

RECEIVED  
LEGISLATIVE AUDITOR

04 JUN 30 AM 11:25

**WATER WORKS DISTRICT NO. 3  
OF RAPIDES PARISH****TIOGA, LOUISIANA****DECEMBER 31, 2003**

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 State Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-28-04

**WATER WORKS DISTRICT NO. 3  
OF RAPIDES PARISH**

**DECEMBER 31, 2003**

**TABLE OF CONTENTS**

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report.....		1-3
<b>Financial Statements</b>		
Balance Sheet.....	A	3
Statement of Revenues, Expenses, and Changes in Retained Earnings.....	B	4
Statement of Cash Flows.....	C	5
Notes To Financial Statements.....		6-11
Additional Information.....		12
	<b>SCHEDULE</b>	
Comparison of Revenues and Expenses - Budget and Actual.....	1	13
Comparison of Expenses - Budget and Actual.....	2	14
Schedule of Compensation Paid to Board Members.....	3	15
Other Report Required by Government Auditing Standards And Louisiana Governmental Audit Guide.....		16
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....		17-18
Schedule of Findings and Questioned Costs.....		19-22
Management's Corrective Action Plan.....		23
Management's Schedule of Prior Year Findings.....		24

**WATER WORKS DISTRICT NO. 3  
OF RAPIDES PARISH**

**DECEMBER 31, 2000**

**TABLE OF CONTENTS**

	<b>EXHIBIT</b>	<b>PAGE</b>
Independent Auditor's Report.....		1-2
<b>Financial Statements</b>		
Balance Sheet.....	A	3
Statement of Revenues, Expenses, and Changes In Retained Earnings.....	B	4
Statement of Cash Flows.....	C	5
Notes To Financial Statements.....		6-11
Additional Information.....	12	
	<b>SCHEDULE</b>	
Comparison of Revenues and Expenses - Budget and Actual.....	1	13
Comparison of Expenses - Budget and Actual.....	2	14
Schedule of Compensation Paid to Board Members.....	3	15
Other Report Required by Government Auditing Standards And Louisiana Governmental Audit Guide.....		16
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....		17-19
Schedule of Findings and Downloaded Costs.....		20-22
Management's Corrective Action Plan.....		23
Management's Schedule of Prior Year Findings.....		24



PM&H  
DIXIE MOORE & HERRINGTON LLP

CHARTERED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying general purpose financial statements of Water Works District No. 3 of Rapides Parish, Texas, Louisiana, as of and for the year ended December 31, 2000, 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 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Water Works District No. 3 of Rapides Parish as of December 31, 2000, and the results of its operations and its cash flows 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 4, 2004, 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 and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

MOORE, MOORE, CAY  
P. HERRINGTON, CMA  
DIXIE L. MOORE, CPA

MOORE, MOORE, CAY  
DIXIE L. MOORE, CPA  
DIXIE L. MOORE, CPA

MOORE, MOORE, CAY  
DIXIE L. MOORE, CPA  
DIXIE L. MOORE, CPA



1401 Water Street • Ft. Worth, Texas • Dallas, Texas  
Tel: (817) 447-1900 • Tel: (214) 447-0001 • www.pmh.com



RYAN, MOORE & HERRINGTON, LLP

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

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information as listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Ryan, Moore & Herrington, LLP*  
Certified Public Accountants

June 4, 2004

WATERS BODYS DISTRICT NO. 1 OF HANCOCK TOWNSHIP  
 BALANCE SHEET  
 0000 ENDED 12, 2000

EXHIBIT A

ASSETS	LIABILITIES AND FUND EQUITY
<b>CURRENT ASSETS</b>	<b>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>
Cash and cash equivalents	Accounts payable
Investments	Accrued expenses
Accounts receivable	Total Current Liabilities (Payable From Current Assets)
Water sales	
Other	
Inventories	
Prepaid expenses	
Total Current Assets	
<b>RESTRICTED ASSETS</b>	<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>
Main Fund	Customer meter deposits
Cash and cash equivalents	Total Liabilities
Investments	
Total Restricted Assets	
<b>FUND ASSETS</b>	<b>EQUITY</b>
Fund assets	Contributed capital/improvements
Less - accumulated depreciation	Residual earnings - unrestricted
Total Fund Assets	Total Equity
<b>TOTAL ASSETS</b>	<b>TOTAL LIABILITIES AND FUND EQUITY</b>

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

\$ 378,500  
 2,208,200  
 25,000  
 1,368  
 272,968  
 117,278  
 88,268  
 2,042,112

\$ 48,878  
 3,212  
 65,890

10,874  
 207,888  
 218,762

18,223,404  
 8,822,221  
 27,045,625

288,528  
 288,427

4,165,828  
 8,022,121  
 12,187,949

8,121,786,221

8,121,786,221

**WATER WORKS DISTRICT NO. 3 OF RAPIDS PARK**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 2003**

**EXHIBIT B**

<b>OPERATING REVENUES</b>	
Water sales	\$ 2,814,321
Delinquent surcharges	42,980
Connection fees	28,198
Other	<u>33,230</u>
Total Operating Revenues	2,918,729
 <b>OPERATING EXPENSES (BY DEPARTMENT)</b>	
Administration	363,277
Purification	180,828
Distribution	494,808
Meter	123,545
Production	181,133
Wells	71,847
Depreciation	<u>621,358</u>
Total Operating Expenses	2,976,211
 <b>OPERATING INCOME</b>	 42,518
 <b>NONOPERATING REVENUES</b>	
Interest income	68,823
Gain on sale of fixed assets	<u>12,454</u>
 <b>NET INCOME</b>	 124,800
 <b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	 <u>8,907,214</u>
 <b>RETAINED EARNINGS, END OF YEAR</b>	 <u>\$ 9,032,014</u>

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

**WATER WORKS DISTRICT NO. 3 OF BARDESS PARISH  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2003**

**EXHIBIT C**

**OPERATING ACTIVITIES**

Operating income	\$	42,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	850,185	
Bad debt expense	3,087	
Changes in operating assets and liabilities:		
Accounts receivable	1,083	
Inventories	42,780	
Prepaid expenses	(87,075)	
Accounts payable	38,304	
Accrued expenses	(8,084)	
Customers' meter deposits	<u>13,034</u>	
Net Cash Provided by Operating Activities		<u>703,199</u>

**NONCAPITAL FINANCING ACTIVITIES**

-

**CAPITAL FINANCING ACTIVITIES**

Purchase of fixed assets and construction	(405,184)	
Proceeds from sale of fixed assets	43,892	
Contributions in aid of construction	<u>29,847</u>	
Net Cash Provided by Capital Financing Activities		<u>(331,345)</u>

**INVESTING ACTIVITIES**

Proceeds from maturities of investments	1,089,227	
Purchase of investments	(2,532,858)	
Investment income	<u>155,028</u>	
Net Cash Used in Investing Activities		<u>(1,088,583)</u>

**DECREASE IN CASH AND CASH EQUIVALENTS**

(720,648)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

1,121,308

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 390,457

**CLASSIFIED AS:**

Current Assets	\$	379,883
Restricted Assets		<u>10,574</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>390,457</u></b>

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



**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
DECEMBER 31, 2003**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Water Works District No. 3 of Rapides Parish have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 1948. The District provides water to many individual, commercial, and municipal customers primarily in Ward 10 of Rapides Parish.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the primary government are financially accountable. Some of the criteria considered under "legally separate organization" are the capacity for the organization to have its own name, the right for the organization to sue and be sued in its own name without recourse to the primary government, and the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to consider "financially accountable" include appointment of a voting majority of the organization's governing body, ability for primary government to impose its will on the organization, whether the organization has the potential to provide specific financial benefits to, or impose 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 Water Works District No. 3 of Rapides Parish are included in these financial statements.

The Water Works District No. 3 of Rapides Parish operates autonomously from the other Parish agencies. Therefore, the Water Works District No. 3 of Rapides Parish 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.

**Fund Accounting**

A fund is a separate accounting entity with a self-balancing set of accounts. The District only has one fund which is classified as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Where goods or services are provided to outside parties, such as customers receiving water, the proprietary fund is considered an enterprise fund.

WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
DECEMBER 31, 2003

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1988. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is followed by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments maturing within three months of the date acquired by the District.

Investments consist of certificates of deposit valued at cost which equals fair value.

Accounts Receivable

Amounts due from customers are recognized as bad debts as they are considered uncollectible. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid balances. In the opinion of management, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

Inventories

Inventories of pipe, fittings, and other construction materials are stated at the lower of average cost or market, primarily on a first-in, first-out basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items.

Restricted Assets

Certain proceeds related to customers' meter deposits are classified as restricted assets on the balance sheet because their use is limited by applicable laws and regulations. The meter fund is used to account for customers' meter deposits received from and returned to customers.

**WATER WORKS DISTRICT NO. 3 OF RAPIDS PARISH  
DECEMBER 31, 2003**

**NOTES TO FINANCIAL STATEMENTS**

**Fixed Assets**

Fixed assets are stated at cost when purchased and at fair market value when donated to the District. Improvements that add to the value of the asset or materially extend asset lives are capitalized.

Depreciation is computed using the straight-line method over the useful lives of capitalized assets.

**Accrued Vacation**

Vacation not used by the end of the year is carried over to the next year. A maximum of forty hours may be carried over. The amount of accrued vacation for this year is immaterial to these financial statements. Therefore, there is no liability for accrued vacation at year end.

**Contributed Capital**

Contributed capital is recorded on the balance sheet when amounts are received through capital grants or through contributions from developers and customers.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

At December 31, 2003, cash and cash equivalents consisted of the following:

	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
petty cash and change funds	\$ 1,150	\$ 1,150	\$
cash in bank	<u>389,307</u>	<u>349,999</u>	<u>39,308</u>
	\$ 390,457	\$ 351,149	\$ 39,308

**Investments**

The District may invest in United States bonds, treasury notes, or certificates of deposit at state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, an investment as stipulated in Louisiana Revised Statute 30:1271, or any other federally insured investment.

**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH**  
**DECEMBER 31, 2003**

**NOTES TO FINANCIAL STATEMENTS**

At December 31, 2003, investments consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book</u> <u>Balance</u>	<u>Market</u> <u>Value</u>
Certificates of Deposit	\$ 2,208,203	\$ 327,858	\$ 2,532,668	\$ 2,532,858

Cash and cash equivalents and investments are categorized as either (1) insured or registered for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the District's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. (In accordance with GASB 3, this category includes certificates of deposit that are collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name, although balances so collateralized meet the requirements of state law. All of the amount shown in Category 3 is collateralized by securities held by the pledging financial institution's agent, but not in the District's name.)

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Book</u>	<u>Amount On</u> <u>Books</u>
Cash and Cash Equivalents					
Cash in bank	\$ 108,000	\$ -	\$ 308,794	\$ 468,794	\$ 388,307
Investments					
Certificates of deposit	<u>108,000</u>	<u>-</u>	<u>2,432,668</u>	<u>2,532,668</u>	<u>2,532,858</u>
Totals	\$ 208,000	\$ -	\$ 2,801,662	\$3,001,662	\$ 2,922,165

**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, 2003, these receivables were as follows:

Uncollected cycle billings	\$ 170,000
Estimated services between cycles	<u>91,683</u>
	\$ 271,683

**4. PREPAID EXPENSES**

Prepaid expenses amount of \$88,258 consists of prepaid service contracts and prepaid permits.

**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
DECEMBER 31, 2022**

**NOTES TO FINANCIAL STATEMENTS**

**6. FIXED ASSETS**

A summary of fixed assets is as follows:

	Estimated Life <u>In Years</u>	<u>Amount</u>
Land		\$ 224,384
Plant, distribution, and transmission lines	5-20	14,945,289
Meters	20	403,481
Software	3	85,542
Vehicles and trailers	3-10	455,523
Furniture and fixtures	3-10	223,122
Radio equipment	5-10	35,600
Machinery and equipment	3-10	654,488
Buildings	10-40	891,481
Fencing	10-25	81,652
Total Fixed Assets		18,225,434
Less: Accumulated depreciation		8,822,752
<b>NET FIXED ASSETS</b>		<b>\$ 9,402,682</b>

Depreciation expense for the year was \$851,185.

**6. CONTRIBUTED CAPITAL**

Changes in contributed capital during the year are as follows:

Balance, beginning of year	\$ 4,136,112
Plus: Contributions from customers - Waterlines, taps, and fire hydrants	29,917
Balance, end of year	<b>\$ 4,166,029</b>

**7. PENSION PLAN**

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

**8. DEFERRED COMPENSATION PLAN**

The District has a tax-deferred compensation plan under section 457 of the Internal Revenue Code. Under the terms of that plan, the District matches a limited portion of the employees' contribution. The District made contributions totaling \$2,733 for the year 2022.

**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
DECEMBER 31, 2003**

**NOTES TO FINANCIAL STATEMENTS**

**9. NOTES TO STATEMENT OF CASH FLOWS**

There were no material noncash capital, noncapital, or financing activities or investing activities that affected recognized assets or liabilities during the year.

No interest or income taxes were paid during the year.

**10. SUBSEQUENT EVENTS**

**GASB 34 Implementation**

In June 1999, The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

- A. Management Discussion and Analysis (MD&A) section providing an analysis of the government entity's overall financial position and results of operations.
- B. Basic Financial Statements:
  - 1. Government-wide financial statements prepared using the economic resources measurement focus and the accrual basis of accounting. These statements are designed to provide a broad overview of a government entity's finances, in a manner similar to private sector business.
  - 2. Notes to the financial statements that include various disclosures for the government-wide and fund financial statements to ensure that a complete picture is presented.

The District will implement the general provisions of GASB Statement No. 34 for the fiscal year ending December 31, 2004.

## ADDITIONAL INFORMATION

**WATER WORKS DISTRICT NO. 3 OF RAPIDS PARISH  
COMPARISON OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2003**

**SCHEDULE 1**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Disadvantage)</u>
<b>REVENUES</b>			
Water sales	\$ 2,608,000	\$ 2,814,321	\$ 206,321
Delinquent penalties	58,500	42,950	15,550
Connection fees	28,500	28,749	249
Contributed capital improvements	48,500	29,817	18,683
Interest	32,500	88,824	56,324
Other	<u>24,500</u>	<u>45,704</u>	<u>21,204</u>
Totals	3,004,500	3,056,401	(51,899)
<b>EXPENSES (SCHEDULE 2)</b>	<u>4,372,955</u>	<u>2,893,308</u>	<u>1,479,647</u>
<b>REVENUES OVER EXPENSES</b>	<u>\$ (1,368,455)</u>	<u>\$ 263,103</u>	<u>\$ 1,631,557</u>

(\*) The District's budget included \$1,375,000 from prior retained earnings. This appropriation of prior retained earnings resulted in a budget surplus of \$86,500.

**RECONCILIATION OF NET INCOME**

<b>REVENUES OVER EXPENSES</b>		\$ 267,182
Plus:		
Capital additions		<u>438,183</u>
Less:		805,083
Depreciation	851,988	
Contributed capital improvements	<u>28,817</u>	<u>885,182</u>
<b>NET INCOME (SCHEDULE 3)</b>		<u>\$ 124,280</u>

See independent auditor's report.



**WATER WORKS DISTRICT NO. 3 OF BARRETS PARISH  
COMPARISON OF EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2003**

**SCHEDULE 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Disadvantage)</u>
<b>EXPENSES BY DEPARTMENT</b>			
Administration	\$ 513,400	\$ 583,071	\$ 69,671
Purification	852,866	780,826	72,039
Distribution	544,850	484,889	59,961
Meter	138,550	125,545	13,005
Production	238,910	181,122	57,788
Wells	118,600	71,847	46,753
Capital additions	<u>1,898,580</u>	<u>476,182</u>	<u>1,422,398</u>
<b>TOTALS</b>	<u>\$ 4,372,985</u>	<u>\$ 2,683,399</u>	<u>\$ 1,709,586</u>

See Independent auditor's report.

WATER WORKS DISTRICT NO. 3 OF RAPIDS PARISH  
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS  
YEAR ENDED DECEMBER 31, 2003

SCHEDULE 3

	<u>Amount</u>
Adams, Ray	\$ 4,800
Halley, Otha	4,800
Helm, Wes	4,800
Hollingsworth, Tommy J.	7,800
Kelly, Therman	4,800
Livingston, Stuart	4,800
Mason, Calvin	4,800
Taney, Roger	<u>4,375</u>
<b>TOTAL</b>	<b>\$ 48,750</b>

See independent auditor's report.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND LOUISIANA GOVERNMENTAL AIDT CODE**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**



ROYAL MOORE & BERTRANDSON, LLP

**GOVERNMENT ACCOUNTS**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING 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 Water Works District No. 3 of Rapides Parish, Topic, Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 4, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 and regulations, 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 material instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Water Works District No. 3 of Rapides Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Finding 00-01.

MOBILE OFFICE 114

SHREVEPORT OFFICE 114

MONROE OFFICE 170

11400 BAYVIEW DRIVE

SHREVEPORT, LOUISIANA 70506

MONROE, LOUISIANA 70502

PHONE 504.222.0270

MOBILE 504.222.0270

1.781.888.1144



1411 ROSS BLVD • P.O. BOX 5208 • MONROE, LA 70502-0528

TEL: 504.483.0800 • FAX: 504.483.0715 • WWW.RMBBS.COM



PAUL, MOORE & HERRINGTON, LLP

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of management of the Water Works District No. 3 of Rapides Parish and 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.

*Paul, Moore & Herrington, LLP*  
Certified Public Accountants

June 4, 2004

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2003**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<u>  </u> yes	<u>  </u> no
Reportable conditions identified that are not considered to be material weaknesses?	<u>  </u> yes	<u>  </u> none reported
Noncompliance material to financial statements noted?	<u>  </u> yes	<u>  </u> no
Management's Corrective Action Plan	Attached	
Management's Summary Schedule of Prior Audit Findings	Attached	
Memoandum of Other Comments and Recommendations	Not applicable	
Federal Awards	Not applicable	

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING 03-01 BID PROCEDURE DOCUMENTATION**

**Object:** The objectives of internal controls are to provide management with reasonable assurance that assets are safeguarded against loss, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Documentation of bid procedures is an integral internal control procedure.

**Condition:** Management was unable to locate some required documentation supporting public bid laws. The District did not have adequate controls to ensure compliance with state law.

**Effect:** Water Works District No. 3 of Rapides Parish does not have the documentation to verify the bid process was conducted properly for one project; therefore, the district is unable to verify that the process was handled according to State Law.

**Cause:** Water Works District No. 3 of Rapides Parish lacks sufficient documentation necessary to verify the bid process.



**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2000**

*Recommendation:* The auditors recommend that the documentation be maintained to provide records to verify that the proper procedures were used in acquiring new assets.

*Management's Response:* See Management's Corrective Action Plan.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No federal awards were received by the Water Works District No. 3 of Rapides Parish during the year ended December 31, 2000.

**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2003**

The General Manager for Water Works District No. 3 of Rapides Parish submits the following corrective action plan for the year ended December 31, 2003.

Independent Public Accounting Firm:

Payne, Moore & Harrington, LLP  
P.O. Box 13290  
Alexandria, LA 71315-0290  
(518) 443-1880

Auditee Contact Person:

Annette A. Williams  
Controller  
Water Works District No. 3  
of Rapides Parish  
(518) 648-1379

Audit Period: January 1, 2003 through December 31, 2003

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**MATERIAL WEAKNESSES**

**FINDING 03-01 BID PROCEDURE DOCUMENTATION**

Summary: The bid process was not documented properly during the year ended December 31, 2003 due to the lack of internal control procedures. The auditors recommend that internal control procedures be put into effect to document the bid process.

Management's Response: Bid procedures were followed, however our office is unable to locate the documentation. The District regrets this oversight and has insured that new procedures for filing such documentation be implemented. These procedures will eliminate the problem from occurring in the future.

**WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH  
MANAGEMENT'S SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2003**

**FINDING 03-01 ACCOUNTS RECEIVABLE RECONCILIATION**

**Summary:** The accounts receivable subsidiary was not reconciled to the general ledger control account during the year ended December 31, 2003 due to lack of required reports from the System's new billing software. The auditors recommended that the program be modified to provide daily and monthly general ledger posting totals for use in reconciling the accounts receivable subsidiary to the general ledger control account.

**Status:** Resolved.