

Water Works District No. 3 of Rapides Parish

Tioga, Louisiana

December 31, 2010

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 6/22/11

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

December 31, 2010

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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 Water Works District No. 3 of Rapides Parish, Tioga, Louisiana, as of and for the year ended December 31, 2010, 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 Water Works District No. 3 of Rapides Parish as of December 31, 2010, 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 June 3, 2011, 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.

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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 on 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 financial statements as a whole. 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, 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.


Certified Public Accountants

June 3, 2011

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, 2010. 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 \$2,513,034 over 2009.
- The District's operating revenues were \$3,723,727 which were more than total operating expenditures of \$3,607,288, resulting in an operating income of \$116,439.
- Total nonoperating loss, net of nonoperating expenditures, was \$(69,833).
- Total net assets of \$19,407,850 are made up of the following:
 1. Capital assets, net of related debt, of \$15,333,322 include property and equipment, net of accumulated depreciation
 2. Restricted assets of \$1,431,804
 3. Unrestricted assets of \$2,642,724
- 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.

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.

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.

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

Management's Discussion and Analysis

Financial Analysis

The District's net assets at calendar year end were \$19,407,850. The following exhibit provides a summary of the District's net assets:

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets	\$ 4,700,125	\$ 4,564,337
Capital assets	<u>19,556,011</u>	<u>17,612,927</u>
Total assets	24,256,136	22,177,264
Liabilities:		
Current liabilities	748,286	1,072,448
Long-term liabilities	<u>4,100,000</u>	<u>4,210,000</u>
Total liabilities	\$ 4,848,286	\$ 5,282,448
Net assets:		
Invested in capital assets, net of related debt	15,333,322	15,068,096
Restricted assets	1,431,804	1,309,321
Unrestricted assets	<u>2,642,724</u>	<u>517,399</u>
Total net assets	\$ 19,407,850	\$ 16,894,816

As of December 31, 2010, net assets were restricted for debt service of \$462,222 and reserve for contingencies of \$969,582.

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

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 3,723,727	\$ 3,720,781
Nonoperating revenues	<u>63,900</u>	<u>125,787</u>
Total revenues	3,787,627	3,846,568
Depreciation and amortization expense	878,780	836,155
Other operating expenses	2,728,508	2,744,265
Interest expense	93,853	185,404
Other nonoperating expenses	<u>39,880</u>	<u>16,751</u>
Total expenses	<u>3,741,021</u>	<u>3,782,575</u>
Income (loss) before Capital Contributions	46,606	63,993
Contributions in aid of construction	2,466,428	96,042
Beginning Net Assets	<u>16,894,816</u>	<u>16,734,781</u>
Ending Net Assets	\$ 19,407,850	\$ 16,894,816

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

Management's Discussion and Analysis

The 2010 operating budget for total revenue was \$3,763,000, for expenses was \$3,156,550 (excluding depreciation and capital additions), generating an estimated net income, before depreciation and capital additions, of \$606,450. Actual amounts varied from budget by less than 1% for water revenue. Expenses came in under budget by 13%. The following exhibit displays these amounts:

	<u>Actual</u>	<u>Budget</u>
Water sales income	\$ 3,551,293	\$ 3,560,000
Other income	2,702,762	203,000
Expenses (excluding depreciation)	2,728,508	3,156,550

Contributions in aid of construction for 2010 were \$2,466,428. The District is currently involved in two capital projects which are being funded by the State of Louisiana Capital Outlay and the Federal Environmental Protection Agency. Totals funds received from these sources during the year represent 96.2% of the total capital contributions for 2010. These funds received in 2010 were for the following projects:

20" Trunk Main through Esler Field	\$ 1,847,135
Pump Station at Esler Field	525,850

The following exhibit represents a summary of the changes in cash and cash equivalents for 2010:

Operating income	\$ 116,439
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	878,780
Bad debt expense	5,602
Changes in operating assets and liabilities	<u>(45,186)</u>
Total cash provided by operations	955,635
Cash used by capital and related financing activities	(811,173)
Cash provided by investing activities	<u>413,482</u>
Net increase (decrease) in cash and cash equivalents	557,944
Cash and cash equivalents, Beginning of year	<u>558,777</u>
Cash and cash equivalents, End of year	\$ 1,116,721

Capital Assets and Debt Administration

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2010, was \$19,556,011. The following provides a summary by asset type at December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Nondepreciable assets:		
Construction in progress	\$ 3,016,968	\$ 830,902
Land	370,369	370,369
Depreciable assets:		
Plant and equipment	7,739,860	7,998,284
Buildings and improvements	295,059	308,395

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

Management's Discussion and Analysis

	<u>2010</u>	<u>2009</u>
Vehicles	217,678	234,347
Furniture, fixtures, and equipment	18,588	5,959
Infrastructure	<u>7,897,489</u>	<u>7,864,671</u>
Total capital assets (net)	\$ 19,556,011	\$ 17,612,927

The change in capital assets before depreciation expense was \$2,821,864. Total depreciation expense for 2010 was \$878,780 resulting in a net increase of \$1,943,083. The increase to construction in progress totaling \$2,186,066 is attributed to the continuing work on the 20" Trunk Main and Pump Station through Esler Field. These projects are set to be completed in 2011.

Long-Term Debt

At December 31, 2010, the District had long-term debt of \$4,100,000 due to the issuance of revenue bonds in August 2005. Of this balance, \$120,000 is due within the next year. Principal payments made in 2010 totaled \$110,000. 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, 2010

Exhibit A

Assets		
Cash and cash equivalents		\$ 1,106,685
Certificates of deposit		1,068,195
Accounts receivable		
Water sales	358,671	
Other	<u>8,229</u>	366,900
Interest receivable		2,412
Inventories		174,965
Prepaid expenses		92,425
Restricted assets		
Restricted cash and cash equivalents	10,036	
Restricted certificates of deposit	<u>1,831,805</u>	1,841,841
Bond issuance cost, net of amortization		46,702
Capital assets, net of depreciation		
Nondepreciable		
Construction in progress	3,016,968	
Land and improvements	370,369	
Depreciable		
Plant and equipment	7,739,860	
Buildings and improvements	295,059	
Vehicles	217,678	
Furniture, fixtures, and equipment	18,588	
Infrastructure	<u>7,897,489</u>	19,556,011
Total Assets		<u>24,256,136</u>
Liabilities		
Accounts payable		90,600
Contracts payable		122,689
Accrued expenses		44,508
Short-term compensated absences		7,043
Bond interest payable		73,410
Restricted liabilities, payable from restricted assets		
Customers' meter deposits		410,036
Long-term liabilities		
Due within one year	120,000	
Due in more than one year	<u>3,980,000</u>	4,100,000
Total Liabilities		<u>4,848,286</u>
Net Assets		
Invested in capital assets, net of related debt		15,333,322
Restricted for		
Debt service	462,222	
Contingencies	<u>969,582</u>	1,431,804
Unrestricted		<u>2,642,724</u>
Total Net Assets		<u>\$ 19,407,850</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, 2010

Exhibit B

Operating Revenues

Water sales	\$ 3,551,293
Delinquent surcharges	46,490
Connection fees	29,025
Other operating revenues	96,919
Total Operating Revenues	<u>3,723,727</u>

Operating Expenses

Administration	783,035
Purification	741,622
Distribution	743,604
Meter	102,825
Production	94,928
Wells	262,494
Depreciation	878,780
Total Operating Expenses	<u>3,607,288</u>

Operating Income

116,439

Nonoperating Revenues (Expenses)

Interest income	63,900
Gain (loss) on disposition of capital assets	(37,495)
Amortization of bond issuance cost	(2,385)
Interest expense	(93,853)
Total Nonoperating Revenues (Expenses)	<u>(69,833)</u>

Change in Net Assets Before Capital Contributions

46,606

Contributions in Aid of Construction

2,466,428

Change in Net Assets

2,513,034

Total Net Assets - Beginning of Year

16,894,816

Total Net Assets - End of Year

\$ 19,407,850

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, 2010

Exhibit C
Continued

Cash Flows from Operating Activities

Receipts from customers	\$ 3,687,211
Payments to suppliers for goods and services	(1,303,075)
Payments to employees for services and benefit costs	(1,428,501)
Net Cash Provided by (Used in) Operating Activities	<u>955,635</u>

Cash Flows from Capital and Related Financing Activities

Acquisition, construction, and disposal of capital assets	(3,170,331)
Contributions in aid of construction	2,552,973
Principal payments on bonds	(110,000)
Interest paid on bonds	(96,259)
Net proceeds from meter deposits	6,832
Proceeds from sale of capital assets	5,612
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(811,173)</u>

Cash Flows from Investing Activities

Interest received on interest-bearing deposits	63,482
Proceeds from maturities of investments	3,250,000
Purchase of investments	(2,900,000)
Net Cash Provided by (Used in) Investing Activities	<u>413,482</u>

Net Increase (Decrease) in Cash and Cash Equivalents	<u>557,944</u>
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Cash and Cash Equivalents, Beginning of Year	<u>558,777</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 1,116,721</u></u>
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Classified As:

Current assets	\$ 1,106,685
Restricted assets	10,036
Total	<u><u>\$ 1,116,721</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, 2010

Exhibit C
Concluded

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

Operating income	\$ 116,439
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	878,780
Bad debt expense	5,602
Changes in assets and liabilities:	
Accounts receivable	(36,516)
Inventories	14,748
Prepaid expenses	(190)
Accounts payable	(24,253)
Accrued expenses	4,870
Short-term compensated absences	(3,845)
Total Adjustments	<u>839,196</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 955,635</u>

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

**Water Works District No. 3 of Rapides Parish
December 31, 2010**

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 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 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, 2010**

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, 2010, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

**Water Works District No. 3 of Rapides Parish
December 31, 2010**

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, 2010, 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, water meters, connections, and hydrants are capitalized.

**Water Works District No. 3 of Rapides Parish
December 31, 2010**

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. Interest capitalized during the current period totaled \$85,700.

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 June 3, 2011, the date which the financial statements were available for issue.

Water Works District No. 3 of Rapides Parish
December 31, 2010

Notes to Basic Financial Statements

2. Cash and Cash Equivalents and Certificates of Deposit

At December 31, 2010, the District had cash and cash equivalents (book balances) totaling \$1,116,721, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 1,550	\$ -	\$ 1,550
Demand deposits	<u>1,105,135</u>	<u>10,036</u>	<u>1,115,171</u>
	\$ 1,106,685	\$ 10,036	\$ 1,116,721

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, 2010, the District had certificates of deposit totaling \$2,900,000, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book Balance</u>	<u>Market Value</u>
Certificates of deposit	\$ 1,068,195	\$ 1,831,805	\$ 2,900,000	\$ 2,900,000

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, 2010.

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, 2010, these receivables were as follows:

Uncollected cycle billings	\$ 230,740
Estimated services between cycles	<u>127,931</u>
	\$ 358,671

4. Inventories

Chemicals	\$ 74,831
Materials and supplies	<u>100,134</u>
	\$ 174,965

5. Prepaid Expenses

Prepaid expenses totaling \$92,425 consists of prepaid insurance, service contracts, and permits.

**Water Works District No. 3 of Rapides Parish
December 31, 2010**

Notes to Basic Financial Statements

6. Restricted Assets

Restricted asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/10</u>
Meter Fund	\$ 403,204	\$ 96,299	\$ 89,467	\$ 410,036
Capital Projects Fund	1,995,551	-	1,995,551	-
Sinking Fund	121,650	293,719	291,959	123,410
Reserve Fund	338,813	-	-	338,813
Contingency Fund	<u>784,693</u>	<u>184,889</u>	<u>-</u>	<u>969,582</u>
	<u>\$ 3,643,911</u>	<u>\$ 574,907</u>	<u>\$2,376,977</u>	<u>\$ 1,841,841</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/10</u>
Capital assets, nondepreciable				
Construction in progress	\$ 830,902	\$ 2,218,181	\$ 32,115	\$ 3,016,968
Land and improvements	<u>370,369</u>	<u>-</u>	<u>-</u>	<u>370,369</u>
Total capital assets, nondepreciable	1,201,271	2,218,181	32,115	3,387,337
Other capital assets				
Plant and equipment	14,211,813	260,912	54,626	14,418,099
Buildings and improvements	930,194	16,650	-	946,844
Vehicles	739,186	22,950	30,976	731,160
Furniture, fixtures, and equipment	181,413	17,893	-	199,306
Infrastructure	<u>12,928,620</u>	<u>401,095</u>	<u>-</u>	<u>13,329,715</u>
Total other capital assets	28,991,226	719,500	85,602	29,625,124
Less				
Accumulated depreciation				
Plant and equipment	6,213,529	476,228	11,518	6,678,239
Buildings and improvements	621,799	29,986	-	651,785
Vehicles	504,839	39,619	30,976	513,482
Furniture, fixtures, and equipment	175,454	5,264	-	180,718
Infrastructure	<u>5,063,949</u>	<u>368,277</u>	<u>-</u>	<u>5,432,226</u>
Total accumulated depreciation	<u>12,579,570</u>	<u>919,374</u>	<u>42,494</u>	<u>13,456,450</u>
Other capital assets, net	<u>16,411,656</u>	<u>(199,874)</u>	<u>43,108</u>	<u>16,168,674</u>
Net Capital Assets	<u>\$17,612,927</u>	<u>\$ 2,018,307</u>	<u>\$ 75,223</u>	<u>\$19,556,011</u>

Water Works District No. 3 of Rapides Parish
December 31, 2010

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, 2010, was \$878,780.

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, 2010, was \$123,410. 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds, Series 2005	\$ 4,210,000	\$ -	\$ (110,000)	\$ 4,100,000	\$ 120,000

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>
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	145,000	150,434	295,434
2016-2020	855,000	649,094	1,504,094
2021-2025	1,120,000	452,331	1,572,331
2026-2030	<u>1,465,000</u>	<u>192,400</u>	<u>1,657,400</u>
	\$ 4,100,000	\$ 2,111,995	\$ 6,211,995

**Water Works District No. 3 of Rapides Parish
December 31, 2010**

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, 2010:

Bond reserve	\$ 338,812
Debt service	<u>123,410</u>
	\$ 462,222

Also to comply with the revenue bond covenants, the District has restricted \$969,582 of net assets for contingencies.

Unrestricted Net Assets

The change in unrestricted net assets primarily relates to the acquisition of capital assets from contributions in aid of construction during the year, increasing unrestricted funds of the District.

Balance, December 31, 2010	\$ 2,642,724
Less: Balance, December 31, 2009	<u>517,399</u>
Increase (Decrease)	\$ 2,125,325

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. 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 \$23,921 for the year ended December 31, 2010.

12. Commitments and Contingencies

Arbitrage Interest

Management has calculated that no arbitrage interest was due as of December 31, 2010, 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, 2010**

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	4,193	-	995,807
20" Trunk Main at Esler Field	2,500,000	2,366,423	95,012	133,577
Filtered and Settled Solids Containment System and Dewatering and Disposal System	820,000	18,729	-	801,271
Pump Station at Esler Field	800,000	625,244	27,677	174,756
Rehabilitation of Existing Reservoirs	34,675	6,898	-	27,777
	<u>\$ 5,217,713</u>	<u>\$ 3,062,565</u>	<u>\$ 122,689</u>	<u>\$ 2,155,148</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, 2010, under the terms of this lease are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 7,363

On January 1, 2010, Water Works District No. 3 of Rapides Parish entered into an additional lease agreement for computer software and hardware. This lease is for a period of thirty-six months. The lease requires monthly payments of \$113. Total lease payments made during the current year under this agreement were \$1,353.

Future minimum lease payments required as of December 31, 2010, under the terms of this lease are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 1,353
2012	1,353

**Water Works District No. 3 of Rapides Parish
December 31, 2010**

Notes to Basic Financial Statements

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. Upon expiration on March 14, 2010, the copier was not purchased at fair market value. Total lease payments made during the current year under this agreement were \$796. A new lease was entered into for a digital copier on March 15, 2010 for a period of thirty-six months with a required minimum monthly lease payment of \$412. Total lease payments made during the current year under this agreement were \$4,116.

Future minimum lease payments required as of December 31, 2010, under the terms of this lease are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 4,939
2012	823

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.

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, 2010

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water sales	\$ 3,560,000	\$ 3,551,293	\$ (8,707)
Delinquent surcharges	48,000	46,490	(1,510)
Connection fees	30,000	29,025	(975)
Contributions in aid of construction	-	2,466,428	2,466,428
Interest and investment income	75,000	63,900	(11,100)
Other	50,000	96,919	46,919
Totals	<u>3,763,000</u>	<u>6,254,055</u>	<u>2,491,055</u>
Expenses (Schedule 2)	<u>5,661,550</u>	<u>5,727,212</u>	<u>(65,662)</u>
Revenues Over Expenses	<u><u>\$ (1,898,550)</u></u>	<u><u>\$ 526,843</u></u>	<u><u>\$ 2,425,393</u></u>

The District's budget included \$2,850,000 from unrestricted net assets and unexpended bond proceeds. This appropriation resulted in a budget surplus of \$951,450.

Reconciliation of Change in Net Assets

Revenues Over Expenses	\$ 526,843
Plus:	
Capital additions	2,864,971
Less:	
Depreciation	<u>878,780</u>
Change in Net Assets (Exhibit B)	<u><u>\$ 2,513,034</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, 2010

Schedule 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenses by Department			
Administration	\$ 821,500	\$ 783,035	\$ 38,465
Purification	814,250	741,622	72,628
Distribution	711,900	743,604	(31,704)
Meter	128,250	102,825	25,425
Production	158,000	94,928	63,072
Wells	317,650	262,494	55,156
Interest expense	205,000	93,853	111,147
Loss on disposition of capital assets	-	37,495	(37,495)
Amortization of bond issuance costs	-	2,385	(2,385)
Capital additions	2,505,000	2,864,971	(359,971)
Totals	<u>\$ 5,661,550</u>	<u>\$ 5,727,212</u>	<u>\$ (65,662)</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, 2010**

Schedule 3

	<u>Amount</u>
Coody, Oscar	\$ 4,403
Hailey, Otha O.	7,700
Hollingsworth, Tommy J.	7,700
Kelly, Thurman	7,085
Malone, Calvin	636
Moore, Clyde	7,070
Pierce, Shelton	6,594
Ramos, Norma Kay	5,509
Sibley, Robert C.	5,350
Toney, Roger	<u>6,615</u>
 Total	 <u><u>\$ 58,662</u></u>

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Current Water Rates
Year Ended December 31, 2010**

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, 2010**

Schedule 5

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Revenues					
Water sales income	\$ 3,451,109	\$ 3,542,105	\$ 3,383,854	\$ 3,534,768	\$ 3,551,293
Other income	121,735	130,976	123,050	186,013	172,434
Total Operating Revenues	<u>3,572,844</u>	<u>3,673,081</u>	<u>3,506,904</u>	<u>3,720,781</u>	<u>3,723,727</u>
Operating Expenses					
Administration	765,244	724,163	751,892	747,664	783,035
Purification	780,885	820,076	794,164	768,081	741,622
Distribution	650,917	688,437	728,574	741,176	743,604
Meter	112,696	125,402	127,265	111,749	102,825
Production	218,556	226,865	148,894	114,900	94,928
Wells	208,866	282,051	252,240	260,695	262,494
Total Operating Expenses	<u>2,737,164</u>	<u>2,866,994</u>	<u>2,803,029</u>	<u>2,744,265</u>	<u>2,728,508</u>
Net Operating Income (Before Debt Service)	835,680	806,087	703,875	976,516	995,219
Debt Service Requirements					
Bond interest expense*	205,127	198,494	191,803	185,404	179,553
Bond principal	<u>90,000</u>	<u>95,000</u>	<u>100,000</u>	<u>105,000</u>	<u>110,000</u>
Net Operating Income (Before Depreciation)	<u>\$ 540,553</u>	<u>\$ 512,593</u>	<u>\$ 412,072</u>	<u>\$ 686,112</u>	<u>\$ 705,666</u>

* Includes accrued interest payable at year end.

See independent auditor's report.

**Other Reports Required by
Government Auditing Standards
and OMB Circular A-133**

**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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 3, 2011. *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. JUDGE, C.P.A.
ERNEST F. SASSER, C.P.A.
ROBERT W. DVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JUDGE, C.P.A.
JAMES M. BALLARD, C.P.A.
CINDY L. HUMPHRIES, C.P.A.
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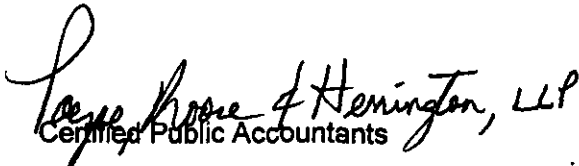
PAYNE, MOORE & HERRINGTON, LLP

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, federal awarding agencies, 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.


Certified Public Accountants

June 3, 2011

**Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control Over
Compliance in Accordance with
OMB Circular A-133**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control Over
Compliance in Accordance with
OMB Circular A-133**

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

Compliance

We have audited Water Works District No. 3 of Rapides Parish's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2010. The District's major federal program is identified in the summary of auditor's section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Water Works District No. 3 of Rapides Parish complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

MARVIN A. JONEAU, C.P.A.
ERNEST F. SASSEN, C.P.A.
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DEBORAH R. DUNN, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

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

Internal Control Over Compliance

Management of Water Works District No. 3 of Rapides Parish is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Water Works District No. 3 of Rapides Parish's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, federal awarding agencies, 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.


Certified Public Accountants

June 3, 2011

**Water Works District No. 3 of Rapides Parish
Tlaga, Louisiana
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Name	CFDA Number	Expenditures
United States Environmental Protection Agency		
Direct Assistance		
Congressionally Mandated Projects	66.202	\$ 1,113,000
Total United States Environmental Protection Agency		1,113,000
Total Expenditures of Federal Awards		<u>\$ 1,113,000</u>

Notes:

The schedule of expenditures of federal awards was prepared on the modified accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the Water Works District No. 3 of Rapides Parish's accounting policies.

No federal funds were awarded to subrecipients during the year ended December 31, 2010.

**Schedule of Findings
and Questioned Costs**

**Waterworks District No. 3 of Rapides Parish
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

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

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 financial reporting:

Material weaknesses identified?

____ Yes

 X No

Significant deficiencies identified
that are not considered to be
material weaknesses?

____ Yes

 X No

Types of auditor's report issued on compliance
with major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

____ Yes

 X No

**Waterworks District No. 3 of Rapides Parish
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010**

Identification of major program:

CFDA Numbers
66.202

Name of Federal Program or Cluster
Congressionally Mandated Projects

Auditee qualified as low-risk auditee?

☐ Yes

☒ No

Section II – Financial Statement Findings

None.