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WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana
Financial Report
Year Ended December 31, 2009

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 7/28/10

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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. Carter, CPA*
Arthur R. Nixon, CPA*

Tynes E. Nixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
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Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr. CPA
Wanda F. Arcement, CPA, CVA
Kristin 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 70586
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.KCSRPCAS.COM

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Waterworks District No. 3 (Coteau)
New Iberia, Louisiana

We have audited the accompanying financial statements of the business-type activities and major fund of Waterworks District No. 3 (District), a component unit of Iberia Parish Government, as of and for the year ended December 31, 2009, 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. 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of Waterworks District No. 3, as of December 31, 2009, and the results of its operations and the cash flows of its proprietary fund type 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 March 9, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its 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 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 important for assessing the results of our audit.

Waterworks District No. 3 has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Waterworks District No. 3. Such information, except for the portion marked "Unaudited", on which we express no opinion, 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.

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

Lafayette, Louisiana
March 9, 2010

BASIC FINANCIAL STATEMENTS

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Statement of Net Assets
December 31, 2009

ASSETS

Current assets:	
Cash	\$ 410,040
Receivables -	
Accounts receivable (net of allowance for uncollectible accounts - \$4,421)	67,544
Unbilled receivable	22,551
Grant receivable	85,803
Prepaid expenses	<u>12,459</u>
Total current assets	<u>598,397</u>
Noncurrent assets:	
Restricted assets:	
Revenue bond and interest sinking account - Interest-bearing deposits	34,766
Revenue bond reserve account - Interest-bearing deposits	2,022
Revenue bond contingency account - Interest-bearing deposits	10,025
Revenue bond reserve certificate of deposit	94,000
Revenue bond depreciation and contingency certificate of deposit	100,000
Construction account	21,332
Customer deposits - Cash	<u>191,700</u>
Total restricted assets	<u>453,845</u>
Net capital assets	<u>3,747,497</u>
Other assets	<u>881</u>
Total noncurrent assets	<u>4,202,223</u>
Total assets	<u>\$ 4,800,620</u>

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

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities - (payable from current assets)

Accounts payable	\$ 4,909
Accrued liabilities	<u>1,691</u>
Total current liabilities - (payable from current assets)	<u>6,600</u>

Current liabilities - (payable from restricted assets)

Customer deposits	192,051
Contract payable	74,101
Accrued interest payable	3,028
Revenue bonds payable	<u>57,000</u>
Total current liabilities - (payable from restricted assets)	<u>326,180</u>

Total current liabilities 332,780

Noncurrent liabilities -

Revenue bonds payable, net of unamortized bond issue cost	<u>784,464</u>
---	----------------

Total liabilities 1,117,244

Net assets:

Invested in capital assets, net of related debt	2,963,033
Restricted for debt service	202,117
Unrestricted	<u>518,226</u>
Total net assets	<u>3,683,376</u>

Total liabilities and net assets \$ 4,800,620

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009

Operating revenues:	
Charges for services -	
Water sales and fees	<u>\$ 844,299</u>
Operating expenses:	
Professional fees	18,015
Chemicals	73,499
Connection fees	51,002
Consultants	45,689
Depreciation expense	101,237
Director's travel and expense	7,170
Equipment rental	1,039
Meter reading	29,564
Bad debt expense	4,090
Security	568
Insurance expenses	54,314
Line location	1,846
Repairs and maintenance	134,087
Utilities	30,759
Salaries & related benefits	188,753
Office expenses & supplies	<u>16,122</u>
Total operating expenses	<u>757,754</u>
Operating income	<u>86,545</u>
Nonoperating revenues (expenses):	
Interest and investment income	14,402
Interest expense	(38,480)
Miscellaneous	3,142
Total nonoperating (expenses)	<u>(20,936)</u>
Income before contributions and operating transfers	65,609
Capital contributions	804,545
Transfers out	<u>(177,621)</u>
Change in net assets	692,533
Net assets, beginning	<u>2,990,843</u>
Net assets, ending	<u>\$3,683,376</u>

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

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Statement of Cash Flows
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 848,688
Payments to suppliers	(456,532)
Payments to employees	<u>(188,753)</u>
Net cash flows provided from operating activities	<u>203,403</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Interest and fiscal charges paid on revenue bonds payable	(14,584)
Cash transferred to Coteau Water System, Inc. for debt payment	(198,406)
Principal paid on bonds	(55,000)
Interest paid on bonds	(38,675)
Acquisition and construction of capital assets	(139,706)
Sale of fixed assets	475
Net increase in customer deposits	8,050
State grant	<u>429,092</u>
Net cash flows provided by capital and financing activities	<u>(8,754)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on cash and investments	<u>14,402</u>
Increase in cash and cash equivalents	209,051
Cash and cash equivalents, beginning of period	<u>654,834</u>
Cash and cash equivalents, end of period	<u>\$ 863,885</u>

(Continued)

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2009

Reconciliation of operating income to net cash	
provided by operating activities:	
Net operating income	\$ 86,545
Adjustments to reconcile operating income to net cash provided by operating activity:	
Depreciation	101,237
Accounts receivable	(8,878)
Unbilled utility receivables	3,070
Other receivables	(50,513)
Prepaid expenses	8,441
Accounts payable	(8,736)
Contracts Payable	74,101
Other liabilities	(1,864)
Net cash provided by operating activities	<u>203,403</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:	
Cash and cash equivalents, beginning of period -	
Cash - unrestricted	451,171
Cash - restricted	<u>203,663</u>
Total cash and cash equivalents	<u>654,834</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	410,040
Cash - restricted	<u>453,845</u>
Total cash and cash equivalents	<u>863,885</u>
Net increase	<u>\$ 209,051</u>

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

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Notes to the Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Waterworks District No. 3 (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for its proprietary operations.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Waterworks District No. 3, which is a component unit of Iberia Parish Government, was created September 8, 2008 under the provisions of Louisiana Revised Statutes 33:3811, and began business December 1, 2008 for the purpose of providing potable drinking water to the rural areas of Iberia Parish. The District is governed by a board of commissioners composed of six members appointed by Iberia Parish Government.

The financial information contained in these statements is only that of Waterworks District No. 3 (Coteau) and includes all funds over which the District exercises oversight responsibility. This report is comprised of a proprietary fund that is administered by the District's board of commissioners. The accompanying financial statements present information only on the proprietary fund maintained by the District and does not present information on the Iberia Parish Government and the general governmental services provided by that governmental unit.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Waterworks District No. 3 does not have governmental activities. Its operation is a business-type activity.

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The government wide and proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

E. Assets, Liabilities and Equity

Cash and interest-bearing deposits

Interest-bearing deposits 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customer's utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

Inventory

Items that are on hand at December 31, 2009 are not recorded as inventory due to immateriality. All items are expensed in the year purchased.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures and equipment	7-10 years

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

Compensated Absences

The District allows one week paid vacation after one year as a full-time employee. One day of vacation is earned for each month worked, not to exceed five days (5) during the first year of hire. In recognition of length of continuous service to the District, additional vacation time is provided to the employee based upon years of service. Vacation time may be carried over from year to year. It is recorded as an expense of the period in which paid.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District uses unrestricted assets only when restricted assets are fully depleted.

F. Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Use of Estimates

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 the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2009, the District had cash and interest-bearing deposits (book balances) totaling \$863,885, as follows:

Demand deposits	\$ 335,789
Time deposits and money market accounts	<u>528,096</u>
Total	<u>\$ 863,885</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. 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 similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) at December 31, 2009, were unsecured as follows:

Bank balances	\$ 904,870
Less: Federal deposit insurance	<u>(611,906)</u>
Unsecured	<u>\$ 292,964</u>

(3) Restricted Assets

Restricted assets were applicable to the following at December 31:

Revenue bond and interest sinking account	\$ 34,766
Revenue bond reserve account	2,022
Revenue bond contingency account	10,025
Revenue bond reserve account	94,000
Revenue bond contingency account	100,000
Construction account	21,332
Customers' deposits	<u>191,700</u>
Total restricted assets	<u>\$ 453,845</u>

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

(4) Capital Assets

A summary of changes in property, plant and equipment follows:

	Beginning Balance 1/1/2009	Increases	Decreases	Ending Balance 12/31/2009
Land	\$ 68,140	\$ -	\$ -	\$ 68,140
Distribution system	2,641,905	539,105	-	3,181,010
Water well	141,743	-	-	141,743
Buildings and equipment	394,231	14,836	-	409,067
Furniture, fixtures and equipment	14,697	14,816	-	29,513
Ground storage tank	27,496	-	-	27,496
Construction in progress	<u>14,513</u>	<u>524,592</u>	<u>539,105</u>	<u>-</u>
Total	3,302,725	1,093,349	539,105	3,856,969
Less: Accumulated depreciation	<u>(8,235)</u>	<u>(101,237)</u>	<u>-</u>	<u>(109,472)</u>
Net property; plant and equipment	<u>\$ 3,294,490</u>	<u>\$ 992,112</u>	<u>\$ 539,105</u>	<u>\$ 3,747,497</u>

On December 1, 2008 the District purchased all of the assets of Coteau Water System, Inc., a non-profit corporation. The sale was subject to two mortgages held by USDA, Rural Development. All property and equipment is pledged as collateral for USDA, Rural Development loans. See note 9 for more details. Depreciation expense for the year ended December 31, 2009 totaled \$101,237.

(5) Changes in Long-Term Debt

The following is a summary of water revenue bond transactions of the District for the year ended December 31, 2009:

Long-term debt payable at January 1	\$ 910,000
Long-term debt issued	-
Long-term debt retired and called	<u>55,000</u>
Long-term debt payable at December 31	<u>\$ 855,000</u>

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

Long-term debt payable at December 31 is composed of the following:

Water Revenue Bonds:

\$910,000 Revenue Bonds, Series 2008, due in annual installments through December 1, 2022; interest at 4.25 percent	\$ 855,000
Less: Unamortized issuance cost	<u>(13,536)</u>
Net revenue bonds payable	<u>\$ 841,464</u>

The 2008 Revenue Bonds are collateralized by a pledge of revenues derived and to be derived from operations after paying all necessary operating and maintenance expenses. Maturities of the bonds outstanding at December 31, 2009 are as follows:

December 31,	Principal	Interest	Total
2010	57,000	36,338	93,338
2011	60,000	33,915	93,915
2012	62,000	31,365	93,365
2013	65,000	28,730	93,730
2014	68,000	25,967	93,967
2015-2019	336,000	86,530	422,530
2020-2022	<u>207,000</u>	<u>17,723</u>	<u>224,723</u>
	<u>\$ 855,000</u>	<u>\$ 260,568</u>	<u>\$ 1,115,568</u>

(6) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the respective bond indentures on the water revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment. There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 10 percent of the amount to be paid into the sinking fund until the sum of \$91,000 has been accumulated. Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" equal to 5 percent of the amount to be paid into the sinking fund per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system. All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose. The Waterworks District No. 3 was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2009.

WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

(7) Risk Management

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets and errors and omissions for which the District carries commercial insurance.

(8) Compensation of Board Commissioners

The Board of Commissioners term expirations and compensation received for the year ended December 31, 2009 are as follows:

	Term Expires	Compensation
Alton Huval, President - 1/1/09 - 5/31/09	08/06/10	\$ 1,250
Margaret Viator, President - 6/1/09 - 12/31/09	08/06/12	2,275
Board commissioners:		
Daniel Evans	08/06/10	715
Philip Monte	08/06/12	780
Freddie Romero	08/06/11	720
Russell Romero	08/06/12	715
Charles Hebert	08/06/11	715
		\$ 7,170

(9) Commitment

As part of the Act of Sale with Coteau Water System, Inc., the District agreed to transfer monthly to Coteau Water System, Inc. on or before the 10th day of each month, \$6,958 per month until two loans owed by Coteau Water System, Inc. to USDA, Rural Development are paid off. Included in the operating transfers out amount is \$163,116 which represents the principal and interest for these loans. The payoff of these two loans was approximately \$1,479,324 as of December 2009. This debt is not reflected on the Statement of Net Assets of the District.

(10) Capital Contribution

Capital contributions consisted of a Facilities Planning and Control grant in the amount of \$429,092 and contributions from Coteau Water System, Inc., in the amount of \$375,453.

(11) Subsequent Event Review

The District has evaluated subsequent events through March 9, 2010, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

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CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
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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 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-8252
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

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 Commissioners
Waterworks District No. 3
New Iberia, Louisiana

We have audited the financial statements of the business-type activities and the major fund of Waterworks District No. 3 (the District), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings as item 08-1(IC), that we consider to be a significant deficiency in internal control over financial reporting. 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 charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying summary schedule of audit findings and management's corrective action plan as item 09-1(C).

The District's response to the findings identified in our audit is described in the accompanying summary schedule of audit findings and management's corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Waterworks District No. 3 and is not intended to be and should not be used by anyone other than this specified party. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

Lafayette, Louisiana
March 9, 2010

OTHER SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
December 31, 2009

Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Name of Contact Person	Anticipated Date of Completion
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CURRENT YEAR (12/31/09) --

Internal Control:

08-1(IC) 12/31/2008 The District 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.

The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Shirley Huval,
Office Manager N/A

Compliance:

09-1(C) 12/31/2009 The deposits of the District were not fully collateralized at December 31, 2009. Louisiana Revised Statute 39:1225 states that the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States. At December 31, 2009 the District had deposits in the amount of \$292,964 unsecured.

MidSouth Bank has subsequently pledged securities on behalf of the District.

Shirley Huval,
Office Manager 3/31/2010

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
December 31, 2009

Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
---	------------------------	-------------------------------	------------------------	---------------------------	--------------------------------------

PRIOR YEAR (12/31/08) --

Internal Control:

08-1(IC)	12/31/2008	The District 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.	No		
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Compliance:

08-2(C)	12/31/2008	Louisiana Revised Statute 42:1119 states that no member of the immediate family of an agency head shall be employed in his agency. Mr. Alton Huval was appointed to the Iberia Parish Waterworks District #3 (Coteau) Board and appointed Chairman. Mrs. Shirley Huval, spouse of Mr. Alton Huval, is employed by Iberia Parish Waterworks District #3 (Coteau). Even though Mrs. Shirley Huval had been employed by Coteau Water System, Inc. (a non-profit organization) since 1982 and the District #3 (Coteau) purchased the assets of the non-profit organization and all the employees of the non-profit organization became employees of the District #3 (Coteau) effective December 1, 2008, Mrs. Shirley Huval was not employed by District #3 (Coteau) at least one year prior to Mr. Alton Huval's appointment.	Yes		
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WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2009

Water meters in service -	
Residential	2,246
Commercial	77

**WATERWORKS DISTRICT NO. 3
New Iberia, Louisiana**

**Schedule of Insurance in Force
(Unaudited)
12/31/09**

<u>Insurance Agency</u>	<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration of Policy</u>
Louisiana Worker's Compensation	Worker's Compensation	\$ 100,000	12/12/2010
Dupuy-Jefferson-Waguespack	Automobile:		
	Bodily Injury	\$ 300,000	5/5/2010
	Uninsured Motorist	\$ 300,000	5/5/2010
Dupuy-Jefferson-Waguespack	Fidelity Bond (covers four employees)	\$ 200,000 per person	5/5/2010
Dupuy-Jefferson-Waguespack	Pollution Insurance	\$2,000,000	10/18/2010
Dupuy-Jefferson-Waguespack	Casualty Insurance:		
	General Liability:		
	Personal Injury	\$ 1,000,000	5/5/2010
	Products-Completed Operations	\$ 1,000,000	5/5/2010
	Fire Damage	\$ 50,000	5/5/2010
	Medical Expense	\$ 5,000	5/5/2010
	Property Damage:		
	Blanket Building & Personal Property	\$ 1,467,940	5/5/2010
	Boiler & Machine	\$600,000	5/5/2010

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Accounts Receivable Aging Schedule
(Unaudited)
December 31, 2009

Number of days -	
0-30	\$ 67,441
31-60	1,171
61-90	3,353
Over 90	-
Total	<u>\$ 71,965</u>

WATERWORKS DISTRICT NO. 3 (COTEAU)
New Iberia, Louisiana

Rate Schedule for Residential and Commercial Customers
(Unaudited)
December 31, 2009

First 2,000 gallons -	
Residential	\$ 13.00
Commercial	21.00
Every 1,000 gallons thereafter -	
Residential	3.50
Commercial	3.50