

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Financial Report

June 30, 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 2/25/11

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carier, CPA*
Arthur R. Mixon, CPA*

Tynes E. Meon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Ponny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Gaddy, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucat, CPA
Cheryl L. Bartley, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr. CPA
Wanda F. Arcemont, CPA, CVA
Krislin B. Dauzat, CPA
Richard R. Anderson Sr., CPA
Carolyn C. Anderson, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

OFFICES

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

408 West Cotton Street
Ville Platte, LA 70656
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

621 Main Street
Pineville, LA 71360
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Coteau Water System, Inc.
New Iberia, Louisiana

We have audited the accompanying statements of financial position of the Coteau Water System, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Coteau Water System, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of the Coteau Water System, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 December 16, 2010, on our consideration of Coteau Water System Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2010

Member of:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Member of:
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statements of Financial Position
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 36,165
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities (payable from current assets):		
Interest payable	\$ -	\$ 2,792
Waterworks District Three	-	35,290
Total current liabilities	-	38,082
Long-term liabilities:		
Notes payable	-	1,487,514
Total liabilities	-	1,525,596
Net assets (deficit):		
Unrestricted	-	(1,489,431)
Total liabilities and net assets	\$ -	\$ 36,165

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statement of Activities
Year Ended June 30, 2010

Revenues:		
Miscellaneous		\$ 341
Expenses:		
Legal and professional fees		<u>6,565</u>
Operating loss		(6,224)
Nonoperating revenues (expenses):		
Transfer from Waterworks District No. 3		1,545,162
Interest expense		<u>(49,507)</u>
Total nonoperating expenses		<u>1,495,655</u>
Change in net assets		1,489,431
Net assets (deficit), beginning of year		<u>(1,489,431)</u>
Net assets, end of year		<u>\$ -</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statement of Activities
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Service and delinquent charges	\$ 317,759	\$ -	\$ 317,759
Connection and reconnection fees	25,670	-	25,670
Waterworks District No. 3	257,098	-	257,098
Interest income	8,231	-	8,231
Miscellaneous	2,253	-	2,253
Net assets released from restrictions:			
Expiration of time restrictions	521,490	(521,490)	-
Total revenues	<u>1,132,501</u>	<u>(521,490)</u>	<u>611,011</u>
Expenses:			
Bad debts	3,436	-	3,436
Chemicals	29,978	-	29,978
Connection fees	15,922	-	15,922
Consultants	4,403	-	4,403
Depreciation	56,929	-	56,929
Employee benefits	2,053	-	2,053
Insurance	23,397	-	23,397
Interest	65,129	-	65,129
Legal and professional fees	16,980	-	16,980
Line location	570	-	570
Meter reading	9,440	-	9,440
Advertising and publication cost	386	-	386
Office supplies	7,664	-	7,664
Repairs and maintenance	58,289	-	58,289
Salaries	66,325	-	66,325
Taxes	3,596	-	3,596
Miscellaneous	2,418	-	2,418
Utilities	26,785	-	26,785
Total expenses	<u>393,700</u>	<u>-</u>	<u>393,700</u>
Change in net assets	<u>738,801</u>	<u>(521,490)</u>	<u>217,311</u>
Net assets, beginning of year	<u>1,291,223</u>	<u>521,490</u>	<u>1,812,713</u>
Capital contribution	<u>(3,519,455)</u>	<u>-</u>	<u>(3,519,455)</u>
Net assets (deficit), end of year	<u>\$(1,489,431)</u>	<u>\$ -</u>	<u>\$(1,489,431)</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ -	\$ 470,114
Interest received	-	8,231
Cash transferred from (to) Waterworks District No. 3	(35,290)	257,098
Other receipts	341	2,253
Cash paid to suppliers	(6,565)	(205,627)
Cash paid to employees	-	(66,325)
Interest paid on debt	-	(112,395)
Net cash (used) provided by operating activities	(41,514)	353,349
Cash flows from investing activities:		
Net decrease in certificates of deposits	-	(84,847)
Cash flows from financing activities:		
Cash transferred in from Waterworks District No. 3 for debt payment	1,545,162	831,969
Cash transferred to Waterworks District No. 3	-	(604,366)
Principal payments on notes payable	(1,487,514)	(841,347)
Interest paid on notes payable	(52,299)	-
Increase in meter deposits	-	3,959
Net cash provided (used) by financing activities	5,349	(609,785)
Net decrease in cash and cash equivalents	(36,165)	(341,283)
Cash and cash equivalents, beginning of period	36,165	377,448
Cash and cash equivalents, end of period	\$ -	\$ 36,165

(continued)

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Statements of Cash Flows (Continued)
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (6,224)	\$ 217,311
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	56,929
Decrease in accounts receivable	-	94,831
Decrease in prepaid insurance	-	31,769
Decrease in other assets	-	881
Decrease in accounts payable	-	(31,543)
Decrease in accrued liabilities	-	(4,853)
(Decrease) increase in other liabilities	(35,290)	35,290
Decrease in interest payable	-	(47,266)
Net cash (used) provided by operating activities	<u>\$ (41,514)</u>	<u>\$ 353,349</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies

The Coteau Water System, Inc. (Corporation) is a nonprofit organization formed under laws of the State of Louisiana in 1972. The Corporation was formed to construct, maintain, and operate a water system and to provide services to individuals who acquire membership in the rural community of Iberia Parish. The Corporation is governed by a board of directors composed of six members elected by the members of the Corporation.

Effective December 1, 2008, the Corporation transferred certain assets and liabilities to the Waterworks District No. Three "Coteau". As of that date, Waterworks District No. Three "Coteau" became responsible for providing services to the corporation's members.

As of April 1, 2010, the Corporation is no longer indebted to the United States Department of Agriculture and does not have any assets or liabilities. Management is in the process of dissolving the Corporation.

The Corporation is exempt from federal income tax as an organization described in Section 501(c)(12) of the Internal Revenue Code, and the Corporation is classified as a private foundation by the Internal Revenue Service.

The following is a summary of certain significant accounting policies:

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Corporation's financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

B. Cash and Cash Equivalents

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

C. Advertising and Publication Cost

Advertising and publication cost are expensed as incurred. Advertising and publication cost was \$-0- and \$386 for the years ending June 30, 2010 and 2009, respectively.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

D. Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management.

E. Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist primarily of cash and cash equivalents.

The Corporation places its cash with high quality financial institutions. At times such amounts may be in excess of FDIC insurance limits. As of June 30, 2010, cash balances were not in excess FDIC insurance.

F. Expenses

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

G. Subsequent Event Review

Management has evaluated subsequent events through December 16, 2010, the date which the financial statements were available to be issued.

(2) Changes in Long-Term Debt

The Corporation had outstanding rural development loans with the United States Department of Agriculture ("USDA"). At June 30, 2009, there were two outstanding loans with original maturities of 40 years; interest fixed at a rate of 4.375%. Terms on the loans range from semi-annual payments of principal and interest to monthly payments of principal and interest. As part of the Act of Sale with Coteau Water System, Inc., the Waterworks District No. 3 (Coteau) agreed to transfer monthly to Coteau Water System, Inc. on or before the 10th day of each month, \$6,958 per month until the two loans owed by Coteau Water System, Inc. to USDA, Rural Development are paid off.

In March 2010, Waterworks District No. Three "Coteau" issued \$1,550,000 of Water Revenue Bonds. A portion of the bond proceeds were transferred to Coteau Water System, Inc. to fully redeem the two remaining USDA, Rural Development loans.

(3) Employee Benefit Plans

Coteau Water System, Inc. established a Simple Employee Pension ("Simple") retirement plan for its employees. The system would match the employee's contributions into the plan up to 3% of compensation. Employer match for the years ended June 30, 2010 and 2009 are \$-0- and \$2,053, respectively. There were no employees in 2010.

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(4) Board of Directors

The Board of Directors consists of six members who serve without compensation. As of June 30, 2010, board members and their service terms are as follows:

	<u>Term Expires</u>
Officers -	
Margaret Viator-President	August, 2012
Daniel Evans-Vice-President	August, 2010
Philip Monte-Secretary	August, 2012
Freddie J. Romero-Treasurer	August, 2011
Other directors -	
Russell J. Romero	August, 2012
Charles Hebert	August, 2011

(5) Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the expiration of time for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Time restrictions expired:		
Expired portion of estimated useful lives of contributed property and equipment	<u>\$ -</u>	<u>\$ 521,490</u>

COTEAU WATER SYSTEM, INC.
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(6) Capital Contribution

On December 1, 2008 the Corporation transferred certain assets and current liabilities to Waterworks District No. Three "Coteau". The cash consideration paid by the District was \$831,969. The consideration paid was equal to the payoff of four loans to USDA, Rural Development owed by Coteau Water System, Inc. The District issued \$910,000 of Water Revenue Bonds to fully redeem the loans.

The excess of the fair value of the assets over liabilities transferred as a result of the sale is recorded as a capital contribution in the Statement of Activities at June 30, 2009:

Current assets	\$ 398,061
Capital assets	3,302,725
Other assets	<u>881</u>
Total Assets	3,701,667
Less current liabilities assumed	<u>(182,212)</u>
Capital contribution	<u>\$ 3,519,455</u>

SUPPLEMENTARY INFORMATION

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
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* A Professional Accounting Corporation

OFFICES

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Lafayette, LA 70508
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Fax (337) 232-9660

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113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2857

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
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Phone (318) 253-9252
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332 West Sixth Avenue
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Phone (337) 639-4737
Fax (337) 639-4563

621 Main Street
Pineville, LA 71360
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

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

The Board of Directors
Coteau Water System, Inc.
New Iberia, Louisiana

We have audited the financial statements of Coteau Water System, Inc. (a nonprofit organization), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coteau Water System, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coteau Water System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2010

COTEAU WATER SYSTEM, INC.
 New Iberia, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
 and Corrective Action Plan
 Year Ended June 30, 2010

Fiscal Year Finding Initially	Ref. No.	Occurred	Description of Finding	Corrective	Corrective Action Planned	Name of Contact Person	Anticipated
				Action Taken			Completion Date

CURRENT YEAR (6/30/10) --

Internal Control:

There were no internal control findings required to be reported.

Compliance:

There were no compliance findings required to be reported.

PRIOR YEAR (6/30/09) --

Internal Control:

07-01(IC)	Unknown	Due to the small number of employees, the Corporation did not have adequate segregation of functions within the accounting system.	Yes
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08-01(IC)	2008	The Corporation does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	Yes
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Compliance:

There were no prior year compliance findings.