

WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH

TIOGA, LOUISIANA

DECEMBER 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/16/10

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

December 31, 2009

Table of Contents

| | <u>Exhibit</u> | <u>Page</u> |
|--|------------------------|--------------------|
| Independent Auditor's Report..... | | 1-2 |
| Required Supplemental Information..... | | 3 |
| Management's Discussion and Analysis | | 4-8 |
| Basic Financial Statements | | 9 |
| Statement of Net Assets | A | 10 |
| Statement of Revenues, Expenses, and Changes in Net Assets..... | B | 11 |
| Statement of Cash Flows | C | 12-13 |
| Notes to Basic Financial Statements..... | | 14-23 |
| Supplemental Information..... | | 24 |
| | <u>Schedule</u> | |
| Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual Non-GAAP Basis | 1 | 25 |
| Schedule of Expenses – Budget and Actual | 2 | 26 |
| Schedule of Per Diem Paid to Board Members..... | 3 | 27 |
| Schedule of Current Water Rates | 4 | 28 |
| Schedule of Historical Income and Expenses | 5 | 29 |
| Other Report Required by <i>Government Auditing Standards</i> and <i>Louisiana Governmental Audit Guide</i> | | 30 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 31-33 |
| Schedule of Findings | | 34-35 |



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish, Tioga, Louisiana, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Water Works District No. 3 of Rapides Parish as of December 31, 2009, and the respective change in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2010, on our consideration of Water Works District No. 3 of Rapides Parish'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MARVIN A. JONEAU, C.P.A.
ERNEST F. SASSER, C.P.A.
ROBERT W. DYORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JONEAU, C.P.A.
JAMES W. BALLARD, C.P.A.
CINDY L. HOMPWRIES, C.P.A.
DEBORAH R. DUNN, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 of the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplemental information as listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except as noted in the following paragraph, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of net assets of Water Works District No. 3 of Rapides Parish as of December 31, 2008, 2007, 2006, and 2005, and the related statements of revenues, expenses, and changes in net assets and the statement of cash flows for each of the four years in the period ended December 31, 2008 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the historical information as presented on Schedule 5 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.


Certified Public Accountants

May 25, 2010

Required Supplemental 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 in Tioga, Louisiana (the District), we are pleased to provide this narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2009. 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 assets increased by \$160,035 over 2008.
- The District's operating revenues were \$3,720,781 which were more than total operating expenditures of \$3,580,420, resulting in an operating income of \$140,361.
- Total nonoperating loss, net of nonoperating expenditures, was \$(76,368).
- Total net assets of \$16,894,816 are made up of the following:
 1. Capital assets, net of related debt, of \$15,068,096 include property and equipment, net of accumulated depreciation
 2. Restricted assets of \$1,309,321
 3. Unrestricted assets of \$517,399
- After much study in 2008, the District's water rates were adjusted. These adjustments became effective January, 2009.
- The District's Board of Commissioners will still perform an annual rate study analysis during the audit process to determine if water rates need to be adjusted. If necessary, the adjustment will be based on the annual consumer price index.
- In late summer 2005, the District issued \$4.6 million in revenue bonds to fund new construction projects including the following:
 1. 20" trunk main water line and pump station from Esler Field to U.S. Hwy. 165 – **UNDER CONTRACT.**
 2. One million gallon ground storage tank at Esler Field – **COMPLETED IN 2006**
 3. Raise and rehabilitate the Kingsville elevated tank – **COMPLETED IN 2008**
 4. Filtered and settled solids containment system and dewatering and disposal system
 5. Rehabilitate existing reservoirs at the treatment plant

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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

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

Management's Discussion and Analysis

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the District's assets changed as a result of its current year operations. All changes in net assets 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.

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 (used) by operating activities (indirect method) as required by GASB 34.

Financial Analysis

The District's net assets at calendar year end were \$16,894,816. The following exhibit provides a summary of the District's net assets:

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Assets: | | |
| Current assets | \$ 4,564,337 | \$ 5,595,629 |
| Capital assets | <u>17,612,927</u> | <u>16,108,907</u> |
| Total assets | 22,177,264 | 21,704,536 |
| Liabilities: | | |
| Current liabilities | 1,072,448 | 654,755 |
| Long-term liabilities | <u>4,210,000</u> | <u>4,315,000</u> |
| Total liabilities | \$ 5,282,448 | \$ 4,969,755 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 15,068,096 | 14,205,392 |
| Restricted assets | 1,309,321 | 1,123,591 |
| Unrestricted assets | <u>517,399</u> | <u>1,405,798</u> |
| Total net assets | \$ 16,894,816 | \$ 16,734,781 |

As of December 31, 2009, net assets were restricted for debt service of \$524,628 and reserve for contingencies of \$784,693.

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

| | 2009 | 2008 |
|-----------------------|----------------|----------------|
| Operating revenues | \$ 3,720,781 | \$ 3,506,904 |
| Nonoperating revenues | <u>125,787</u> | <u>211,257</u> |
| Total revenues | 3,846,568 | 3,718,161 |

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

Management's Discussion and Analysis

| | | |
|--|-------------------|-------------------|
| Depreciation and amortization expense | 836,155 | 819,134 |
| Other operating expenses | 2,744,265 | 2,803,031 |
| Interest expense | 185,404 | 191,803 |
| Other nonoperating expenses | <u>16,751</u> | <u>2,385</u> |
| Total expenses | <u>3,782,575</u> | <u>3,816,353</u> |
| Income (loss) before Capital Contributions | 63,993 | (98,192) |
| Contributions in aid of construction | 96,042 | 100,000 |
| Beginning Net Assets | <u>16,734,781</u> | <u>16,732,973</u> |
| Ending Net Assets | \$ 16,894,816 | \$ 16,734,781 |

The 2009 operating budget for total revenue was \$3,708,000, for expenses was \$3,240,250 (excluding depreciation and capital additions), generating an estimated net income, before depreciation and capital additions, of \$467,750. Actual amounts varied from budget by less than 4% for revenue. Expenses came in under budget by 9%. The following exhibit displays these amounts:

| | <u>Actual</u> | <u>Budget</u> |
|-----------------------------------|---------------|---------------|
| Water sales income | \$ 3,534,768 | \$ 3,435,000 |
| Other income | 407,842 | 273,000 |
| Expenses (excluding depreciation) | 2,946,420 | 3,240,250 |

Contributions in aid of construction for 2009 were \$96,042. The District is currently involved in a capital project which is being funded in part by the State of Louisiana Capital Outlay and the Federal Environmental Protection Agency. Total receivables from these sources at year end represent 52.1% of the total capital contributions for 2009. These funds were for the following project:

| | |
|------------------------------------|-----------|
| 20" Trunk Main through Esler Field | \$ 50,047 |
|------------------------------------|-----------|

The following exhibit represents a summary of the changes in cash and cash equivalents for 2009:

| | |
|---|------------------|
| Operating income | \$ 140,361 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | |
| Depreciation | 836,155 |
| Bad debt expense | 6,227 |
| Changes in operating assets and liabilities | <u>(153,160)</u> |
| Total cash provided by operations | 829,583 |
| Cash used by capital and related financing activities | (2,168,933) |
| Cash provided by investing activities | <u>951,707</u> |
| Net increase (decrease) in cash and cash equivalents | (247,282) |
| Cash and cash equivalents, Beginning of year | <u>806,059</u> |
| Cash and cash equivalents, End of year | \$ 558,777 |

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

Management's Discussion and Analysis

Capital Assets and Debt Administration

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2009, was \$17,612,927. The following provides a summary by asset type at December 31, 2009 and 2008.

| | <u>2009</u> | <u>2008</u> |
|------------------------------------|------------------|------------------|
| Nondepreciable assets: | | |
| Construction in progress | \$ 830,902 | \$ 293,767 |
| Land | 370,369 | 234,384 |
| Depreciable assets: | | |
| Plant and equipment | 7,998,284 | 7,501,408 |
| Buildings and improvements | 308,395 | 332,428 |
| Vehicles | 234,347 | 261,473 |
| Furniture, fixtures, and equipment | 5,959 | 9,340 |
| Infrastructure | <u>7,864,671</u> | <u>7,476,107</u> |
| Total capital assets (net) | \$ 17,612,927 | \$ 16,108,907 |

The change in capital assets before depreciation expense was \$2,340,175. Total depreciation expense for 2009 was \$836,155 resulting in a net increase of \$1,504,020. The increase to construction in progress totaling \$537,135 is attributed to the continuing work on the 20" Trunk Main and Pump Station through Esler Field. Other projects remaining in construction in progress include the sludge removal project, new handrails at the treatment plant, placement of new chemical tanks, several new lines and the engineering costs associated with same. A project to replace the piping at the treatment plant was completed at a cost of \$888,445. An additional tract of land adjoining the main office building was purchased in 2009.

Long-Term Debt

At December 31, 2009, the District had long-term debt of \$4,210,000 due to the issuance of revenue bonds in August 2005. Of this balance, \$110,000 is due within the next year. Principal payments made in 2009 totaled \$105,000. No additional debt was issued during the 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 office, Mr. Jimmy R. French, General Manager at (318) 640-1379.

Basic Financial Statements

Water Works District No. 3 of Rapides Parish
Statement of Net Assets
December 31, 2009

Exhibit A

| Assets | | |
|--|------------------|----------------------|
| Cash and cash equivalents | | \$ 164,866 |
| Accounts receivable | | |
| Water sales | 327,442 | |
| Other | <u>95,090</u> | 422,532 |
| Interest receivable | | 1,994 |
| Inventories | | 189,713 |
| Prepaid expenses | | 92,235 |
| Restricted assets | | |
| Restricted cash and cash equivalents | 393,911 | |
| Restricted certificates of deposit | <u>3,250,000</u> | 3,643,911 |
| Bond issuance cost, net of amortization | | 49,086 |
| Capital assets, net of depreciation | | |
| Nondepreciable | | |
| Construction in progress | 830,902 | |
| Land and improvements | 370,369 | |
| Depreciable | | |
| Plant and equipment | 7,998,284 | |
| Buildings and improvements | 308,395 | |
| Vehicles | 234,347 | |
| Furniture, fixtures, and equipment | 5,959 | |
| Infrastructure | <u>7,864,671</u> | 17,612,927 |
| Total Assets | | <u>22,177,264</u> |
| Liabilities | | |
| Accounts payable | | 114,853 |
| Contracts payable | | 428,049 |
| Accrued expenses | | 39,638 |
| Short-term compensated absences | | 10,888 |
| Bond interest payable | | 75,816 |
| Restricted liabilities, payable from restricted assets | | |
| Customers' meter deposits | | 403,204 |
| Long-term liabilities | | |
| Due within one year | 110,000 | |
| Due in more than one year | <u>4,100,000</u> | 4,210,000 |
| Total Liabilities | | <u>5,282,448</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | | 15,068,096 |
| Restricted for | | |
| Debt service | 524,628 | |
| Contingencies | <u>784,693</u> | 1,309,321 |
| Unrestricted | | <u>517,399</u> |
| Total Net Assets | | <u>\$ 16,894,816</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 Assets
Year Ended December 31, 2009

Exhibit B

Operating Revenues

| | |
|--------------------------|------------------|
| Water sales | \$ 3,534,768 |
| Delinquent surcharges | 49,292 |
| Connection fees | 28,548 |
| Other operating revenues | 108,173 |
| Total Operating Revenues | <u>3,720,781</u> |

Operating Expenses

| | |
|--------------------------|------------------|
| Administration | 747,664 |
| Purification | 768,081 |
| Distribution | 741,176 |
| Meter | 111,749 |
| Production | 114,900 |
| Wells | 260,695 |
| Depreciation | 836,155 |
| Total Operating Expenses | <u>3,580,420</u> |
| Operating Income (Loss) | 140,361 |

Nonoperating Revenues (Expenses)

| | |
|--|-----------------|
| Interest and investment income | 125,787 |
| Gain (loss) on disposition of capital assets | (14,366) |
| Amortization of bond issuance cost | (2,385) |
| Interest expense | (185,404) |
| Total Nonoperating Revenues (Expenses) | <u>(76,368)</u> |

| | |
|--|-----------------------------|
| Change in Net Assets Before Capital Contributions | 63,993 |
| Contributions in Aid of Construction | <u>96,042</u> |
| Change in Net Assets | 160,035 |
| Total Net Assets - Beginning of Year | <u>16,734,781</u> |
| Total Net Assets - End of Year | <u><u>\$ 16,894,816</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, 2009

Exhibit C
Continued

Cash Flows from Operating Activities

| | |
|--|----------------|
| Receipts from customers | \$ 3,668,426 |
| Payments to suppliers for goods and services | (1,283,789) |
| Payments to employees for services and benefit costs | (1,414,693) |
| Net Cash Provided by (Used in) Operating Activities | <u>969,944</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|--|--------------------|
| Acquisition, construction, and disposal of capital assets | (2,016,021) |
| Contributions in aid of construction | 123,776 |
| Principal payments on bonds | (105,000) |
| Interest paid on bonds | (187,865) |
| Net proceeds from meter deposits | 7,151 |
| Proceeds from sale of capital assets | 9,026 |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(2,168,933)</u> |

Cash Flows from Investing Activities

| | |
|--|----------------|
| Interest received on interest-bearing deposits | 126,707 |
| Proceeds from maturities of investments | 4,075,000 |
| Purchase of investments | (3,250,000) |
| Net Cash Provided by (Used in) Investing Activities | <u>951,707</u> |

| | |
|---|-----------|
| Net Increase (Decrease) in Cash and Cash Equivalents | (247,282) |
|---|-----------|

| | |
|---|----------------|
| Cash and Cash Equivalents, Beginning of Year | <u>806,059</u> |
|---|----------------|

| | |
|---|--------------------------|
| Cash and Cash Equivalents, End of Year | <u><u>\$ 558,777</u></u> |
|---|--------------------------|

Classified As:

| | |
|-------------------|--------------------------|
| Current assets | \$ 164,866 |
| Restricted assets | 393,911 |
| Total | <u><u>\$ 558,777</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, 2009

Exhibit C
Concluded

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

| | |
|---|--------------------------|
| Operating income (loss) | \$ 140,361 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation | 836,155 |
| Bad debt expense | 6,227 |
| Changes in assets and liabilities: | |
| Accounts receivable | (52,355) |
| Inventories | (31,796) |
| Prepaid expenses | 5,898 |
| Accounts payable | 59,895 |
| Accrued expenses | 1,663 |
| Short-term compensated absences | 3,896 |
| Total Adjustments | <u>829,583</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 969,944</u> |

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

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the Water Works District No. 3 of Rapides Parish (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. GAAP includes all relevant GASB pronouncements. In the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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, Water Works District No. 3 of Rapides Parish was created by an ordinance of the Rapides Parish Police Jury on February 8, 1949. The District provides water to many individual, commercial, and municipal 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 Water Works District No. 3 of Rapides Parish 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 Water Works District No. 3 of Rapides Parish.

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

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.

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 assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents and Investments

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.

Investments of the District consist of certificates of deposit with maturities greater than three months, 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, 2009, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

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.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid expenses.

Restricted Assets

Certain proceeds are classified as restricted assets on the statement of net assets 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 Projects 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) Utility Revenue Bond and Interest Sinking funds (Sinking Funds) are used to account for debt service funds, as required by the 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 Bond Reserve funds (Bond Reserve Funds) are used to account for funds reserved solely for the purpose of paying principal and interest on bonds, as required by the water revenue bond resolution. This restricted asset was funded in full from proceeds of the bond issue.
- 5) Water Depreciation and Contingency funds (Contingency Funds) are used to care for additions, improvements, renewals, replacements, and emergency repairs necessary to properly operate the water system, as required by the water revenue bond resolution. Transfers are made monthly from the water district operating account, under a formula provided in the bond covenants.

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, approximately 6,000 water meters, connections, and hydrants are capitalized.

Water Works District No. 3 of Rapides Parish
December 31, 2009

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 \$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. However, the amount is immaterial and has not been capitalized.

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.

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.

Long-Term Liabilities

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

Net Assets

Net assets are reported as restricted when constraints placed on net asset use 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management of the Water Works District No. 3 of Rapides Parish 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.

Subsequent Events

Management had evaluated subsequent events through May 25, 2010, the date which the financial statements were available for issue.

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

2. Cash and Cash Equivalents and Investments

At December 31, 2009, the District had cash and cash equivalents (book balances) totaling \$558,777, as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|----------------|
| Petty cash and change funds | \$ 1,550 | \$ - | \$ 1,550 |
| Demand deposits | <u>163,316</u> | <u>393,911</u> | <u>557,227</u> |
| | \$ 164,866 | \$ 393,911 | \$ 558,777 |

Investments

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, 2009, the District had investments totaling \$3,250,000, as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total Book Balance</u> | <u>Market Value</u> |
|-------------------------|---------------------|-------------------|-------------------------------|-------------------------|
| Certificates of deposit | \$ - | \$ 3,250,000 | \$ 3,250,000 | \$ 3,250,000 |

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, 2009.

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, 2009, these receivables were as follows:

| | |
|-----------------------------------|----------------|
| Uncollected cycle billings | \$ 204,871 |
| Estimated services between cycles | <u>122,571</u> |
| | \$ 327,442 |

4. Inventories

| | |
|------------------------|----------------|
| Chemicals | \$ 87,049 |
| Materials and supplies | <u>102,664</u> |
| | \$ 189,713 |

5. Prepaid Expenses

Prepaid expenses totaling \$92,235 consists of prepaid insurance, service contracts, and permits.

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

6. Restricted Assets

Restricted asset activity for the year ended December 31, 2009, was as follows:

| | <u>Balance 12/31/08</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12/31/09</u> |
|-----------------------|-----------------------------|------------------|------------------|-----------------------------|
| Meter Fund | \$ 396,053 | \$ 86,879 | \$ 79,728 | \$ 403,204 |
| Capital Projects Fund | 2,696,485 | - | 700,934 | 1,995,551 |
| Sinking Fund | 122,027 | 292,488 | 292,865 | 121,650 |
| Reserve Fund | 338,813 | - | - | 338,813 |
| Contingency Fund | <u>601,502</u> | <u>183,191</u> | <u>-</u> | <u>784,693</u> |
| | \$ 4,154,880 | \$ 562,558 | \$1,073,527 | \$ 3,643,911 |

7. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

| | <u>Balance 12/31/08</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12/31/09</u> |
|--------------------------------------|-----------------------------|---------------------|-------------------|-----------------------------|
| Business-Type Activities | | | | |
| Capital assets, nondepreciable | | | | |
| Construction in progress | \$ 293,767 | \$ 1,425,580 | \$ 888,445 | \$ 830,902 |
| Land and improvements | <u>234,384</u> | <u>135,985</u> | <u>-</u> | <u>370,369</u> |
| Total capital assets, nondepreciable | <u>528,151</u> | <u>1,561,565</u> | <u>888,445</u> | <u>1,201,271</u> |
| Other capital assets | | | | |
| Plant and equipment | 13,366,835 | 983,696 | 138,718 | 14,211,813 |
| Buildings and improvements | 924,394 | 5,800 | - | 930,194 |
| Vehicles | 734,707 | 20,028 | 15,549 | 739,186 |
| Furniture, fixtures, and equipment | 188,130 | 2,637 | 9,354 | 181,413 |
| Infrastructure | <u>12,250,334</u> | <u>678,286</u> | <u>-</u> | <u>12,928,620</u> |
| Total other capital assets | 27,464,400 | 1,690,447 | 163,621 | 28,991,226 |
| Less | | | | |
| Accumulated depreciation | | | | |
| Plant and equipment | 5,865,427 | 463,428 | 115,326 | 6,213,529 |
| Buildings and improvements | 591,966 | 29,833 | - | 621,799 |
| Vehicles | 473,234 | 47,154 | 15,549 | 504,839 |
| Furniture, fixtures, and equipment | 178,790 | 6,018 | 9,354 | 175,454 |
| Infrastructure | <u>4,774,227</u> | <u>289,722</u> | <u>-</u> | <u>5,063,949</u> |
| Total accumulated depreciation | <u>11,883,644</u> | <u>836,155</u> | <u>140,229</u> | <u>12,579,570</u> |
| Other capital assets, net | <u>15,580,756</u> | <u>854,292</u> | <u>23,392</u> | <u>16,411,656</u> |
| Net Capital Assets | <u>\$ 16,108,907</u> | <u>\$ 2,415,857</u> | <u>\$ 911,837</u> | <u>\$ 17,612,927</u> |

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

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

| | |
|------------------------------------|-------------|
| Plant and equipment | 2-25 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, 2009, was \$836,155.

8. Long-Term Liabilities

Long-term liabilities consist of amounts due incident to the issuance of Water Revenue Bonds, Series 2005, totaling \$4,600,000. The interest rates on the water revenue bonds range from 4.125% - 7.000% with a maturity period of 2006 – 2030. All principal and interest requirements are funded in accordance with the terms of the Security Provisions and Protective Covenants of the Official Statement for the issue. The balance accumulated in the bond sinking account at December 31, 2009, was \$121,650. Also as prescribed by these covenants, a Water Depreciation and Contingency Fund account was established to care for additions and improvements, renewals, replacements and emergency repairs necessary to properly operate the water system.

The following changes occurred in bonds and certificates payable during the year:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|----------------------------|----------------------|-----------|--------------|-------------------|-----------------------------------|
| Revenue Bonds, Series 2005 | \$ 4,315,000 | \$ - | \$ (105,000) | \$ 4,210,000 | \$ 110,000 |

The annual requirements to amortize outstanding bonds and certificates of indebtedness are as follows:

| <u>Year Ending December 31,</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Total</u> |
|---------------------------------|-------------------------------|------------------------------|---------------------|
| 2010 | \$ 110,000 | \$ 181,959 | \$ 291,959 |
| 2011 | 120,000 | 176,184 | 296,184 |
| 2012 | 125,000 | 170,184 | 295,184 |
| 2013 | 130,000 | 163,934 | 293,934 |
| 2014 | 140,000 | 157,434 | 297,434 |
| 2015-2019 | 810,000 | 683,775 | 1,493,775 |
| 2020-2024 | 1,060,000 | 496,056 | 1,556,056 |
| 2025-2029 | 1,390,000 | 250,615 | 1,640,615 |
| 2030 | 325,000 | 13,813 | 338,813 |
| | <u>\$ 4,210,000</u> | <u>\$ 2,293,954</u> | <u>\$ 6,503,954</u> |

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

9. Net Assets

Restricted Net Assets

In accordance with the terms of the security provisions and protective covenants for the Water Revenue Bonds issued on August 1, 2005, Water Works District No. 3 of Rapides Parish has restricted the following net assets for debt service at December 31, 2009:

| | |
|--------------|----------------|
| Bond reserve | \$ 338,812 |
| Debt service | <u>185,816</u> |
| | \$ 524,628 |

Also to comply with the revenue bond covenants, the District has restricted \$784,693 of net assets for contingencies.

Unrestricted Net Assets

The change in unrestricted net assets primarily relates to the acquisition of capital assets during the year, using unrestricted funds of the District.

| | |
|----------------------------------|------------------|
| Balance, December 31, 2009 | \$ 517,399 |
| Less: Balance, December 31, 2008 | <u>1,405,800</u> |
| Increase (Decrease) | \$ (888,401) |

10. Pension Plan

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

11. Deferred Compensation Plan

The District has a tax deferred compensation plan under section 457 of the Internal Revenue Code. Under the terms of that plan, the District matches a limited portion of the employees' contribution. The District made contributions totaling \$22,870 for the year ended December 31, 2009.

12. Commitments and Contingencies

Arbitrage Interest

Management has calculated that no arbitrage interest was due as of December 31, 2009, on recent tax-exempt bond issues. The liability simply stated, is the interest earned from the investment of unspent bond proceeds that is in excess of the amount of earnings that would have been obtained had the investment rate been equal to the yield on the bonds. The rebate calculation is a cumulative calculation performed until all proceeds have been expended. In the event that a contingent liability for arbitrage interest did exist and was not eliminated over time, the District would be liable for remittance of any rebate amount to the federal government.

Water Works District No. 3 of Rapides Parish
December 31, 2009

Notes to Basic Financial Statements

Construction Contracts

The Water Works District No. 3 of Rapides Parish 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> |
|---|------------------------------|-------------------------|---------------------------|--------------------------------|
| Replace Old District Infrastructure | \$ 63,038 | \$ 41,078 | \$ - | \$ 21,960 |
| Color Removal Wells #2 and #7 | 1,000,000 | 2,455 | - | 997,545 |
| 20" Trunk Main at Esler Field | 2,500,000 | 740,323 | 428,049 | 1,759,677 |
| Filtered and Settled Solids Containment System and Dewatering and Disposal System | 820,000 | 18,729 | - | 801,271 |
| Pump Station at Esler Field | 800,000 | 34,900 | - | 765,100 |
| Chemical Tanks | 47,955 | 21,073 | - | 26,882 |
| Handrails at Plant | 13,758 | 11,043 | - | 2,715 |
| Rehabilitation of Existing Reservoirs | 34,675 | 6,898 | - | 27,777 |
| | <u>\$ 5,279,426</u> | <u>\$ 876,499</u> | <u>\$ 428,049</u> | <u>\$ 4,402,927</u> |

No further financing is required to complete these authorized projects.

Leases of Computer Equipment and Copiers

On November 12, 2008, Water Works District No. 3 of Rapides Parish entered into a lease agreement for computer hardware. The lease is for a period of thirty-six months. The lease requires monthly payments of \$669. Total lease payments made during the current year under this agreement were \$8,032.

Future minimum lease payments required as of December 31, 2009, under the terms of this lease are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2010 | \$ 8,032 |
| 2011 | 7,363 |

On March 14, 2007, Water Works District No. 3 of Rapides Parish 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 \$398 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 \$4,776.

Future minimum lease payments required as of December 31, 2009, under the terms of this lease are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2010 | \$ 1,194 |

**Water Works District No. 3 of Rapides Parish
December 31, 2009**

Notes to Basic Financial Statements

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.

At year end, the District is a party to one lawsuit which it is vigorously defending. This suit seeks damages of material amounts. While the litigation cannot be predicted with any certainty, in the opinion of management, based on advice of legal counsel, the final outcome of such litigation will not have a material adverse effect on the District's financial position.

13. 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.

No income taxes were paid during the year.

Supplemental Information

Water Works District No. 3 of Rapides Parish
Schedule of Revenues, Expenses, and Changes in
Net Assets - Budget and Actual Non-GAAP Basis
Year Ended December 31, 2009

Schedule 1

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|------------------------------|------------------------------|---|
| Operating Revenues | | | |
| Water sales | \$ 3,435,000 | \$ 3,534,768 | \$ 99,768 |
| Delinquent surcharges | 45,000 | 49,292 | 4,292 |
| Connection fees | 32,000 | 28,548 | (3,452) |
| Contributions in aid of construction | - | 96,042 | 96,042 |
| Interest and investment income | 150,000 | 125,787 | (24,213) |
| Other | 46,000 | 108,173 | 62,173 |
| Totals | <u>3,708,000</u> | <u>3,942,610</u> | <u>234,610</u> |
| Expenses (Schedule 2) | <u>6,895,250</u> | <u>5,578,362</u> | <u>1,316,888</u> |
| Expenses Over Revenues | <u><u>\$ (3,187,250)</u></u> | <u><u>\$ (1,635,752)</u></u> | <u><u>\$ 1,551,498</u></u> |

(1) The District's budget included \$3,650,000 from unrestricted net assets and unexpended bond proceeds. This appropriation resulted in a budget surplus of \$462,750.

Reconciliation of Change in Net Assets

| | |
|---|--------------------------|
| Expenses Over Revenues | \$ (1,635,752) |
| Plus: | |
| Capital additions | 2,631,942 |
| Less: | |
| Depreciation | <u>836,155</u> |
| Change in Net Assets (Exhibit B) | <u><u>\$ 160,035</u></u> |

See independent auditor's report.

Water Works District No. 3 of Rapides Parish
Schedule of Expenses - Budget and Actual
Year Ended December 31, 2009

Schedule 2

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|-----------------------------|-----------------------------|--|
| Expenses by Department | | | |
| Administration | \$ 812,000 | \$ 747,664 | \$ 64,336 |
| Purification | 904,250 | 768,081 | 136,169 |
| Distribution | 690,400 | 741,176 | (50,776) |
| Meter | 132,750 | 111,749 | 21,001 |
| Production | 180,700 | 114,900 | 65,800 |
| Wells | 315,150 | 260,695 | 54,455 |
| Interest expense | 205,000 | 185,404 | 19,596 |
| Loss on disposition of capital assets | - | 14,366 | (14,366) |
| Amortization of bond issuance costs | - | 2,385 | (2,385) |
| Capital additions | 3,655,000 | 2,631,942 | 1,023,058 |
| | <u> </u> | <u> </u> | <u> </u> |
| Totals | <u><u>\$ 6,895,250</u></u> | <u><u>\$ 5,578,362</u></u> | <u><u>\$ 1,316,888</u></u> |

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Per Diem Paid to Board Members
Year Ended December 31, 2009**

Schedule 3

| | <u>Amount</u> |
|-------------------------|-------------------------|
| Hailey, Otha O. | \$ 6,707 |
| Hollingsworth, Tommy J. | 6,707 |
| Kelly, Thurman | 6,548 |
| Malone, Calvin | 5,505 |
| Moore, Clyde | 7,178 |
| Pierce, Shelton | 5,505 |
| Ramos, Norma Kay | 5,505 |
| Sibley, Robert C. | 4,780 |
| Toney, Roger | <u>6,548</u> |
| Total | <u>\$ 54,983</u> |

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Current Water Rates
Year Ended December 31, 2009**

Schedule 4

The District currently has the following rate structures:

Residential

| | |
|------------------------|-----------------------|
| 0-2,000 gallons | \$ 11.00/month |
| 2,000 to 5,000 gallons | \$ 4.00/1,000 gallons |
| All over 5,000 gallons | \$ 3.40/1,000 gallons |

Commercial

| | |
|------------------------|-----------------------|
| 0-5,000 gallons | \$ 22.50/month |
| All over 5,000 gallons | \$ 3.40/1,000 gallons |

Governmental

| | |
|-------------------------|-----------------------|
| 0-50,000 gallons | \$ 150.00/month |
| All over 50,000 gallons | \$ 2.40/1,000 gallons |

Public Recreational Areas

| | |
|------------------------|-----------------------|
| 0-3,000 gallons | \$ 15.00/month |
| All over 3,000 gallons | \$ 3.00/1,000 gallons |

Industrial

| | |
|-------------------------|-----------------------|
| 0-50,000 gallons | \$ 150.00/month |
| All over 50,000 gallons | \$ 2.40/1,000 gallons |

Non-Profit Water Systems

| | |
|-------------------------|-----------------------|
| 0-50,000 gallons | \$ 150.00/month |
| All over 50,000 gallons | \$ 3.25/1,000 gallons |

See independent auditor's report.

Water Works District No. 3 of Rapides Parish
Schedule of Historical Income and Expenses
Year Ended December 31, 2009

Schedule 5

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues | | | | | |
| Water sales income | \$ 3,480,770 | \$ 3,451,109 | \$ 3,542,105 | \$ 3,383,854 | \$ 3,534,768 |
| Other income | 139,151 | 121,735 | 130,976 | 123,050 | 186,013 |
| Total Operating Revenues | <u>3,619,921</u> | <u>3,572,844</u> | <u>3,673,081</u> | <u>3,506,904</u> | <u>3,720,781</u> |
| Operating Expenses | | | | | |
| Administration | 677,661 | 765,244 | 724,163 | 751,892 | 747,664 |
| Purification | 769,393 | 780,885 | 820,076 | 794,164 | 768,081 |
| Distribution | 577,826 | 650,917 | 688,437 | 728,574 | 741,176 |
| Meter | 120,313 | 112,696 | 125,402 | 127,265 | 111,749 |
| Production | 236,341 | 218,556 | 226,865 | 148,894 | 114,900 |
| Wells | 165,933 | 208,866 | 282,051 | 252,240 | 260,695 |
| Total Operating Expenses | <u>2,547,467</u> | <u>2,737,164</u> | <u>2,866,994</u> | <u>2,803,029</u> | <u>2,744,265</u> |
| Net Operating Income | | | | | |
| (Before Debt Service) | 1,072,454 | 835,680 | 806,087 | 703,875 | 976,516 |
| Debt Service Requirements | | | | | |
| Bond interest expense* | 86,298 | 205,127 | 198,494 | 191,803 | 185,404 |
| Bond principal | <u>-</u> | <u>90,000</u> | <u>95,000</u> | <u>100,000</u> | <u>105,000</u> |
| Net Operating Income | | | | | |
| (Before Depreciation) | <u>\$ 986,156</u> | <u>\$ 540,553</u> | <u>\$ 512,593</u> | <u>\$ 412,072</u> | <u>\$ 686,112</u> |

* Includes accrued interest payable at year end.

See independent auditor's report.

**Other Report Required by
Government Auditing Standards
and Louisiana Governmental Audit Guide**

**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

**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**

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

We have audited the financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish, Tioga, Louisiana, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 25, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Water Works District No. 3 of Rapides Parish's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Water Works District No. 3 of Rapides Parish's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Water Works District No. 3 of Rapides Parish's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MARVIN A. JOHNSON, C.P.A.
ERNEST F. SASSER, C.P.A.
ROBERT W. DUBOIS, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JOHNSON, C.P.A.
JAMES M. BALLARD, C.P.A.
CINDY L. HOMPHERIES, C.P.A.
DEBBIE R. DUNN, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water Works District No. 3 of Rapides Parish's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Commissioners and management of Water Works District No. 3 of Rapides Parish and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne Moore & Herrington, LLP
Certified Public Accountants

May 25, 2010

Schedule of Findings

**Waterworks District No. 3 of Rapides Parish
Schedule of Findings
Year Ended December 31, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiencies identified
that are not considered to be
material weaknesses? Yes X No

Noncompliance material to financial
statements noted? Yes X No

Management's Corrective Action Plan None

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

*Memorandum of Other Comments and
Recommendations* Not applicable

Federal Awards Not applicable

Section II – Financial Statement Findings

None.