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Waterworks District No. 3 of Rapides Parish

Tioga, Louisiana

December 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-24-96

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana



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**WATERWORKS DISTRICT NO. 3 OF
RAPIDES PARISH**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 3 of
Rapides Parish

We have audited the accompanying balance sheet of Waterworks District No. 3 of Rapides Parish, Tioga, Louisiana, as of December 31, 1995, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the year then ended. 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 generally accepted auditing standards and 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.

As discussed in Note 1, the financial statements present only the financial position of the Waterworks District No. 3 of Rapides Parish and the results of its operations and cash flows and are not intended to present fairly the financial position of Rapides Parish and the results of its operations and cash flows in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 3 of Rapides Parish as of December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Payne, Moore & Herrington, LLP

Board of Commissioners
Waterworks District No. 3 of
Rapides Parish

In accordance with Government Auditing Standards, we have also issued a report dated May 31, 1996 on our consideration of Waterworks District No.3 of Rapides Parish's internal control structure and a report dated May 31, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole for the year ended December 31, 1995. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Payne, Moore & Herrington, LLP

Certified Public Accountants

May 31, 1996

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
BALANCE SHEET
DECEMBER 31, 1995

EXHIBIT A

ASSETS	LIABILITIES AND FUND EQUITY
CURRENT ASSETS	CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)
Cash and cash equivalents	Accounts payable
Investments	Contracts payable
Accounts receivable:	Accrued expenses
Water sales	Other current liabilities
State of Louisiana	Total Current Liabilities Payable from
Other	Current Assets
Accrued interest receivable	CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)
Inventories	Customers' meter deposits
Prepaid expenses	Total Current Liabilities Payable from
Total Current Assets	Restricted Assets
RESTRICTED ASSETS	Total Liabilities
Meter Fund:	
Cash and cash equivalents	
Investments	
Accrued interest receivable	
Total Restricted Assets	
FIXED ASSETS	FUND EQUITY
Fixed assets	Contributed capital
Less - accumulated depreciation	Retained earnings - unreserved (Exhibit B)
Total Fixed Assets	Total Equity
TOTAL ASSETS	TOTAL LIABILITIES AND FUND EQUITY

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

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1995

EXHIBIT B

OPERATING REVENUES		
Water sales	\$1,924,147	
Delinquent surcharges	37,736	
Connection fees	24,800	
Other	<u>29,613</u>	
Total Operating Revenues		2,016,296
Less:		
OPERATING EXPENSES (BY DEPARTMENT)		
Administration	442,649	
Purification	307,495	
Distribution	416,435	
Meter	83,046	
Production	184,361	
Wells	59,748	
Depreciation	<u>414,347</u>	
Total Operating Expenses		<u>1,908,081</u>
OPERATING INCOME		108,215
Plus:		
NONOPERATING REVENUES		
Interest income	80,379	
Loss on disposal of assets	<u>(18,842)</u>	
Net Nonoperating Revenues		<u>61,537</u>
NET INCOME		169,752
Plus:		
RETAINED EARNINGS, BEGINNING OF YEAR		<u>5,999,255</u>
<u>RETAINED EARNINGS, END OF YEAR</u>		<u>\$6,169,007</u>

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

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1995

EXHIBIT C

OPERATING ACTIVITIES	
Net income	\$ 169,752
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	414,347
Loss on sale of assets	18,842
Amortization of investment premium and discount	(2,072)
Charge off of bad debts	600
Changes in operating assets and liabilities:	
Accounts receivable	(2,651)
Inventories	(24,612)
Prepaid expenses	(2,802)
Accrued interest receivable	(1,318)
Accounts payable	8,183
Accrued expenses	57
Customers' meter deposits	9,677
Other current liabilities	<u>(249)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	587,754
NONCAPITAL FINANCING ACTIVITIES	
	-0-
CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of assets	14,838
Contributed capital	<u>54,261</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	69,099
INVESTING ACTIVITIES	
Purchase of fixed assets and construction	(391,344)
Proceeds from maturities of investments	250,000
Purchase of investments	<u>(229,439)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(370,783)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	286,070
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>488,121</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 774,191</u>

ADDITIONAL REQUIRED DISCLOSURES (See Note 10)

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

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Waterworks District No. 3 of Rapides Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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, Waterworks District No. 3 of Rapides Parish was created by an ordinance of the Rapides Parish Police Jury on February 8, 1949. The District provides water to many individual, commercial, and municipal customers primarily in Ward 10 of Rapides Parish.

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

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

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

FUND ACCOUNTING

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

BASIS OF ACCOUNTING

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 includes amounts in demand deposits as well as short-term investments generally maturing within three months of the date acquired by the District.

Investments are stated at cost or amortized cost.

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, 1995, are recorded as prepaid items.

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

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.

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.

BAD DEBTS

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 balance. In the opinion of management, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

FUND EQUITY

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

The preparation of financial statements in conformity with generally accepted accounting principles 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, 1995, cash and cash equivalents consisted of the following:

	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>
Petty cash and change funds	\$ 950	\$ 950	\$ -0-
Cash in bank	505,758	448,218	57,540
Held by broker - Daily U.S. Treasury Fund	<u>267,483</u>	<u>267,483</u>	<u>-0-</u>
Totals	\$774,191	\$716,651	\$57,540

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS. At December 31, 1995, investments consisted of U.S. Treasury obligations registered in the name of the District and held by broker, carrying value \$939,718 for unrestricted and \$191,455 for restricted investments of the meter fund. The District may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, an investment as stipulated in Louisiana Revised Statute 39:1271, or any other federally insured investment.

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.)

CATEGORIES

	<u>1</u>	<u>2</u>	<u>3</u>	<u>BANK BALANCES</u>	<u>CARRYING AMOUNT ON BOOKS</u>
Cash and Cash					
Equivalents:					
Cash in bank	\$ 200,000	\$	\$327,421	\$ 527,421	\$ 505,758
Held by broker	267,483			267,483	267,483
Investments					
Held by Broker	<u>1,131,173</u>	—	—	<u>1,131,173</u>	<u>1,131,173</u>
Totals	\$1,598,656	\$-0-	\$327,421	\$1,926,077	\$1,904,414

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

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, 1995, these receivables were as follows:

Uncollected cycle billings	\$104,699
Estimated services between cycles	<u>60,053</u>
	\$164,752

4. PREPAID EXPENSES

Prepaid expenses include prepaid insurance in the amount of \$56,676. The remaining prepaid amount of \$7,182 consists of prepaid maintenance and permits.

5. FIXED ASSETS

A summary of fixed assets is as follows:

	ESTIMATED LIFE <u>IN YEARS</u>	<u>AMOUNT</u>
Land		\$ 209,384
Plant, distribution and transmission lines	5-50	11,089,440
Meters	20	288,939
Vehicles and trailers	3-10	368,436
Furniture and fixtures	3-10	151,333
Radio equipment	5-10	29,873
Machinery and equipment	3-15	334,137
Buildings	10-40	496,743
Fencing	10-25	<u>68,390</u>
Total Fixed Assets		13,036,675
Less:		
Accumulated depreciation		<u>4,895,013</u>
NET FIXED ASSETS		\$ 8,141,662

Depreciation expense for the year was \$414,347.

6. CONTRACTS PAYABLE

Included in contracts payable is an old outstanding payable which is the District's remaining share of the cost of relocating water lines on Esler Field Road. The \$261,473 is payable to the State of Louisiana Highway Department. The

**WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995**

NOTES TO FINANCIAL STATEMENTS

payable originated in 1988. No payments have been made in recent years. Amounts remaining due on other contracts at December 31, 1995, totaled \$249,275.

7. CONTRIBUTED CAPITAL

Changes in contributed capital during the year are as follows:

Balance, beginning of year	\$3,410,694
Plus:	
Contributions from customers -	
Waterlines, taps, and fire hydrants	<u>54,261</u>
Balance, end of year	\$3,464,955

8. ACCRUED VACATION AND SICK LEAVE

Any accrued vacation or sick leave accumulated for the year is terminated at December 31 of each year for all employees. Untaken sick leave days or vacation days are not carried over into the next year. Therefore, there is no liability for accrued vacation and sick leave at December 31, 1995.

9. PENSION PLAN

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

The District has a tax deferred employee savings plan. Under the terms of that plan, the District matches a limited portion of the employees' contribution. The District made contributions totaling \$10,777 for the year 1995.

10. NOTE TO STATEMENT OF CASH FLOWS

Noncash investing activities during the year consisted of construction of fixed assets financed by a \$239,256 increase in contracts payable. There were no material noncash capital or financing activities that affected recognized assets or liabilities during the year.

No interest was paid during the year.

11. CONTINGENCIES

Ronney L. Broussard previously filed a lawsuit to create a waterworks district in a portion of Grant Parish. In January, 1996, judgement was rendered dismissing this suit and ordering the plaintiff to pay the District two hundred and fifty dollars (\$250) attorney fees. The attorney for the District has advised that this matter should now be closed.

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

Mr. Broussard has filed two other suits against the District. One is for slander and the other for alleged flood damages. Both cases are being defended by the attorney for the District's liability insurer.

A customer has filed suit claiming to have become ill from drinking the District's water. This case has been turned over to the attorney for the District's liability insurer.

ADDITIONAL INFORMATION

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
 COMPARISON OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 1995

SCHEDULE 1

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
REVENUES			
Water sales	\$ 1,755,500	\$1,924,147	\$ 168,647
Delinquent surcharges	35,800	37,736	1,936
Connection fees	21,800	24,800	3,000
Contributions	50,000	54,261	4,261
Interest	33,000	80,379	47,379
Loss on disposal of assets	-0-	(18,842)	(18,842)
Other	<u>22,000</u>	<u>29,613</u>	<u>7,613</u>
Totals	1,918,100	2,132,094	213,994
EXPENSES (SCHEDULE 2)	<u>3,168,614</u>	<u>2,124,334</u>	<u>1,044,280</u>
<u>REVENUES OVER EXPENSES (DEFICIT)</u>	<u>\$(1,250,514)</u>	<u>\$ 7,760</u>	<u>\$1,258,274</u>

(1) The District's budget included \$1,302,400 from prior retained earnings. This appropriation of prior retained earnings resulted in the adoption of a balanced budget.

RECONCILIATION OF NET INCOME

REVENUES OVER EXPENSES		\$ 7,760
Plus:		
Capital additions		<u>630,600</u>
Less:		638,360
Depreciation	414,347	
Contributions	<u>54,261</u>	<u>468,608</u>
<u>NET INCOME (EXHIBIT B)</u>		<u>\$169,752</u>

See independent auditor's report.

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
 COMPARISON OF EXPENSES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 1995

SCHEDULE 2

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
EXPENSES BY DEPARTMENT			
Administration	\$ 516,654	\$ 442,649	\$ 74,005
Purification	414,700	307,495	107,205
Distribution	437,600	416,435	21,165
Meter	124,700	83,046	41,654
Production	213,660	184,361	29,299
Wells	85,000	59,748	25,252
Capital additions	<u>1,376,300</u>	<u>630,600</u>	<u>745,700</u>
<u>TOTALS</u>	<u>\$3,168,614</u>	<u>\$2,124,334</u>	<u>\$1,044,280</u>

See independent auditor's report.

WATERWORKS DISTRICT NO. 3 OF RAPIDES PARISH
 SCHEDULE OF PER DIEM PAYMENTS - BOARD MEETINGS
 YEAR ENDED DECEMBER 31, 1995

SCHEDULE 3

	<u>MEETINGS ATTENDED</u>	<u>AMOUNT</u>
Daniels, Horace C.	24	\$ 1,440
Kees, William, Jr.	20	1,200
Lofton, Matt D.	24	1,440
Malone, Larry O.	16	960
Price, Willie Ray	24	1,440
Smith, Roy L.	24	1,440
White, Ezra D.	23	1,380
Hollingsworth, Tommy J.	22	1,320
Lindsey, Richard, Jr.	23	<u>1,380</u>
 <u>TOTAL</u>		 <u>\$12,000</u>

See independent auditor's report.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**INDEPENDENT AUDITORS'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Waterworks District No. 3 of
Rapides Parish

We have audited the financial statements of Waterworks District No. 3 of Rapides Parish, Tioga, Louisiana, for the year ended December 31, 1995, and have issued our report thereon dated May 31, 1996.

We have conducted our audit in accordance with generally accepted auditing standards and 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.

The management of the Waterworks District No. 3 of Rapides Parish is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Payne, Moore & Herrington, LLP

Board of Commissioners
Waterworks District No. 3 of
Rapides Parish

In planning and performing our audit of the financial statements of Waterworks District No. 3 of Rapides Parish, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners and management. However, this report is a matter of public record, and its distribution is not limited.

Payne, Moore & Herrington, LLP

Certified Public Accountants

May 31, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Payne, Moore & Herrington, LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL
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GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Waterworks District No. 3 of
Rapides Parish

We have audited the financial statements of Waterworks District No. 3 of Rapides Parish, Tioga, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District No. 3 of Rapides Parish is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners and management. However, this report is a matter of public record, and its distribution is not limited.

Payne, Moore & Herrington, LLP

Certified Public Accountants

May 31, 1996