$200 per month fee to be paid to the District for billing of sewer fees for Eastern Hills/Blueberry Hills Subdivisions beginning January 1, 1996. This monthly fee was increased to \$450 per month beginning January, 2005, and then to \$525 beginning December, 2006. The Police Jury owed the District the following at September 30, according to this agreement:

	2016	2015
Due from Lincoln Parish Police Jury	\$ 1,575	\$ 1,575

### NOTE 6 - BOND FEES

The Lincoln Parish Waterworks District #3 capitalized \$11,321 in bond issue costs paid to the Louisiana Public Facilities Authority (LPFA) in 1992, related to the bonds issued that year. These costs are being amortized over 40 years.



# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

### NOTE 6 - BOND FEES (CONTINUED)

The following is a summary of the unamortized bond issue cost for the years ending September 30, 2016 and 2015:

	2016	2015
Bond Fees	\$ 16,981	\$ 16,981
Less: Accumulated Amortization	(12,779)	(12,119)
Net Bond Fees	\$ 4,202	\$ 4,862

### NOTE 7 - DUE TO OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 collects sewer fees for the Lincoln Parish Police Jury, per a cooperative agreement with the Police Jury. The District remits collections to the Police Jury monthly. At September 30, the District recognized certain sewer fees from customers in accounts receivable and recognized the related payable to the Police Jury, as follows:

	2016	2015
Due to Lincoln Parish Police Jury	\$ 10,928	\$ 11,550

### NOTE 8 - 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:

	Bonds Payable
Balance at September 30, 2015	\$ 377,430
Less Current Maturities	(15,120)
Long-Term Debt at September 30, 2016	\$ 362,310

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

#### Revenue Bonds

\$568,000 Waterworks Revenue Bonds, dated January 15, 1992, due in annual installments of \$36,823 on August 26th of each year through 2031; interest at 5.75%; secured by revenues earned by the District from the operation of the waterworks system.

	\$ 362,310
Less Current Maturities	(15,991)
Long-Term Debt, Net of Current Maturities	\$ 346,319

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

The annual debt service requirements to maturity for all debt outstanding as of September 30, 2016, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,991	\$ 20,833	\$ 36,824
2018	16,910	19,913	36,823
2019	17,882	18,941	36,823
2020	18,911	18,941	37,852
2021	19,998	16,825	36,823
2022-2026	118,619	65,498	184,117
2027-2031	<u>153,999</u>	<u>27,241</u>	<u>181,240</u>
Totals	<u>\$ 362,310</u>	<u>\$ 188,192</u>	<u>\$ 550,502</u>

### NOTE 9 - RESTRICTED NET POSITION

The District's bond and note covenants require certain reservations of its net position for repairs and maintenance and debt service.

### NOTE 10 - CAPITAL CONTRIBUTION

The Lincoln Parish Police Jury obtained a Louisiana Community Development Block Grant for the purpose of improvements to the District's water distribution system. The improvements were completed July 18, 2014, with construction costs funded by the grant of \$494,171. There was an additional \$10,800 contributed in 2015 for an alert system on the wells and \$24,757 for new meters in 2016. The Lincoln Parish Police Jury contributed these improvements to the District.

**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, 2016, 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, 2017.

Internal Control Over Financial Reporting

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

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

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

I did identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as #2016-1, that I consider to be a material weakness, as described above.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described as #2016-2 in the accompany schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

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

Response to Findings

The Lincoln Parish Waterworks District #3's responses to the findings identified in my audit are described in the accompanying schedule of management's corrective action plan. The Lincoln Parish Waterworks District #3's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

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, 2017

# LINCOLN PARISH WATERWORKS DISTRICT #3

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

I have audited the financial statements of the Lincoln Parish Waterworks District #3, as of and for the year ended September 30, 2016, and have issued my report thereon dated March 31, 2017. 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, 2016 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 2016-1. Separation of Duties.** The Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

**Finding 2016-2. 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, 2016**

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

**Finding 2015-1.** Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Unresolved. See 2016-1.

**Finding 2015-2.** Inadequate controls over preparation of the financial statements.

Unresolved. See 2016-2.

**SECTION II MANAGEMENT LETTER**

No findings.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

#### FINDING

#### RESPONSE

**2016-1. Separation of Duties.** Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

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

**2016-2.Preparation of Financial Statements.** Personnel do not have sufficient financial expertise to prepare the financial statements without some technical assistance in applying accounting principles in conformity with GAAP. Controls could be strengthened by providing personnel with additional training.

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

### SECTION II MANAGEMENT LETTER

No findings.



**SUPPLEMENTAL INFORMATION**

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF PER DIEM PAYMENTS TO COMMISSIONERS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Jack Allen	\$	540
Willard Anderson		540
G.W. Kimble		450
Randy Snow		450
Ralph McVay		<u>540</u>
Total	\$	<u><u>2,520</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, 2016

**President of the Board of Commissioners, Jack Allen:**

<u>Purpose</u>	<u>Amount</u>
Per diem for Attending Board Meetings	\$ 540