

*Water Works District No. 3  
of Rapides Parish*

*Tioga, Louisiana*

*December 31, 2018*

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

**December 31, 2018**

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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, 2018, 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.

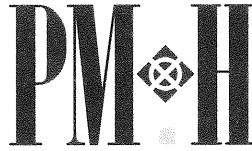
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PAYNE, MOORE & HERRINGTON, LLP

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, 2018, 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



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

Schedules 1 through 5 included in the additional information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Schedules 6 and 7 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 March 12, 2019, 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

March 12, 2019

**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, 2018. 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 increased by \$400,563 in 2018.
- The District's operating revenues were \$4,568,837 which were more than total operating expenditures of \$4,161,323 resulting in an operating income of \$407,514.
- Total non-operating loss was \$119,517.
- Total net position of \$22,873,996 is made up of the following:
  1. Net investment in Capital assets of \$18,238,867 includes property and equipment, net of accumulated depreciation and related debt
  2. Restricted net position of \$567,118
  3. Unrestricted net position of \$4,068,011
- 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. (To be completed early 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 \$22,873,996. The following exhibit provides a summary of the District's net position:

	2018	2017
<b>Assets:</b>		
Current assets	\$ 4,413,277	\$ 5,111,275
Restricted assets	1,025,342	919,483
Capital assets	24,538,273	22,896,032
Total assets	29,976,892	28,926,790
<b>Liabilities:</b>		
Current liabilities	345,267	242,843
Restricted liabilities	458,224	452,082
Long-term liabilities	6,299,405	5,758,432
Total liabilities	7,102,896	6,453,357
<b>Net position:</b>		
Net investment in capital assets	18,238,867	17,137,600
Restricted net position	567,118	467,401
Unrestricted net position	4,068,011	4,868,432
Total net position	\$ 22,873,996	\$ 22,473,433

As of December 31, 2018, net position was restricted for debt service of \$367,118 and reserve for bond contingencies of \$200,000.

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

	2018	2017
Operating revenues	\$ 4,568,837	\$ 4,038,604
Nonoperating revenues	95,207	65,701
Total revenues	4,664,044	4,104,305
Depreciation expense	1,056,965	939,286
Other operating expenses	3,104,358	2,971,439
Interest expense	214,724	182,276
Other nonoperating expenses	-	43,501
Total expenses	4,376,047	4,136,502
Change in Net Position before Capital Contributions	287,997	(32,197)
Contributions in aid of construction	112,566	551,287
Beginning Net Position	22,473,433	21,954,343
Ending Net Position	\$ 22,873,996	\$ 22,473,433

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

**Management's Discussion and Analysis**

The 2018 operating budget for total revenues was \$4,218,000 and for expenses was \$3,283,750 (excluding depreciation and capital additions), generating an estimated net income, before depreciation and capital additions, of \$934,250. Actual amounts varied from budget by 2.7% for revenue. Expenses came in under budget by 9.5%. The following exhibit displays these amounts:

	Actual	Budget
Water sales income	\$ 4,378,761	\$ 4,000,000
Other income	285,283	218,000
Expenses (excluding depreciation, amortization, interest expense, and capital additions)	3,104,358	3,283,750

Contributions in aid of construction for 2018 were \$112,566. Representing 57% of these funds were reimbursement amounts from DOTD for the Highway 71 Overpass project, \$63,886. All other 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 2018:

Operating income	\$ 407,514
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,056,965
Changes in operating assets and liabilities	(39,168)
Total cash provided by operating activities	1,425,311
Cash used in capital and related financing activities	(2,181,142)
Cash provided by investing activities	95,744
Net increase (decrease) in cash and cash equivalents	(660,087)
Cash and cash equivalents, Beginning of year	3,210,939
Cash and cash equivalents, End of year	\$ 2,550,852

**Capital Assets and Debt Administration**

The District's capital assets, net of accumulated depreciation, as of December 31, 2018, was \$24,538,273. The following provides a summary by asset type at December 31, 2018 and 2017.

	2018	2017
Nondepreciable assets:		
Construction in progress	\$ 3,831,894	\$ 2,762,748
Land	367,369	367,369
Depreciable assets:		
Plant and equipment	11,272,359	11,578,469
Buildings and improvements	131,385	146,799
Vehicles	211,393	249,595
Furniture, fixtures, and equipment	25,485	32,193
Infrastructure	8,698,388	7,758,859
Total capital assets (net)	\$ 24,538,273	\$ 22,896,032

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

**Management's Discussion and Analysis**

The change in capital assets before depreciation expense was \$2,699,206. Total depreciation expense for 2018 was \$1,056,965 resulting in a net increase of \$1,642,241.

**Long-Term Debt**

In June, 2015, the District refinanced the Revenue Bonds from 2005. The outstanding balance at year-end 2018 is \$2,675,000. Of this balance, \$185,000 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 2018, the outstanding debt to DHH is \$3,624,405 with \$149,000 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**

**Water Works District No. 3 of Rapides Parish  
Statement of Net Position  
December 31, 2018**

**Exhibit A**

<b>Assets</b>		
Cash and cash equivalents		\$ 2,125,510
Certificates of deposit		1,550,000
Accounts receivable		
Water sales	403,551	
Other	<u>2,689</u>	406,240
Interest receivable		5,004
Inventories		244,874
Prepaid expenses		81,649
Restricted assets		
Restricted cash and cash equivalents	425,342	
Restricted certificates of deposit	<u>600,000</u>	1,025,342
Capital assets, net of depreciation		
Nondepreciable		
Construction in progress	3,831,894	
Land and improvements	367,369	
Depreciable		
Plant and equipment	11,272,359	
Buildings and improvements	131,385	
Vehicles	211,393	
Furniture, fixtures, and equipment	25,485	
Infrastructure	<u>8,698,388</u>	24,538,273
<b>Total Assets</b>		<u>29,976,892</u>
<b>Liabilities</b>		
Accounts payable		51,189
Contracts payable		173,281
Accrued expenses		27,400
Short-term compensated absences		3,095
Bond interest payable		90,302
Restricted liabilities, payable from restricted assets		
Customers' meter deposits		458,224
Long-term liabilities		
Due within one year	334,000	
Due in more than one year	<u>5,965,405</u>	<u>6,299,405</u>
<b>Total Liabilities</b>		<u>7,102,896</u>
<b>Net Position</b>		
Net investment in capital assets		18,238,867
Restricted for		
Debt service	367,118	
Bond contingencies	<u>200,000</u>	567,118
Unrestricted		<u>4,068,011</u>
<b>Net Position</b>		<u><u>\$ 22,873,996</u></u>

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, 2018**

**Exhibit B**

<b>Operating Revenues</b>	
Water sales	\$ 4,378,761
Delinquent surcharges	74,386
Connection fees	32,480
Other operating revenues	83,210
Total Operating Revenues	<u>4,568,837</u>
<b>Operating Expenses</b>	
Administration	863,800
Purification	966,037
Distribution	889,641
Meter	60,448
Production	52,570
Wells	271,862
Depreciation	1,056,965
Total Operating Expenses	<u>4,161,323</u>
<b>Operating Income</b>	407,514
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	95,207
Interest expense	(214,724)
Total Nonoperating Revenues (Expenses)	<u>(119,517)</u>
<b>Change in Net Position Before Capital Contributions</b>	287,997
<b>Contributions in Aid of Construction</b>	<u>112,566</u>
<b>Change in Net Position</b>	400,563
<b>Total Net Position - Beginning of Year</b>	<u>22,473,433</u>
<b>Total Net Position - End of Year</b>	<u><u>\$ 22,873,996</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, 2018**

**Exhibit C  
Continued**

**Cash Flows from Operating Activities**

Receipts from customers	\$ 4,508,020
Payments to suppliers for goods and services	(1,562,515)
Payments to employees for services and benefit costs	(1,520,194)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,425,311</b>

**Cash Flows from Noncapital Financing Activities**

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

Proceeds from sale of revenue bonds	854,973
Acquisition, construction, and disposal of capital assets	(2,626,658)
Contributions in aid of construction	111,060
Principal payments on bonds	(314,000)
Interest paid on bonds	(206,517)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(2,181,142)</b>

**Cash Flows from Investing Activities**

Interest received on interest-bearing deposits	95,744
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>95,744</b>

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(660,087)</b>
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<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,210,939</b>
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<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,550,852</b>
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**Classified As:**

Current assets	\$ 2,125,510
Restricted assets	425,342
<b>Total</b>	<b>\$ 2,550,852</b>

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, 2018**

**Exhibit C  
Concluded**

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

Operating income	\$ 407,514
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	1,056,965
Changes in assets and liabilities:	
Accounts receivable	(51,927)
Inventories	(15,032)
Prepaid expenses	(20)
Accounts payable	16,189
Accrued expenses	5,980
Customers' meter deposits	6,142
Short-term compensated absences	(500)
Total Adjustments	1,017,797
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,425,311</b>

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



**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**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 6,683 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, 2018**

**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, 2018, 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, 2018**

**Notes to Basic Financial Statements**

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2018, 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, 2018**

**Notes to Basic Financial Statements**

The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. The District has adopted a minimum capitalization threshold for any individual item of \$1,500. There is no set threshold in which infrastructure capital assets are capitalized.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the current period.

Compensated Absences

Vacation not used by the end of the year is carried over to the next year. Employees can accumulate a maximum of forty hours that may be carried forward and taken in subsequent periods.

Long-term Liabilities

All liabilities, including long-term debt, are included in the Statement of Net Position. Interest expense on long-term debt is recognized as the interest accrues, regardless of when it is due.

Net Position

Net position is reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Contributions in Aid of Construction

The District receives various contributions from customers, developers, and other governments in the ordinary course of business, relating to construction of waterlines and/or installation of taps and fire hydrants.

Estimates

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

**2. Cash and Cash Equivalents and Certificates of Deposit**

Cash and Cash Equivalents

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 1,550	\$ -	\$ 1,550
Demand deposits	<u>2,123,960</u>	<u>425,342</u>	<u>2,549,302</u>
	\$ 2,125,510	\$ 425,342	\$ 2,550,852

**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**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, 2018, 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, 2018.

**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, 2018, these receivables were as follows:

Uncollected cycle billings	\$ 270,959
Estimated services between cycles	<u>132,592</u>
	\$ 403,551

**4. Inventories**

Chemicals	\$ 96,074
Materials and supplies	<u>148,800</u>
	\$ 244,874

**5. Restricted Assets**

Restricted asset activity for the year ended December 31, 2018, was as follows:

	<u>Balance 12/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Meter Fund	\$ 452,082	\$ 197,412	\$ 191,270	\$ 458,224
Sinking Fund	202,456	552,817	522,657	232,616
Reserve Fund	64,945	69,557	-	134,502
Contingency Fund	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	\$ 919,483	\$ 819,786	\$ 713,927	\$ 1,025,342

**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**Notes to Basic Financial Statements**

**6. Capital Assets**

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Balance 12/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Capital assets, nondepreciable				
Construction in progress	\$ 2,762,748	\$ 2,349,343	\$1,280,197	\$ 3,831,894
Land and improvements	<u>367,369</u>	<u>-</u>	<u>-</u>	<u>367,369</u>
Total capital assets, nondepreciable	3,130,117	2,349,343	1,280,197	4,199,263
Other capital assets				
Plant and equipment	20,935,056	279,388	5,000	21,209,444
Buildings and improvements	972,266	-	-	972,266
Vehicles	900,055	26,760	-	926,815
Furniture, fixtures, and equipment	258,119	-	-	258,119
Infrastructure	<u>15,483,175</u>	<u>1,328,912</u>	<u>-</u>	<u>16,812,087</u>
Total other capital assets	38,548,671	1,635,060	5,000	40,178,731
	<u>Balance 12/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Less				
Accumulated depreciation				
Plant and equipment	9,356,587	580,498	-	9,937,085
Buildings and improvements	825,467	15,414	-	840,881
Vehicles	650,460	64,962	-	715,422
Furniture, fixtures, and equipment	225,926	6,708	-	232,634
Infrastructure	<u>7,724,316</u>	<u>389,383</u>	<u>-</u>	<u>8,113,699</u>
Total accumulated depreciation	<u>18,782,756</u>	<u>1,056,965</u>	<u>-</u>	<u>19,839,721</u>
Other capital assets, net	<u>19,765,915</u>	<u>578,095</u>	<u>5,000</u>	<u>20,339,010</u>
Net Capital Assets	\$22,896,032	\$ 2,927,438	\$1,285,197	\$24,538,273

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, 2018, was \$1,056,965.

**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**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, 2018, the District has requested total funds of \$4,991,405. Of this amount, \$3,624,405 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	\$ 2,850,000	\$ -	\$ 175,000	\$ 2,675,000	\$ 185,000
Taxable Water Revenue Bond, Series 2015	<u>2,908,432</u>	<u>854,973</u>	<u>139,000</u>	<u>3,624,405</u>	<u>149,000</u>
	\$ 5,758,432	\$ 854,973	\$ 314,000	\$ 6,299,405	\$ 334,000

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>
2019	\$ 334,000	\$ 218,667	\$ 552,667
2020	343,735	207,065	550,800
2021	354,027	195,115	549,142
2022	369,541	182,800	552,341
2023	380,195	169,948	550,143
2024-2028	2,108,490	642,169	2,750,659
2029-2033	1,642,487	278,289	1,920,776
2034-2036	<u>766,930</u>	<u>53,544</u>	<u>820,474</u>
	\$ 6,299,405	\$ 1,947,597	\$ 8,247,002

**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**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, 2018:

Bond reserve	\$ 134,502
Debt service	<u>232,616</u>
	\$ 367,118

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, 2018	\$ 4,068,011
Less: Balance, December 31, 2017	<u>4,868,432</u>
Increase (Decrease)	\$ (800,421)

**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 \$29,358 for the year ended December 31, 2018.



**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**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>
Color Removal Wells #2 and #7 Filtered and Settled Solids Containment System and Dewatering and Disposal System	\$ 3,451,181	\$ 3,387,951	\$ 152,567	\$ (89,337)
Flagon – 1204 Ball Cut Off Road	820,000	18,729	-	801,271
Turning Lane Hwy 3225	500,000	24,206	-	475,794
Rehab Industrial	256,430	230,464	20,714	5,252
	<u>359,000</u>	<u>2,000</u>	<u>-</u>	<u>357,000</u>
	<u>\$ 5,386,611</u>	<u>\$ 3,663,350</u>	<u>\$ 173,281</u>	<u>\$ 1,549,980</u>

No further financing is required to complete these authorized projects.

Leases of Computer Equipment and Copiers

On February 3, 2015, the District entered into a lease agreement for computer hardware for a period of thirty-six months for a monthly payment of \$504, ending April 2018. Total lease payments made during the current year under the agreement were \$2,016.

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 \$3,408.

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 \$3,686.

**Water Works District No. 3 of Rapides Parish  
December 31, 2018**

**Notes to Basic Financial Statements**

Future minimum lease payments required as of December 31, 2018, under the terms of these leases are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 12,878
2020	10,233
2021	1,843

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 \$214,724 was paid in 2018.

## **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, 2018**

**Schedule 1**

**Agency Head Name: Jimmy R. French, General Manager**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 79,323
Benefits - insurance	14,561
Benefits - retirement	2,934
Benefits - Social Security	5,100
Benefits - Medicare	1,193
Benefits - worker's compensation	220
Vehicle provided by government	2,604
Reimbursements	2,000
<b>Total</b>	<b>\$ 107,935</b>

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, 2018**

Schedule 2

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Water sales	\$ 4,000,000	\$ 4,378,761	\$ 378,761
Delinquent surcharges	55,000	74,386	19,386
Connection fees	35,000	32,480	(2,520)
Interest income	50,000	95,207	45,207
Other	78,000	83,210	5,210
Totals	4,218,000	4,664,044	446,044
<b>Expenses (Schedule 3)</b>	5,983,750	6,018,286	(34,536)
<b>Revenues Over Expenses</b>	\$ (1,765,750)	\$ (1,354,242)	\$ 411,508

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

This appropriation resulted in a budget deficit of \$15,750.

**Reconciliation of Change in Net Position**

<b>Revenues Over Expenses</b>	<b>\$ (1,354,242)</b>
Plus:	
Capital additions	2,699,204
Contributions in aid of construction	112,566
Less:	
Depreciation	(1,056,965)
<b>Change in Net Position (Exhibit B)</b>	<b>\$ 400,563</b>

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, 2018**

**Schedule 3**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenses by Department</b>			
Administration	\$ 876,500	\$ 863,800	\$ 12,700
Purification	1,005,350	966,037	39,313
Distribution	789,900	889,641	(99,741)
Meter	75,350	60,448	14,902
Production	57,000	52,570	4,430
Wells	321,650	271,862	49,788
Interest expense	158,000	214,724	(56,724)
Capital additions	2,700,000	2,699,204	796
<b>Totals</b>	<u>\$ 5,983,750</u>	<u>\$ 6,018,286</u>	<u>\$ (34,536)</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, 2018**

**Schedule 4**

	<u>Amount</u>
Coody, Oscar	\$ 5,391
Hailey, Otha O.	6,208
Hollingsworth, Tommy J.	6,208
Lindsay, Elizabeth Q.	6,208
McKay, Billy	5,555
Moore, Clyde	7,357
Sibley, Robert C.	5,391
Simpson, Marion Jr.	6,208
Williams, D. W.	<u>5,555</u>
<b>Total</b>	<u><u>\$ 54,081</u></u>

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2018**

**Schedule 5**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grant Number</u>	<u>Federal Expenditures</u>
<b>Environmental Protection Agency</b>			
Passed through Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund Program	66.468	N/A	<u>\$ 854,973</u>
<b>Total Environmental Protection Agency</b>			<u><u>\$ 854,973</u></u>

**Notes:**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Water Works District No. 3 of Rapides Parish under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Water Works District No. 3 of Rapides Parish, it is not intended to and does not present the financial position, changes in net position, or cash flows of Water Works District No. 3 of Rapides Parish.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Water Works District No. 3 of Rapides Parish did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

No federal funds were awarded to subrecipients during the year ended December 31, 2018.

See independent auditor's report.



**Water Works District No. 3 of Rapides Parish  
Schedule of Current Water Rates (Unaudited)  
Year Ended December 31, 2018**

**Schedule 6**

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	\$	2,385,900
Average monthly billed per user	\$	31.26

**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	\$	477,912
Average monthly billed per user	\$	107.98

**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	\$	671,638
Average monthly billed per user	\$	2,665.23

**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	\$	16,734
Average monthly billed per user	\$	278.90

**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	\$	807,707
Average monthly billed per user	\$	4,938.15

**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	\$	45,392
Average monthly billed per user	\$	3,782.68

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish  
Listing of Insurance in Force (Unaudited)  
Year Ended December 31, 2018**

**Schedule 7**

Per bond reporting requirements, the following insurance policies are in force at December 31, 2018:

The District has insurance through Allied World through November 15, 2019 for the following coverages:

Coverages:	<u>Coverage Amount</u>
Property	
Real property & business personal property	\$ 12,204,002
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, 2019 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*  
and the Uniform Guidance**

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2019.

**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

March 12, 2019

**Independent Auditor's Report  
on Compliance for Each Major Program  
and on Internal Control Over Compliance  
Required by the Uniform Guidance**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
Established 1945

**Independent Auditor's  
Report on Compliance for Each Major Federal Program and  
on Internal Control Over Compliance Required  
by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Water Works District No. 3 of Rapides Parish's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Water Works District No. 3 of Rapides Parish's major federal program for the year ended December 31, 2018. Water Works District No. 3 of Rapides Parish's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

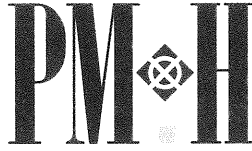
Our responsibility is to express an opinion on compliance for the Water Works District No. 3 of Rapides Parish's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Water Works District No. 3 of Rapides Parish's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Water Works District No. 3 of Rapides Parish's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Water Works District No. 3 of Rapides Parish, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

**Report on Internal Control Over Compliance**

Management of the Water Works District No. 3 of Rapides Parish is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Water Works District No. 3 of Rapides Parish's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Water Works District No. 3 of Rapides Parish's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants  
Alexandria, Louisiana

March 12, 2019

**Schedule of Findings and Questioned Costs**

**Water Works District No. 3 of Rapides Parish  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2018**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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

Internal control over major programs:			
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported	

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of major programs:  
CFDA # 66.468: Drinking Water Revolving Loan Fund Program

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

*Water Works District No. 3  
of Rapides Parish*

*Statewide Agreed-Upon Procedures Report*

*Tioga, Louisiana*

*December 31, 2018*



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Board of Commissioners of Water Works District No. 3 of Rapides Parish and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Water Works District No. 3 of Rapides Parish (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

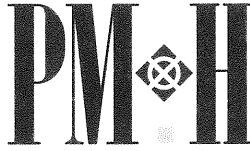
**Written Policies and Procedures**

- 1. **Procedure:** Obtain and inspect the Entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Entity's operations):
a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
c) **Disbursements**, including processing, reviewing, and approving.
d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Rebecca B. Morris, C.P.A. Michael A. Juneau, C.P.A. Cindy L. Humphries, C.P.A. Deborah R. Dunn, C.P.A. Rebecca G. Nation, C.P.A. Evelyn T. Renfrow, C.P.A. Kayla G. Holloway, C.P.A.



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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Results:** Not applicable – no prior year exceptions noted.

### **Board or Finance Committee**

- 2. **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.



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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the General Fund. If the General Fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the General Fund.

**Results:** Not applicable – no prior year exceptions noted.

### ***Bank Reconciliations***

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3. **Procedure:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Entity's main operating account. Select the Entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each account selected, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve (12) months from the statement closing date, if applicable.

**Results:** Not applicable – no prior year exceptions noted.

### ***Collections***

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4. **Procedure:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five (5) deposit sites [or all deposit sites if less than five (5)].

**Results:** No exceptions noted.





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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [i.e. five (5) collection locations for five (5) deposit sites], obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**Results:** No exceptions noted.

6. **Procedure:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

**Results:** No exceptions noted.

7. **Procedure:** Randomly select two (2) deposit dates for each of the five (5) bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten (10) deposits and:
- a) Observe that receipts are sequentially pre-numbered.



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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one (1) business day of receipt at the collection location [within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100].
- e) Trace the actual deposit per the bank statement to the general ledger.

**Results:** No exceptions noted.

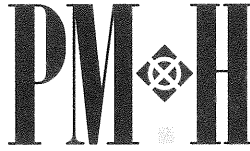
***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations [or all locations if less than five (5)].

**Results:** Not applicable – no prior year exceptions noted.

9. **Procedure:** For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two (2) employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.



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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

**Results:** Not applicable – no prior year exceptions noted.

10. **Procedure:** For each location selected under #8 above, obtain the Entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction and:
- Observe that the disbursement matched the related original invoice/billing statement.
  - Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Results:** Not applicable – no prior year exceptions noted.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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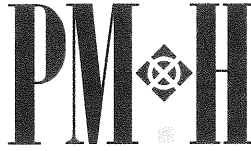
11. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Results:** Not applicable – no prior year exceptions noted.

12. **Procedure:** Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card [for a debit card, randomly select one (1) monthly bank statement], obtain supporting documentation, and:
- Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

- Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** Not applicable – no prior year exceptions noted.



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Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

- 13. Procedure:** Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (10) transactions [or all transactions if less than ten (10)] from each statement, and obtain supporting documentation for the transactions [i.e. each card should have ten (10) transactions subject to testing]. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**Results:** Not applicable – no prior year exceptions noted.

***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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- 14. Procedure:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five (5) reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five (5) reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** Not applicable – no prior year exceptions noted.



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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

### ***Contracts***

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- 15. Procedure:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five (5) contracts [or all contracts if less than five (5)] from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) Randomly select one (1) payment from the fiscal period for each of the five (5) contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**Results:** Not applicable – no prior year exceptions noted.

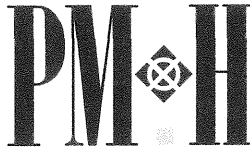
### ***Payroll and Personnel***

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- 16. Procedure:** Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**Results:** Not applicable – no prior year exceptions noted.

- 17. Procedure:** Randomly select one (1) pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:



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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the Entity's cumulative leave records.

**Results:** Not applicable – no prior year exceptions noted.

18. **Procedure:** Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

**Results:** Not applicable – no prior year exceptions noted.

19. **Procedure:** Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**Results:** Not applicable – no prior year exceptions noted.

### ***Ethics***

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20. **Procedure:** Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
  - a) Observe that the documentation demonstrates each employee/official completed one (1) hour of ethics training during the fiscal period.
  - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the Entity's ethics policy during the fiscal period.

**Results:** Not applicable – no prior year exceptions noted.



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To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

### ***Debt Service***

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**21. Procedure:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

**Results:** Not applicable – no prior year exceptions noted.

**22. Procedure:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one (1) bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

**Results:** Not applicable – no prior year exceptions noted.

### ***Other***

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**23. Procedure:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Entity is domiciled.

**Results:** Not applicable – no prior year exceptions noted.

**24. Procedure:** Observe that the Entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** Not applicable – no prior year exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



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PAYNE, MOORE & HERRINGTON, LLP

To the Board of Commissioners of  
Water Works District No. 3 of Rapides Parish  
and the Louisiana Legislative Auditor

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Payne, Moore & Herrington, LLP*

Payne, Moore & Herrington, LLP  
Alexandria, Louisiana

March 12, 2019