



**WATERWORKS DISTRICT NO. 3 (COTEAU)**

New Iberia, Louisiana

Financial Report

Month Ended December 31, 2008

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 7/29/09

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## 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 month ended December 31, 2008, 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, 2008, and the results of its operations and the cash flows of its proprietary fund type for the month 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 20, 2009, 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 20, 2009

## **BASIC FINANCIAL STATEMENTS**

WATERWORKS DISTRICT NO. 3 (COTEAU)

New Iberia, Louisiana

Statement of Net Assets

December 31, 2008

ASSETS

Current assets:

Cash	\$ 451,171
Receivables -	
Accounts receivable (net of allowance for uncollectible accounts - \$4,421)	58,666
Unbilled receivable	25,621
Due from Coteau Water System, Inc.	35,290
Prepaid expenses	20,900
Total current assets	<u>591,648</u>

Noncurrent assets:

Restricted assets:

Revenue bond and interest sinking account -	
Interest-bearing deposits	16,010
Revenue bond reserve account -	
Interest-bearing deposits	2,002
Revenue bond contingency account -	
Interest-bearing deposits	2,001
Customer deposits -	
Cash	183,650
Total restricted assets	<u>203,663</u>

Net capital assets	<u>3,294,490</u>
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Other assets	<u>881</u>
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Total noncurrent assets	<u>3,499,034</u>
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Total assets	<u>\$ 4,090,682</u>
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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	\$ 13,645
Accrued liabilities	<u>3,555</u>
Total current liabilities - (payable from current assets)	<u>17,200</u>
Current liabilities - (payable from restricted assets)	
Customer deposits	184,000
Accrued interest payable	3,223
Revenue bonds payable	<u>55,000</u>
Total current liabilities - (payable from restricted assets)	<u>242,223</u>
Total current liabilities	259,423
Noncurrent liabilities -	
Revenue bonds payable, net of unamortized bond issue cost	<u>840,416</u>
Total liabilities	<u>1,099,839</u>

### Net assets:

Invested in capital assets, net of related debt	2,454,074
Unrestricted	<u>536,769</u>
Total net assets	<u>2,990,843</u>
Total liabilities and net assets	<u>\$ 4,090,682</u>

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

Statement of Revenues, Expenses and Changes in Net Assets  
Month Ended December 31, 2008

Operating revenues:	
Charges for services -	
Water sales and fees	<u>\$ 74,339</u>
Operating expenses:	
Professional fees	7,762
Chemicals	17,877
Connection fees	1,400
Consultants	7,147
Depreciation expense	8,235
Meter reading	2,377
Security	502
Repairs and maintenance	2,716
Utilities	3,331
Salaries & related benefits	14,095
Office expenses & supplies	<u>1,684</u>
Total operating expenses	<u>67,126</u>
Operating income	<u>7,213</u>
Nonoperating revenues (expenses):	
Interest and investment income	1,268
Interest expense	(3,223)
Miscellaneous	<u>(1,901)</u>
Total nonoperating (expenses)	<u>(3,856)</u>
Income before contributions and operating transfers	3,357
Capital contributions	3,519,455
Transfers	<u>(531,969)</u>
Change in net assets	2,990,843
Net assets, beginning	<u>-</u>
Net assets, ending	<u>\$2,990,843</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  
Month Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 28,349
Payments to suppliers	(30,789)
Payments to employees	<u>(14,095)</u>
Net cash flows provided from operating activities	<u>(16,535)</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Proceeds from issuance of debt	910,000
Interest and fiscal charges paid on revenue bonds payable	(14,671)
Cash transferred to Coteau Water System, Inc. for debt payment	(831,969)
Net increase in customer deposits	2,375
Cash transferred from Coteau Water System, Inc.	<u>604,366</u>
Net cash flows used for capital and financing activities	<u>670,101</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on cash and investments	<u>1,268</u>
Increase in cash and cash equivalents	654,834
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 654,834</u>

(Continued)

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

Statement of Cash Flows (Continued)  
Month Ended December 31, 2008

Reconciliation of operating income to net cash  
provided by operating activities:

Net operating income	\$ 7,213
Adjustments to reconcile operating income to net cash provided by operating activity:	
Depreciation	8,235
Amortization	87
Accounts receivable	1,729
Unbilled utility receivables	(12,429)
Other receivables	(35,290)
Prepaid expenses	(2,693)
Accounts payable	13,645
Other liabilities	<u>2,968</u>
Net cash provided by operating activities	<u>(16,535)</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	-
Cash - restricted	<u>-</u>
Total cash and cash equivalents	<u>-</u>

Cash and cash equivalents, end of period -

Cash - unrestricted	451,171
Cash - restricted	<u>203,663</u>
Total cash and cash equivalents	<u>654,834</u>

Net increase	<u>\$ 654,834</u>
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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 seven 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 is maintained 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, 2008 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, 2008, the District had cash and interest-bearing deposits (book balances) totaling \$654,834, as follows:

Demand deposits	\$ 354,834
Time deposits and money market accounts	<u>300,000</u>
Total	<u>\$ 654,834</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. Iberia Parish Government's fiscal agency bank agreement states that the component units of Iberia Parish Government are included. These securities are held in the name of Iberia Parish Government or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2008, were secured as follows:

Bank balances	<u>\$ 696,740</u>
Federal deposit insurance	640,218
Pledged securities	<u>56,522</u>
	<u>\$ 696,740</u>

(3) Restricted Assets

Restricted assets were applicable to the following at December 31:

Revenue bond and interest sinking account	\$ 16,010
Revenue bond reserve account	2,002
Revenue bond contingency account	2,001
Customers' deposits	<u>183,650</u>
Total restricted assets	<u>\$ 203,663</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 12/1/2008	Increases	Decreases	Ending Balance 12/31/2008
Land	\$ -	\$ 68,140	\$ -	\$ 68,140
Distribution system	-	2,641,905	-	2,641,905
Water well	-	141,743	-	141,743
Buildings and equipment	-	394,231	-	394,231
Furniture, fixtures and equipment	-	14,697	-	14,697
Ground storage tank	-	27,496	-	27,496
Construction in progress	-	14,513	-	14,513
Total	-	3,302,725	-	3,302,725
Less: Accumulated depreciation	-	(8,235)	-	(8,235)
Net property, plant and equipment	<u>\$ -</u>	<u>\$ 3,294,490</u>	<u>\$ -</u>	<u>\$ 3,294,490</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 notes 9 and 10 for more details. Depreciation expense for the month ended December 31, 2008 totaled \$8,235.

(5) Changes in Long-Term Debt

The following is a summary of water revenue bond transactions of the District for the month ended December 31, 2008:

Long-term debt payable at December 1	\$ -
Long-term debt issued	910,000
Long-term debt retired and called	<u>-</u>
Long-term debt payable at December 31	<u>\$ 910,000</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	\$ 910,000
Less: Unamortized issuance cost	<u>(14,584)</u>
Net revenue bonds payable	<u>\$ 895,416</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, 2008 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	55,000	38,675	93,675
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
2014-2018	338,000	100,895	438,895
2019-2022	<u>273,000</u>	<u>29,325</u>	<u>302,325</u>
	<u>\$ 910,000</u>	<u>\$ 299,243</u>	<u>\$ 1,209,243</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, 2008.

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 did not receive compensation for the month ended December 31, 2008. The commissioners and their term expirations are as follows:

	<u>Term Expires</u>
Alton Huval, President	08/06/10
Board commissioners:	
Daniel Evans	08/06/10
Philip Monte	08/06/12
Freddie Romero	08/06/11
Russell Romero	08/06/12
Charles Hebert	08/06/11
Margaret Viator	08/06/12

(9) Capital Contribution

On December 1, 2008 the District purchased the assets and assumed certain current liabilities of Coteau Water System, Inc., a non-profit Louisiana Corporation. 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 received as a result of the purchase is recorded as a capital contribution in the Statement of Revenues, Expenses and Changes in Net Assets as follows:

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>

WATERWORKS DISTRICT NO. 3  
New Iberia, Louisiana

Notes to the Basic Financial Statements (Continued)

(10)    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 10<sup>th</sup> day of each month, \$6,958 per month until two loans owed by Coteau Water System, Inc. to USDA, Rural Development are paid off. The payoff of these two loans was approximately \$1,573,654 as of December 1, 2008. This debt is not reflected on the Statement of Net Assets of the District.

## **SUPPLEMENTARY INFORMATION**

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## 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 month ended December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as item 08-01 (IC) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### 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 08-2(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 20, 2009

## **OTHER SUPPLEMENTARY INFORMATION**



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

Summary Schedule of Audit Findings and Management's Corrective Action Plan  
December 31, 2008

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
<u>Internal Control:</u>						
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
<u>Compliance:</u>						
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.		Iberia Parish Waterworks District #3 (Coteau) requested an advisory opinion concerning this matter from the Louisiana Board of Ethics. By letter dated May 1, 2009, the Ethics Board responded (Docket No. 2009-365) by concluding that the relationship explained in the finding is prohibited by Louisiana Revised Statute 42:1119. By letter dated May 13, 2009, Mr. Alton Huval notified Iberia Parish Government that he tendered his resignation as chairman and board member of the Water District effective May 31, 2009.	Shirley Huval, Office Manager	05/31/09

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

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 2008

Water meters in service -	
Residential	2,239
Commercial	72

WATERWORKS DISTRICT NO. 3  
New Iberia, Louisiana

Schedule of Insurance in Force  
(Unaudited)  
12/3/08

<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	12/12/2009
Dupuy-Jefferson-Waguespack	Automobile:		
	Bodily Injury	\$ 300,000	5/5/2009
	Uninsured Motorist	\$ 300,000	5/5/2009
Dupuy-Jefferson-Waguespack	Fidelity Bond (covers four employees)	\$ 142,500 per person	5/5/2009
Dupuy-Jefferson-Waguespack	Pollution Insurance	\$2,000,000	10/18/2010
Dupuy-Jefferson-Waguespack	Casualty Insurance:		
	General Liability:		
	Personal Injury	\$ 1,000,000	5/5/2009
	Products-Completed Operations	\$ 1,000,000	5/5/2009
	Fire Damage	\$ 50,000	5/5/2009
	Medical Expense	\$ 5,000	5/5/2009
	Property Damage:		
	Blanket Building & Personal Property	\$ 1,467,940	5/5/2009
	Boiler & Machine	\$600,000	5/5/2009

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

Accounts Receivable Aging Schedule  
(Unaudited)  
December 31, 2008

Number of days -	
0-30	\$ 58,040
31-60	631
61-90	4,416
Over 90	-
Total	<u>\$ 63,087</u>

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

Rate Schedule for Residential and Commercial Customers  
(Unaudited)  
December 31, 2008

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