

**PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana**

Annual Financial Statements

**As of and for the Year Ended
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 8/31/11

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2010

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Monroe, Louisiana
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M. CARLEEN DUMAS
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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, 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. 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, 2010, 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 9, 2011, 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, 2010

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 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 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 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 Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 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 9, 2011

REQUIRED SUPPLEMENTAL INFORMATION

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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, 2010. Please read it in conjunction with the District's financial statements that begin on page 10.

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, 2010

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

The District's total net assets increased by \$414,890 primarily due to the District receiving a \$341,600 federal grant to pay a portion of the cost of the charcoal filtering system that was completed during 2010. Operating revenues increased \$60,237 due to a water rate increase that went into effect in September 2010. Operating expenses decreased \$13,934 primarily due to decrease in repairs expense. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	<u>2010</u>	<u>2009</u>
Assets		
Current assets	\$245,254	\$195,458
Restricted cash	42,113	\$23,549
Capital assets	966,540	380,692
Total assets	<u>1,253,907</u>	<u>599,699</u>
Liabilities		
Current liabilities	92,933	69,014
Long-term liabilities	564,399	349,000
Total liabilities	<u>657,332</u>	<u>418,014</u>
Net Assets		
Invested in capital assets, net of related debt	350,822	(8,308)
Restricted for debt service	33,013	1,935
Restricted for construction	9,100	21,614
Unrestricted	<u>203,640</u>	<u>166,444</u>
Total net assets	<u>596,575</u>	<u>181,685</u>

	BUSINESS-TYPE ACTIVITIES	
	<u>2010</u>	<u>2009</u>
Operating revenues	\$378,143	\$317,906
Operating expenses	281,751	295,685
Non-operating revenue (expenses)	318,498	(8,446)
Change in net assets	414,890	13,775
Net assets - beginning	<u>181,685</u>	<u>167,910</u>
Net assets - ending	<u>\$596,575</u>	<u>\$181,685</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

OVERALL FINANCIAL POSITION

The District's net increase for the year was \$414,890. Unrestricted net assets (those assets available to finance the daily operations of the district) were \$203,640 at year end. The amount restricted for debt service and construction was \$42,113 and the amount invested in capital assets, net of related debt was \$350,822 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 \$966,540. Capital assets include the water system, buildings, parking lot, vehicles, and equipment costing \$1,000 or more. During 2010, the District completed construction of its new water treatment facilities. Total project costs during the year were \$620,131 and were funded by federal loan and grant funds from the United States Department of Agriculture's Water and Waste Disposal Systems for Rural Communities program. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

During the year ended December 31, 2009, the District issued water revenue bonds in the amount of \$512,000 to finance a portion of the cost of water system improvements. The bond proceeds received during 2010 were \$279,000. At year end the District had \$615,719 in outstanding long-term debt. Interest expense for the year was \$24,983. 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 2011 due to the rate increase that was implemented in September 2010. Depreciation and interest expense are expected to increase due to 2010 increases in capital assets being depreciated and long-term debt. Other operating expenses are expected to remain fairly constant during 2011. During 2011, the District also began construction on a new pre-chlorination facilities project. The District entered into a construction contract for the project in February 2011 for \$176,846. The District issued \$165,000 in certificates of indebtedness in February 2011 to help fund the cost of the project.

BASIC FINANCIAL STATEMENTS

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF NET ASSETS
December 31, 2010

ASSETS

Current assets:

Cash	\$177,458
Accounts receivable - water sales (net)	58,707
Inventory	9,089
Total current assets	245,254

Noncurrent assets:

Restricted cash	42,113
Property, plant and equipment (net of accumulated depreciation)	966,540
Total noncurrent assets	1,008,653
Total assets	1,253,907

LIABILITIES

Current liabilities:

Accounts payable	7,413
Payroll taxes payable	2,884
Accrued interest payable	12,086
Current portion of long-term debt	51,320
Customer deposits	19,230
Total current liabilities	92,933

Noncurrent liabilities - long-term debt:

Revenue bonds payable	534,399
Loans payable	30,000
Total noncurrent liabilities	564,399
Total liabilities	657,332

NET ASSETS

Invested in capital assets, net of related debt	350,822
Restricted for debt service	33,013
Restricted for construction	9,100
Unrestricted	203,640
Total net assets	\$596,575

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, 2010

OPERATING REVENUES

Water sales	\$359,489
Connection and reconnection fees	8,771
Late charges	6,303
Other revenue	3,580
Total operating revenues	<u>378,143</u>

OPERATING EXPENSES

Accounting and audit	7,675
Automobile and truck expense	7,409
Chlorine and chemicals	8,894
Commissioners fees	4,320
Depreciation	35,409
Dues and subscriptions	592
Equipment rental	2,173
Insurance	12,702
Lab services	11,125
Licenses and permits	135
Repairs	6,422
Office supplies and expense	10,548
Payroll taxes	9,995
Postage	3,406
Salaries and wages	113,847
Supplies and parts	16,202
Utilities and telephone	28,815
Other operating expenses	2,082
Total operating expenses	<u>281,751</u>

OPERATING INCOME

96,392

NON-OPERATING REVENUE (EXPENSES)

Federal grant revenue	341,600
Interest income	1,881
Interest expense	(24,983)
Total non-operating revenue (expenses)	<u>318,498</u>

CHANGE IN NET ASSETS

414,890

NET ASSETS - BEGINNING

181,685

NET ASSETS - ENDING

\$596,575

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$358,896
Customer deposit receipts, net	(1,565)
Payments to suppliers	(124,111)
Payments to employees and commissioners	<u>(118,167)</u>
Net cash provided by operating activities	<u>115,053</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on capital debt	(15,151)
Principal paid on capital debt	(52,281)
Proceeds from bond issue	279,000
Proceeds from federal grant	341,600
Purchase of capital assets	(1,127)
Construction of capital assets	<u>(620,131)</u>
Net cash used by capital and related financing activities	<u>(68,090)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,881
Increase in restricted cash	<u>(18,564)</u>
Net cash used by non-capital and related financing activities	<u>(16,683)</u>

NET INCREASE IN CASH

30,280

CASH AT BEGINNING OF YEAR147,178**CASH AT END OF YEAR**\$177,458**Reconciliation of Operating Income to Net Cash****Provided by Operating Activities**

Operating Income	<u>\$96,392</u>
Adjustments:	
Depreciation	35,409
Increase in accounts receivable	(19,246)
Increase in inventory	(269)
Increase in accounts payable	4,445
Decrease in taxes payable	(113)
Decrease in customer deposits	<u>(1,565)</u>
Total adjustments	<u>18,661</u>
Net cash provided by operating activities	<u>\$115,053</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, 2010

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 and one part-time employee. The district serves approximately 816 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.

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

**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, 2010. 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

Unexpended proceeds from federal grant received during 2010 and 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, 2010:

Total interest cost expensed	\$24,983
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$24,983</u>

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2010, the district has cash (book balances) as follows:

Interest bearing checking accounts	\$93,038
Non-interest bearing checking account	84,420
Restricted cash - debt service	3,086
Restricted cash - contingency	1,297
Restricted cash - sinking fund	23,946
Restricted cash - short lived asset	4,684
Restricted cash - construction	9,100
	<u>\$219,571</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, 2010, the Prairie Road Water District has \$231,076 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

3. ACCOUNTS RECEIVABLE

At December 31, 2010, the district has net receivables of \$58,707 as follows:

Billed water sales	\$45,629
Unbilled water sales	15,969
Allowance for uncollectible accounts	<u>(2,891)</u>
Net receivables	<u>\$58,707</u>

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2010, is as follows:

	Balance at January 1, 2010	Increases	Decreases	Balance at December 31, 2010
Capital assets not being depreciated:				
Construction in progress	\$211,486	\$620,130	(\$831,616)	NONE
Capital assets being depreciated:				
Water system	813,268	831,616		1,644,884
Buildings	172,753			172,753
Parking lot	20,650			20,650
Vehicles and equipment	30,569	1,127		31,696
Total capital assets being depreciated	<u>1,037,240</u>	<u>832,743</u>	<u>NONE</u>	<u>1,869,983</u>
Less accumulated depreciation for:				
Water system	796,655	25,840		822,495
Buildings	50,236	4,215		54,451
Parking lot	1,547	1,032		2,579
Vehicles and equipment	19,596	4,322		23,918
Total accumulated depreciation	<u>868,034</u>	<u>35,409</u>	<u>NONE</u>	<u>903,443</u>
Total assets being depreciated, net	<u>169,206</u>	<u>797,334</u>	<u>NONE</u>	<u>966,540</u>
Total assets, net	<u><u>\$380,692</u></u>	<u><u>\$1,417,464</u></u>	<u><u>(\$831,616)</u></u>	<u><u>\$966,540</u></u>

Depreciation expense of \$35,409 for the year ended December 31, 2010 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, 2010:

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

	Revenue Bonds	Certificate of Indebtedness	Total
Revenue bonds payable at January 1, 2010	\$329,000	\$60,000	\$389,000
Additions	279,000	NONE	279,000
Reductions	<u>(37,281)</u>	<u>(15,000)</u>	<u>(52,281)</u>
Revenue bonds payable at December 31, 2010	<u>\$570,719</u>	<u>\$45,000</u>	<u>\$615,719</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, 2010:

Current portion	\$51,320
Long-term portion	<u>564,399</u>
Total	<u>\$615,719</u>

All outstanding debt at December 31, 2010, in the amount of \$615,719 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 \$51,320 and \$24,009 respectively. The individual debt is as follows:

	1972 \$325,000 Bonds	\$120,000 Certificates of Indebtedness	2009 \$512,000 Bonds
Original issue date	12/01/72	02/25/04	09/11/09
Interest rate	5.625%	3% to 5%	3.500%
Final payment due	12/1/12	12/1/13	09/1/49
Interest to maturity	\$6,300	\$4,500	\$422,644
Principal outstanding	\$71,000	\$45,000	\$499,719
Funding source	Water revenue	Water revenue	Water revenue

The 1972 and 2009 Water Revenue Bonds and the 2004 Certificates of Indebtedness are due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2011	\$51,320	\$24,009	\$75,329
2012	62,544	21,346	83,890

PRAIRIE ROAD WATER DISTRICT
Notes to the Financial Statements

Year Ending December 31,	Principal Payments	Interest Payments	Total
2013	\$21,777	\$18,058	\$39,835
2014	7,018	17,066	24,084
2015	7,267	16,817	24,084
2016-2020	40,403	80,019	120,422
2021-2025	48,118	72,304	120,422
2026-2030	57,306	63,116	120,422
2031-2035	68,248	52,174	120,422
2036-2040	81,280	39,142	120,422
2041-2045	96,799	23,623	120,422
2046-2049	73,639	5,770	79,409
Total	<u>\$615,719</u>	<u>\$433,444</u>	<u>\$1,049,163</u>

6. 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.

7. 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 has requested that the vendor remove the charcoal from the system. The vendor requests payment in the amount of \$84,301 before they will remove the charcoal. The district has been advised by their legal counsel to not pay the vendor's invoice because the product did not meet their specifications. The district has set aside \$84,301 in its Improvement Fund in the event that the payment is required sometime in the future. The amount of the invoice has not been recorded as a liability in the accompanying financial statements.

8. SUBSEQUENT EVENTS

In February 2011, the district issued \$165,000 in certificates of indebtedness to fund the cost of pre-chlorination facilities that are to be constructed during 2011. A construction contract in the amount of \$176,846 was awarded to the low bidder in February 2011 in connection with the pre-chlorination project.

Prairie Road Water District has evaluated subsequent events through June 9, 2011, 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, 2010

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, 2010

Bruce Bryan	\$960
James Johnson	540
Herbert Munholland, President	1,080
William Whitfield, Secretary	1,020
Isaac White	<u>720</u>
Total	<u>\$4,320</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2010

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2009-1	2005	Inadequate Segregation of Accounting Duties	No	See current year finding 2010-1.
2009-2	2007	Inadequate Controls Over Preparation of Annual Financial Statements	No	See current year finding 2010-2.
2009-3	2004	Need to Improve Controls Over Payroll Expenses	Partial	See current year finding 2010-4.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
United States Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$633,142</u>

Note to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant and loan activity of Prairie Road Water District for the year ended December 31, 2010 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The district has two loans outstanding at December 31, 2010 with the United States Department of Agriculture totaling \$499,719.

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

**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, 2010, which collectively comprise Prairie Road Water District's basic financial statements and have issued my report thereon dated June 9, 2011. 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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PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2010

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 2010-1, 2010-2, and 2010-3 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 2010-4 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 federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas
Calhoun, Louisiana
June 9, 2011

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

**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance
In Accordance with Omb Circular A-133**

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Compliance

I have audited Prairie Road Water District'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 programs are identified in the summary of auditor's results 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 programs is the responsibility of the management of Prairie Road Water District. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the District's compliance with those requirements.

In my opinion, Prairie Road Water District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

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BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Independent Auditor's Report
on Compliance with Requirements
That Could Have Direct and Material
Effect on Major Programs and on
Internal Control, etc.,
December 31, 2010

Internal Control Over Compliance

Management of Prairie Road Water District, 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 my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the District'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.

My consideration of internal control over compliance was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The 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 federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas
Calhoun, Louisiana
June 9, 2011

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
For the Year Ended December 31, 2010

Summary of Auditor's Results

- a. The auditor's report expresses an unqualified opinion on the financial statements of Prairie Road Water District for the year ended December 31, 2010.
- b. Four control deficiencies disclosed during the audit of the financial statements are reported in the 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*. Three of these conditions are considered material weaknesses and one is considered a significant deficiency.
- c. No instances of noncompliance material to the financial statements of Prairie Road Water District were disclosed during the audit.
- d. No deficiencies in internal control over compliance with requirements that could have a direct effect on the major federal program are reported in the Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- e. The auditor's report on compliance for the major federal award program for Prairie Road Water District expresses an unqualified opinion on the major federal program.
- f. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
- g. The program tested as a major program was United States Department of Agriculture - Water and Waste Disposal Systems for Rural Communities - CFDA #10.760.
- h. The threshold for distinguishing Type A and B programs was \$633,142.
- i. Prairie Road Water District was not determined to be a low-risk auditee.

Section II - Financial Statement Findings

2010-1. 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

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.

2010-2. 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.

BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Schedule of Findings and Questioned Costs

**2010-3. 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: The following deficiencies were noted in controls over maintenance of accounting records:

1. A \$26,760 error in the Accounts Receivable balance in the general ledger at December 31, 2010 went undetected by those responsible for maintaining the accounting records. The error primarily was a result of there being an error in the software that produced the report that supported the amounts posted to Accounts Receivable. However, there were several instances of meter deposits, reconnection fees, and transfer fees being posted in error to the Accounts Receivable account. Operating revenues as reported in the unadjusted accounting records were also understated for the year due to the above undetected posting errors.
2. Prior year adjustments with a net effect on beginning net assets of \$28,083 were not posted to the general ledger resulting in a misstatement of current year balances.

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: We recommend the following with regards to improving controls over the maintenance of accounting records:

1. Modifications should be made to the software that produces the report that supports the amounts posted to Accounts Receivable so that the report contains accurate information. The Accounts Receivable balance recorded in the general ledger at the end of each month should 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.

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Monroe, Louisiana
Schedule of Findings and Questioned Costs

2. All year-end adjustments that will have an effect on the subsequent year's accounting records and financial statements should be posted to the general ledger.

**Management's Planned
Corrective Action:**

Modifications have been made to the software so that the reports contain accurate information. All year-end adjustments will be posted to the general ledger.

2010-4. 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.

Condition: For 1 of the 35 payroll checks examined (3%), the hourly rate paid for overtime hours worked by an employee did not agree to the approved hourly rate. The employee was paid an overtime rate for hours that should have been paid at the employee's regular rate of pay.

Effect: The failure to establish and adhere to internal controls over payroll expenses could result in a loss of assets from errors in calculating payroll expenses.

Recommendation: I recommend that overtime hours be paid at the rates established by the district. Timecards should be carefully reviewed to ensure that hours are corrected identified as overtime or regular pay hours.

Management's Planned

Corrective Action:

The outside CPA will review timecards to ensure that employee overtime hours are calculated correctly.

Section II - Federal Award Findings

None