

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2011

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2011

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M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Auditor's Report

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

I have audited the accompanying financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2011, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Prairie Road Water District, as of December 31, 2011, and the changes 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*, I have also issued a report dated June 26, 2012, on my consideration of Prairie Road Water District's internal control over financial reporting and on my tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Independent Auditor's Report
December 31, 2011

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Prairie Road Water District's financial statements as a whole. The Schedule of Compensation Paid Commissioners and the Status of Prior Audit Findings presented as other supplemental information, are presented for the purpose of additional analysis and are not a required part of 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s Carleen Dumas
Calhoun, Louisiana
June 26, 2012

REQUIRED SUPPLEMENTAL INFORMATION

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

Our discussion and analysis of Prairie Road Water District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the District's financial statements that begin on page 9.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net assets
- c. Statement of revenues, expenses, and changes in net assets
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and the changes in them. Net assets - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities and capital and related financing activities.

PRAIRIE ROAD WATER DISTRICT
 Monroe, Louisiana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2011

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

The District's total net assets increased by \$138,077 primarily due to the increase in operating revenues that was the result of a water rate increase that went into effect in September 2010. Operating expenses for 2011 were approximately the same as they were in 2010. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	<u>2011</u>	<u>2010</u>
Assets		
Current assets	\$268,249	\$245,254
Restricted cash	49,772	\$42,113
Capital assets	<u>1,198,630</u>	<u>966,540</u>
Total assets	<u>1,516,651</u>	<u>1,253,907</u>
Liabilities		
Current liabilities	126,144	92,933
Long-term liabilities	<u>655,855</u>	<u>564,399</u>
Total liabilities	<u>781,999</u>	<u>657,332</u>
Net Assets		
Invested in capital assets, net of related debt	465,529	350,822
Restricted for debt service	49,772	33,013
Restricted for construction		9,100
Unrestricted	<u>219,351</u>	<u>203,640</u>
Total net assets	<u>734,652</u>	<u>596,575</u>

	BUSINESS-TYPE ACTIVITIES	
	<u>2011</u>	<u>2010</u>
Operating revenues	\$447,830	\$378,143
Operating expenses	283,278	281,751
Non-operating revenue (expenses)	(26,475)	318,498
Change in net assets	138,077	414,890
Net assets - beginning	<u>596,575</u>	<u>181,685</u>
Net assets - ending	<u>\$734,652</u>	<u>\$596,575</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011

OVERALL FINANCIAL POSITION

The District's net increase for the year was \$138,077. Unrestricted net assets (those assets available to finance the daily operations of the district) were \$219,351 at year end. The amount restricted for debt service was \$49,772 and the amount invested in capital assets, net of related debt was \$465,529 at year end.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$1,198,630. Capital assets include the water system, buildings, parking lot, vehicles, and equipment costing \$1,000 or more. During 2011, the District completed construction of its new pre-chlorination facilities at a total project cost of \$274,507. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

During the year ended December 31, 2011, the District issued certificates of indebtedness in the amount of \$165,000 to finance a portion of the cost of the new pre-chlorination facilities. At year end the District had \$733,101 in outstanding long-term debt. Interest expense for the year was \$28,326. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

Water revenues are expected to increase in 2012 due to the addition of approximately 153 customers from the Huntington Park and Prairie Ridge Park subdivisions that were transferred to the District by Greater Ouachita Water Company in November 2011. Depreciation and interest expense are expected to increase due to 2011 increases in capital assets being depreciated and long-term debt. Other operating expenses are expected to remain fairly constant during 2012.

BASIC FINANCIAL STATEMENTS

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF NET ASSETS
December 31, 2011

ASSETS

Current assets:

Cash	\$180,716
Accounts receivable - water sales (net)	65,162
Inventory	<u>22,371</u>
Total current assets	<u>268,249</u>

Noncurrent assets:

Restricted cash	49,772
Property, plant and equipment (net of accumulated depreciation)	<u>1,198,630</u>
Total noncurrent assets	<u>1,248,402</u>
Total assets	<u>1,516,651</u>

LIABILITIES

Current liabilities:

Accounts payable	12,307
Payroll taxes payable	2,759
Accrued interest payable	6,362
Current portion of long-term debt	77,246
Customer deposits	<u>27,470</u>
Total current liabilities	<u>126,144</u>

Noncurrent liabilities - long-term debt:

Revenue bonds payable	486,855
Loans payable	<u>169,000</u>
Total noncurrent liabilities	<u>655,855</u>
Total liabilities	<u>781,999</u>

NET ASSETS

Invested in capital assets, net of related debt	465,529
Restricted for debt service	49,772
Unrestricted	<u>219,351</u>
Total net assets	<u>\$734,652</u>

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Year Ended December 31, 2011

OPERATING REVENUES

Water sales	\$425,547
Connection and reconnection fees	11,675
Late charges	9,873
Other revenue	735
Total operating revenues	447,830

OPERATING EXPENSES

Accounting and audit	6,121
Automobile and truck expense	8,783
Bad debt expense	3,483
Chlorine and chemicals	11,005
Commissioners fees	4,080
Depreciation	42,417
Dues and subscriptions	1,059
Equipment rental	2,890
Insurance	7,066
Lab services	6,325
Legal fees	15,386
Repairs	1,949
Office supplies and expense	11,678
Payroll taxes	9,165
Postage	2,657
Salaries and wages	108,502
Supplies and parts	10,587
Utilities and telephone	27,350
Other operating expenses	2,775
Total operating expenses	283,278

OPERATING INCOME**NON-OPERATING REVENUE (EXPENSES)**

Police jury grant	10,319
Interest income	632
Federal grant refund	(9,100)
Interest expense	(28,326)
Total non-operating revenue (expenses)	(26,475)

CHANGE IN NET ASSETS**NET ASSETS - BEGINNING****NET ASSETS - ENDING**

The accompanying notes are an integral part of this statement.

	138,077
	596,575
	\$734,652

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$441,258
Customer deposit receipts, net	8,240
Payments to suppliers	(126,356)
Payments to employees and commissioners	(112,582)
Net cash provided by operating activities	<u>210,560</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on capital debt	(34,051)
Principal paid on capital debt	(47,617)
Proceeds from loans payable	165,000
Construction of capital assets	(274,507)
Net cash used by capital and related financing activities	<u>(191,175)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	632
Increase in restricted cash	(16,759)
Net cash used by non-capital and related financing activities	<u>(16,127)</u>

NET INCREASE IN CASH

NET INCREASE IN CASH	3,258
CASH AT BEGINNING OF YEAR	<u>177,458</u>
CASH AT END OF YEAR	<u><u>\$180,716</u></u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities	
Operating Income	<u>\$164,552</u>
Adjustments:	
Depreciation	42,417
Bad debt expense	1,527
Increase in accounts receivable	(7,982)
Increase in inventory	(2,963)
Increase in accounts payable	4,894
Decrease in taxes payable	(125)
Increase in customer deposits	8,240
Total adjustments	<u>46,008</u>
Net cash provided by operating activities	<u><u>\$210,560</u></u>

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2011

INTRODUCTION

Prairie Road Water District was created by the Ouachita Parish Police Jury on May 8, 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury to serve indefinite terms of office. Prairie Road Water District commissioners are paid \$60 for each meeting they attend. The district has four full-time employees. The district serves approximately 959 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Prairie Road Water District is considered a component unit of the Ouachita Parish Police Jury. As a component unit, the accompanying financial statements may be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net assets
3. Statement of revenues, expenses, and changes in net assets
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Prairie Road Water District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the Prairie Road Water District are water sales, connection and reconnection fees, late charges, and other miscellaneous operating revenues. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits

Cash includes amounts in interest-bearing and noninterest-bearing demand deposits. State law and the district's investment policy allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. Receivables

Receivables for water sales are shown net of an allowance for uncollectible amounts. The allowance is based on past due accounts at December 31, 2011. Customer accounts are considered past due when they are two months in arrears.

E. Inventory

Inventories consist of parts and supplies, valued at cost, using the first-in, first-out-method. Inventories are recorded using the "purchase method" whereby supplies are charged as expenses when acquired. Inventory on hand at the end of the year is reported as an asset.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

G. Restricted Assets

Amounts that are required by the revenue bonds loan resolution to be set aside in reserve accounts are classified as restricted assets on the balance sheet because their use is limited. It is the district's policy to first expend unrestricted assets when an expense is incurred for which both restricted and unrestricted assets are available.

H. Capital Assets

Capital assets, which include the water system, buildings, parking lot, vehicles, and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Prairie Road Water District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - Water system	25 years
Buildings	25 years
Parking lot	20 years
Vehicles and equipment	5 years

H. Compensated Absences

The district's full-time employees earn from 5 to 15 days of vacation leave per year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time employees earn 4 days of sick leave per year after 90 days continuous employment. Sick leave may not be accumulated. In addition, full-time employees earn 1 paid birthday per calendar year, after 90 days continuous employment.

I. Long-term Obligations

Long-term debt such as revenue bonds payable and loans payable are reported as liabilities on the statement of net assets.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

J. Estimates

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

K. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2011:

Total interest cost expensed	\$28,326
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$28,326</u>

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2011, the district has cash (book balances) as follows:

Interest bearing checking accounts	\$204,835
Non-interest bearing checking accounts	<u>25,653</u>
Total	<u>\$230,488</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2011, the Prairie Road Water District has \$230,905 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

3. ACCOUNTS RECEIVABLE

At December 31, 2011, the district has net receivables of \$65,162 as follows:

Billed water sales	\$52,842
Unbilled water sales	16,737
Allowance for uncollectible accounts	<u>(4,417)</u>
Net receivables	<u>\$65,162</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2011, is as follows:

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

	Balance at January 1, 2011	Increases	Decreases	Balance at December 31, 2011
Capital assets being depreciated:				
Water system	\$1,644,884	\$274,507		\$1,919,391
Buildings	172,753			172,753
Parking lot	20,650			20,650
Vehicles and equipment	31,696			31,696
Total capital assets being depreciated	<u>1,869,983</u>	<u>274,507</u>	<u>NONE</u>	<u>2,144,490</u>
Less accumulated depreciation for:				
Water system	822,495	33,714		856,209
Buildings	54,451	3,634		58,085
Parking lot	2,579	1,032		3,611
Vehicles and equipment	23,918	4,037		27,955
Total accumulated depreciation	<u>903,443</u>	<u>42,417</u>	<u>NONE</u>	<u>945,860</u>
Total assets being depreciated, net	<u>\$966,540</u>	<u>\$232,090</u>	<u>NONE</u>	<u>\$1,198,630</u>

Depreciation expense of \$42,417 for the year ended December 31, 2011 was reported on the statement of revenues, expenses, and changes in net assets.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions for the year ended December 31, 2011:

	Revenue Bonds	Certificate of Indebtedness	Total
Revenue bonds payable at January 1, 2011	\$570,718	\$45,000	\$615,718
Additions		165,000	165,000
Reductions	<u>(30,617)</u>	<u>(17,000)</u>	<u>(47,617)</u>
Revenue bonds payable at December 31, 2011	<u>\$540,101</u>	<u>\$193,000</u>	<u>\$733,101</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2011:

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

Current portion	\$77,246
Long-term portion	<u>655,855</u>
Total	<u>\$733,101</u>

All outstanding debt at December 31, 2011, in the amount of \$733,101 is revenue bonds payable and certificates of indebtedness with maturities from 2011 until 2049 and an interest rates from 3% to 5.625%. Loan principal and interest payable in the next fiscal year are \$77,246 and \$26,946 respectively. The individual debt is as follows:

	1972 \$325,000 Bonds	\$120,000 Certificates of Indebtedness	2009 \$512,000 Bonds	\$165,000 Certificates of Indebtedness
Original issue date	12/01/72	02/25/04	09/11/09	02/24/11
Interest rate	5.625%	3% to 5%	3.50%	4.00%
Final payment due	12/1/12	12/1/13	09/1/49	12/1/20
Interest to maturity	\$2,306	\$2,250	\$404,882	\$34,360
Principal outstanding	\$41,000	\$30,000	\$499,101	\$163,000
Funding source	Water revenue	Water revenue	Water revenue	Water revenue

The principal and interest payments are due as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2012	\$77,246	\$26,946	\$104,192
2013	31,777	23,458	55,235
2014	25,018	22,267	47,285
2015	24,268	21,577	45,845
2016	27,526	20,919	48,445
2017-2021	130,840	87,622	218,462
2022-2026	49,829	70,593	120,422
2027-2031	59,344	61,078	120,422
2032-2036	70,675	49,747	120,422
2037-2041	84,170	36,252	120,422
2042-2046	100,242	20,180	120,422
2047-2049	52,166	3,159	55,325
Total	<u>\$733,101</u>	<u>\$443,798</u>	<u>\$1,176,899</u>

**6. TRANSFER AND COLLECTION AGREEMENT WITH
GREATER OUACHITA WATER COMPANY**

On November 9, 2011, Greater Ouachita Water Company transferred the water well and water distribution system in Huntington Park and Prairie Ridge Park Subdivisions to Prairie Road Water District. As consideration for this transfer, Prairie Road Water District must maintain and operate the water systems in these subdivisions and provide water service to all customers located there. Prairie Road Water District also entered into a sewer billing and collection agreement with Greater Ouachita Water Company for the sewage system in these subdivisions. Prairie Road Water District will perform sewer billing and collection services for a one year period beginning November 15, 2011. The contract will automatically renew from year to year unless cancelled by either party upon giving the other party 120 days notice prior to the end of any one year term. Prairie Road Water District will be paid 10% of the total amount billed to the sewer customers each month.

7. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

8. CONTINGENCIES

The new charcoal filtering system completed during 2010 requires the district to purchase charcoal to be used in the filtering system. During 2010, the district purchased some charcoal that did not meet the district's specifications and the district requested that the vendor remove the charcoal from the system. The vendor requested payment in the amount of \$84,301 before they would remove the charcoal. The district was advised by their legal counsel to not pay the vendor's invoice because the product did not meet their specifications. During 2011, the vendor filed a lawsuit against the district for breach of contract and has requested \$84,301 in damages plus attorneys fees, interest, and costs. In the opinion of legal counsel for the district, the district anticipates it will be liable for a portion of the amount sued upon but not the entire amount. The district has \$82,923 set aside in its Improvement Fund in the event that the payment is required sometime in the future. No amount has not been recorded as a liability in the accompanying financial statements.

9. SUBSEQUENT EVENTS

Prairie Road Water District has evaluated subsequent events through June 26, 2012, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION SCHEDULES

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2011

COMPENSATION PAID COMMISSIONERS

The schedule of compensation paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, the commissioners receive \$60 for each regular board meeting they attend.

PRIOR AUDIT FINDINGS

The follow-up and corrective action taken on all prior audit findings is presented in Schedule 2.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

SCHEDULE OF COMPENSATION PAID COMMISSIONERS
For the Year Ended December 31, 2011

Bruce Bryan	\$900
James Johnson	600
Herbert Munholland, President	900
William Whitfield, Secretary	780
Isaac White	<u>900</u>
Total	<u>\$4,080</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2011

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2010-1	2005	Inadequate Segregation of Accounting Duties	No	See current year finding 2011-1.
2010-2	2007	Inadequate Controls Over Preparation of Annual Financial Statements	No	See current year finding 2011-2.
2010-3	2010	Need to Improve Controls Over Maintenance of Accounting Records	Partial	See current year finding 2011-3.
2010-4	2004	Need to Improve Controls Over Payroll Expenses	Partial	See current year finding 2011-4.

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Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

I have audited the financial statements of the business-type activities of Prairie Road Water District a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise Prairie Road Water District's basic financial statements and have issued my report thereon dated June 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Prairie Road Water District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Road Water District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and another deficiency that I consider to be a significant deficiency.

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BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2011

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2011-1, 2011-2, and 2011-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying schedule of findings and questioned costs as 2011-4 to be a significant deficiency.

Compliance and Other Matters

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

Prairie Road Water District's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the District's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information of the board of commissioners and management of Prairie Road Water District and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Carleen Dumas
Calhoun, Louisiana
June 26, 2012

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2011

I have audited the financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2011, which comprise the District's basic financial statements and have issued my report thereon dated June 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of and for the year ended December 31, 2011 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiency Yes No

Material Weakness Yes No

Compliance

Compliance Material to Financial Statement Yes No

Section II - Financial Statement Findings

2011-1. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The accounting duties of billing, collecting, depositing and posting customer payments to customers accounts may be performed by any of the office employees of the district. Although it was noted that more than one employee balances the cash receipts at the end of each day, all other duties may be performed by any office employee creating a situation whereby the duties are not adequately segregated.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

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Schedule of Current Year Findings and
Management's Planned Corrective Action

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.

2011-2. Inadequate Controls Over Preparation of Annual Financial Statements

Criteria: The district is required to prepare annual financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect or correct a misstatement of those financial statements.

Condition: Due to its small size, the district does not have an individual with the expertise to perform these internal control functions effectively.

Effect: Misstatements in the financial statements may not be detected within a timely period.

Recommendation: None

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.

2011-3. Need to Improve Controls Over Maintenance of Accounting Records

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that accounting records are maintained in such a manner that allow for the timely preparation of financial statements in accordance with generally accepted accounting principles.

Condition: A \$30,515 error in the Accounts Receivable balance in the general ledger at December 31, 2011 went undetected by those responsible for maintaining the accounting records. The error primarily was the result of a computer software error that resulted in errors in the report used to post to Accounts Receivable and Water Sales. This error was discovered and corrected in May 2011 but no adjustments were made to the accounting records for the errors that occurred for the months of January through April 2011.

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It was also noted that \$6,672 in receipts were posted to the general ledger Accounts Receivable balance twice and credit card payments were incorrectly posted to Accounts Receivable net of bank charges. Also, the sewer charges that were billed for the month of December were not included in the report used to post to Accounts Receivable; therefore these charges were not properly posted to the general ledger. Operating revenues as reported in the unadjusted accounting records were understated for the year due to the above undetected posting errors.

Effect: The failure to maintain accounting records in such a manner that allows for the timely preparation of financial statements in accordance with generally accepted accounting principles could result in material misstatement of the financial statements.

Recommendation: I recommend that the Accounts Receivable balance recorded in the general ledger at the end of each month be reconciled to the Accounts Receivable Trial Balance report produced by the billing software at the end of each month in order to detect any posting errors that may have been made during the month. Modifications should be made to the software that produces the report that supports the amounts posted to Accounts Receivable so that the report includes the sewer charges billed each month. Credit card payments should be posted to Accounts Receivable at the gross amount.

**Management's Planned
Corrective Action:**

The software that produces the general ledger distribution report that provides the amounts to be posted to Accounts Receivable has been modified to include sewer charges billed each month. Credit card payments will be posted to Accounts Receivable at the gross amount. The general manager will reconcile the general ledger distribution report to bank deposits, the billing register, and adjustments reports before sending the report to the outside accountant to post to the general ledger.

2011-4. Need to Improve Controls Over Payroll Expenses

Criteria: Management is responsible for establishing and adhering to internal control policies and procedures that provide reasonable assurance that all payroll computations are accurate and supported by the employee's timecard.

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Condition: For 4 of the 35 payroll checks examined (11%), the hours paid for the payroll period did not agree to the hours recorded on the employee's timecard.

Effect: The failure to adhere to internal controls over payroll expenses resulted in the overpayment and underpayment of employees.

Recommendation: Timecards should be carefully reviewed to ensure that employees are paid only for the hours worked as recorded on the timecard.

Management's Planned

Corrective Action: The outside accountant will review the timecards to ensure that the hours paid for each employee agree to the timecards.