

WATERWORKS DISTRICT NO 2 OF POINTE COUPEE PARISH, LA
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012



TWRU
CPAs & Financial Advisors

WATERWORKS DISTRICT NO 2 OF POINTE COUPEE PARISH, LA

105 GISELE STREET

NEW ROADS, LA 70760

(225) 638-4501

COMMISSIONERS

Marvin Losavio Chairman

Van J Debetaz

Mark Major

Tommy Montgomery

Kelly Rivet

MEETING DATE

**2nd Monday of Every Month
5 00 PM - Police Jury Office**

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Waterworks District No. 2 of Pointe Coupee Parish, LA
New Roads, Louisiana

We have audited the accompanying financial statements of the business-type activities of Waterworks District No. 2 of Pointe Coupee Parish, LA, (a component unit of the Parish of Pointe Coupee) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the business-type activities of the Waterworks District No. 2 of Pointe Coupee Parish, LA, as of December 31, 2013 and 2012, and the respective change in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Waterworks District No. 2 of Pointe Coupee Parish, LA's basic financial statements. The accompanying supplementary information (shown on pages 23-24) is presented for purposes of additional analysis as required by the U.S. Department of Agriculture and is not a required part of the financial statements.

The supplemental information required by the USDA has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of the Waterworks District No. 2 of Pointe Coupee Parish, LA'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control over financial reporting and compliance.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
April 28, 2014



Management's Discussion and Analysis

December 31, 2013

INTRODUCTION

This annual report consists of –

- Our independent auditors' report on the financial statements in which they rendered an unmodified opinion.
- Management's discussion and analysis which provides in plain language an overview of our financial activities for the year.
- The basic financial statements which consists of proprietary fund financial statements, and the notes to those financial statements.
- Supplementary information required by USDA.
- Our independent auditors' report on the District's compliance with laws and regulations and how management applied internal controls over its financial operations. The results of those tests and observations did not indicate any violations that they considered to be in noncompliance or conditions that required to be disclosed that could affect our operations.

Management's Discussion and Analysis

As management of the District, we are pleased to provide an overview of our financial activities for the year ended December 31, 2013. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations of significant economic factors, and the status of infrastructure and its effects on our debt and operation. When referring to prior years data in this analysis we will be drawing upon information from last year's audited financial report.

Financial Highlights

- The District's net position decreased by \$75,150 from \$3,439,959 in 2012 to \$3,364,809 in 2013.
- Utility operating revenues decreased from \$490,494 to \$472,760.
- Cash decreased by \$292,131 for the year ended December 31, 2013.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) proprietary fund financial statements, (2) notes to the financial statements, and (3) other required supplementary information in addition to the basic financial statements themselves required by USDA.

Financial Statements

The District's Financial Statements report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). When the District charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position.

The Financial Statements, presented on pages 8 through 10, are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements

The notes, presented on pages 11 through 20, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are a required part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information required by USDA, on pages 24 and 25.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the end of the most recent year, the assets of the District exceeded its liabilities by \$3,364,809.

The District's total assets are composed of \$491,425 (6%) in cash and receivables, \$7,084,053 (93%) investment in capital assets (land, buildings, utility systems, vehicles and equipment, etc.), and \$54,496 (1%) in prepaid and other assets. The District uses these capital assets to provide various services to residents and businesses in the incorporated area, these assets are not available for future spending.

The District has \$103,941 to be used in future operations and acquisition of new capital assets that will improve the operations of the District.

Statement of Net Position

	Total <u>2013</u>	Total <u>2012</u>	% Change
Current and other assets	\$ 545,921	\$ 845,617	-35.4%
Capital assets	<u>7,084,053</u>	<u>7,201,833</u>	-1.6%
Total assets	<u>7,629,974</u>	<u>8,047,450</u>	-5.2%
Current and other liabilities	235,330	489,811	-52.0%
Long-term debt	<u>4,029,835</u>	<u>4,117,680</u>	-2.1%
Total liabilities	<u>4,265,165</u>	<u>4,607,491</u>	-7.4%
Net position –			
Invested in capital assets, net of related debt	2,966,238	3,016,786	-1.7%
Restricted	294,630	266,106	10.7%
Unrestricted	<u>103,941</u>	<u>157,067</u>	-33.8%
Total net position	<u>\$ 3,364,809</u>	<u>\$ 3,439,959</u>	-2.2%

Changes in Net Position

	Total 2013	Total 2012	% Change
Revenues:			
Charges for services	\$ 472,760	\$ 490,494	-3.6%
Interest earned	16	197	-91.9%
Grant income	169,552	56,647	199.3%
Donation received	<u>5,860</u>	<u>-</u>	0.0%
Total revenues	<u>648,188</u>	<u>547,338</u>	18.4%
Functions/Program expenses –			
Administrative	14,173	20,154	-29.7%
Professional fees	63,715	53,288	19.6%
Utility operator	102,017	86,323	18.2%
Maintenance	89,256	63,755	40.0%
Utilities	28,153	24,888	13.1%
Insurance	16,879	10,320	63.6%
Depreciation	251,559	219,685	14.5%
Interest on long-term debt	156,400	139,932	11.8%
Amortization of bond costs	<u>1,186</u>	<u>1,186</u>	0.0%
Total expenses	<u>723,338</u>	<u>619,531</u>	16.8%
Increase (decrease) in net position	(75,150)	(72,193)	4.1%
Beginning net position	<u>3,439,959</u>	<u>3,512,152</u>	-2.1%
Ending net position	<u>\$ 3,364,809</u>	<u>\$ 3,439,959</u>	-2.2%

Capital Assets

At December 31, 2013 and 2012, the District had \$10,378,979 and \$10,245,200, respectively, invested in a broad range of capital assets, including land, buildings, utility systems, vehicles, and equipment.

During 2013, the District made the following capital outlays –

\$133,779 Improvements to water system

Further detail on capital assets is presented in Note 3 on page 15.

	Business-type Activities	
	2013	2012
Land	\$ 148,358	\$ 148,358
Buildings	4,000	4,000
Utility property	10,226,621	10,092,842
Less Accumulated Depreciation	<u>(3,294,926)</u>	<u>(3,043,367)</u>
Totals	<u>\$ 7,084,053</u>	<u>\$ 7,201,833</u>

Economic Factors and Utility Rates

The District relies on user charges for the operations; therefore, activities are impacted by the number of users served and the consumption of water.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Edward Merrick, CPA at (225) 638-4501 or write to the District at 105 Gisele Street, New Roads, LA 70760.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
STATEMENTS OF NET POSITION

	December 31,	
	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 161,912	\$ 221,934
Accounts Receivable (net of allowance of \$20,388 and \$20,388)	33,242	41,035
Prepaid Expenses	10,477	9,063
TOTAL CURRENT ASSETS	205,631	272,032
RESTRICTED ASSETS:		
Consumer Meter Deposits	77,447	77,439
USDA Restricted Reserves	217,183	188,667
Construction Account	1,641	262,274
TOTAL RESTRICTED ASSETS	296,271	528,380
NON-CURRENT ASSETS:		
Capital Assets (net of accumulated depreciation)	7,084,053	7,201,833
Unamortized Bond Costs	28,778	29,964
Due from Pointe Coupee Parish Police Jury	15,241	15,241
TOTAL NON-CURRENT ASSETS	7,128,072	7,247,038
TOTAL ASSETS	\$ 7,629,974	\$ 8,047,450
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 30,724	\$ 23,140
Accounts Payable - Construction	-	271,069
Unearned Water Sales	5,804	-
Current Portion of Long-Term Debt	87,980	67,367
Accrued Interest Payable	11,882	30,995
TOTAL CURRENT LIABILITIES	136,390	392,571
NON-CURRENT LIABILITIES:		
Consumer Meter Deposits Payable	98,940	97,240
Long-Term Debt (net of current portion)	4,029,835	4,117,680
TOTAL NON-CURRENT LIABILITIES	4,128,775	4,214,920
TOTAL LIABILITIES	4,265,165	4,607,491
<u>NET POSITION</u>		
NET POSITION:		
Invested in Capital Assets	2,966,238	3,016,786
Restricted - USDA Funds	294,630	266,106
Unrestricted - Undesignated	103,941	157,067
TOTAL NET POSITION	\$ 3,364,809	\$ 3,439,959

(See Accompanying Notes to Financial Statements)

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Year Ended December 31,	
	2013	2012
OPERATING REVENUES:		
Charges for Services		
Water Charges	\$ 459,941	\$ 477,195
Miscellaneous Charges	1,192	150
Penalties	11,627	13,149
TOTAL OPERATING REVENUES	472,760	490,494
OPERATING EXPENSES:		
Board Member Compensation and Travel Reimbursements	6,654	6,419
Professional and Technical Services	21,979	14,888
Accounting and Billing Fees	41,736	38,400
Utilities	28,153	24,888
Insurance	16,879	10,320
Utility Operator	102,017	86,323
Repairs, Maintenance and Supplies	69,090	42,497
Chemicals	12,541	13,278
Grass Cutting	7,625	7,980
Publishing	1,253	1,464
Miscellaneous	6,266	4,378
Uncollectible Accounts	-	7,893
Depreciation	251,559	219,685
TOTAL OPERATING EXPENSES	565,752	478,413
NET OPERATING (LOSS) INCOME	(92,992)	12,081
NONOPERATING REVENUES (EXPENSES):		
Grant Income	169,552	56,647
Interest Income	16	197
Gain on Sale of Small Equipment	5,860	-
Interest on Long-Term Debt and Other Charges	(156,400)	(139,932)
Amortization of Bond Costs	(1,186)	(1,186)
TOTAL NONOPERATING REVENUES (EXPENSES)	17,842	(84,274)
CHANGE IN NET POSITION	(75,150)	(72,193)
NET POSITION - BEGINNING	3,439,959	3,512,152
NET POSITION - ENDING	\$ 3,364,809	\$ 3,439,959

(See Accompanying Notes to Financial Statements)

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 486,357	\$ 467,529
Payments to Suppliers	(308,023)	(254,382)
NET CASH PROVIDED BY OPERATING ACTIVITIES	178,334	213,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Meter Deposits Received net of Refunds	1,700	1,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,700	1,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Grant Income	169,552	56,647
Gain on Sale of Assets	5,860	-
Purchase of Capital Assets	(404,848)	(886,395)
Principal Paid on Capital Debt	(67,232)	(998,855)
Borrowings on Interim Construction Debt	-	2,050,000
Interest Paid on Capital Debt	(175,513)	(116,923)
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(472,181)	104,474
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earned	16	197
NET CASH PROVIDED BY INVESTING ACTIVITIES	16	197
NET (DECREASE) INCREASE IN CASH	(292,131)	318,818
CASH - BEGINNING OF YEAR	750,314	431,496
CASH - END OF YEAR	\$ 458,183	\$ 750,314

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating (Loss) Income	\$ (92,992)	\$ 12,081
Adjustments to reconcile operating loss to net cash provided by operating activities		
Cash flows reported in other categories		
Depreciation expense	251,559	219,685
Change in assets and liabilities		
Increase in receivables, net	7,793	(15,072)
Increase in prepaid expenses	(1,414)	(6,212)
Increase in accounts payable	7,584	2,665
Increase in unearned water charges	5,804	-
Net cash provided by operating activities	\$ 178,334	\$ 213,147

(See Accompanying Notes to Financial Statements)

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

NOTES TO BASIC FINANCIAL STATEMENTS

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WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Waterworks District No. 2 of Pointe Coupee Parish, LA (the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on August 25, 1987 and October 13, 1987 under the authority of the provisions of Article VI, Section 19 of the 1974 Louisiana Constitution and R.S. 33:3811 et seq. The District provides potable water to portions of the Parish of Pointe Coupee. The District is governed by a board of five commissioners, who are residents of the District, appointed by the Pointe Coupee Parish Police Jury under the authority of R.S. 33:3813. All commissioners serve at the pleasure of the governing authority of the parish.

Financial Reporting Entity

The District is a component unit of the Parish of Pointe Coupee, the financial reporting entity. The Parish of Pointe Coupee is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on the District. The District is economically dependent on the Parish of Pointe Coupee.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish of Pointe Coupee, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying component unit financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Statements

The District has adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*. This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds.

The District is a special purpose government engaged only in business-type activities.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statements of net position
- Statement of revenues, expenses, and changes in fund net position
- Statements of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable

Fund Accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net position, and revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

GASB Statement No. 34 established standards for external reporting for all state and local government entities which includes a statement of net position, statement of revenues, expenses, and changes in fund net position, and statement of cash flows. It requires the classification of net position into three components (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – This component of net position consists of cash reserve funds as required by the loan agreements with USDA and cash for customer deposits.

Unrestricted net position – This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of GASB Statement No. 34 had no effect on the basic financial statements except for the classification of net position and the reflections of capital contributions as a change in net position. Additionally, the Statement required management of the District to prepare a Management's Discussion and Analysis.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District accounts for its activities on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the balance sheet. The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that they do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales to residential and commercial users. Operating expenses for the District include the cost to distribute water, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents, and Investments

Cash includes amounts in interest-bearing demand deposit accounts. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana and investments in United States bonds, treasury notes and bills.

Cash is classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value. As of December 31, 2013 and 2012 the District has no cash equivalents.

Restricted Assets

Restricted assets on the balance sheet represents funds held for customer deposits and accounts required by U.S. Department of Agriculture - Rural Development (reserve account, short lived asset account, and depreciation and contingency account).

Accounts Receivable and Bad Debts

Accounts receivable represent amounts owed to the District from customer water usage net of the allowance for doubtful accounts. The District establishes an allowance equal to account balances of terminated customers.

The District requires a deposit on account from its customers as a source of collateral.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on depreciable property using the straight-line method. Estimated useful lives are as follows:

Water System	10 – 50 Years
Buildings	20 Years

Fair Value Financial Statements

The carrying value of cash, accounts receivable and operating liabilities approximate fair value due to the short-term maturity of these instruments.

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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward unrestricted resources and then toward restricted resources. Due to the nature of the restricted resources, all use of restricted resources must be approved by USDA.

Concentration of Credit Risk

The District extends credit to its customers, including governmental agencies, private homeowners and businesses. Although the majority of these customers are located in Pointe Coupee Parish, Louisiana, the District does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 2 – CASH

The following is a summary of cash at December 31, 2013:

Petty cash and cash on hand	\$ 50
Interest bearing demand deposits (restricted)	294,630
Non-interest bearing demand deposits (restricted)	1,641
Non-interest bearing demand deposits	<u>161,862</u>
Total	<u>\$ 458,183</u>

These deposits are stated at cost, which approximates market. Under state statutes, these deposits must be secured by federal deposit insurance 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the District has \$459,504 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance. At December 31, 2013, the District has \$209,504 in uninsured bank balances at one bank.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>01/01/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2013</u>
Land	\$ 148,358	\$ -	\$ -	\$ 148,358
Buildings	4,000	-	-	4,000
Utility property	<u>10,092,842</u>	<u>133,779</u>	-	<u>10,226,621</u>
	10,245,200	\$ 133,779	\$ -	10,378,979
Accumulated depreciation	<u>(3,043,367)</u>	<u>\$ (251,559)</u>	<u>\$ -</u>	<u>(3,294,926)</u>
	<u>\$ 7,201,833</u>			<u>\$ 7,084,053</u>
	<u>01/01/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2012</u>
Land	\$ 148,358	\$ -	\$ -	\$ 148,358
Buildings	4,000	-	-	4,000
Construction in Progress	906,427	-	(906,427)	-
Utility property	<u>8,028,951</u>	<u>2,063,891</u>	-	<u>10,092,842</u>
	9,087,736	\$ 2,063,891	\$ (906,427)	10,245,200
Accumulated depreciation	<u>(2,823,682)</u>	<u>\$ (219,685)</u>	<u>\$ -</u>	<u>(3,043,367)</u>
	<u>\$ 6,264,054</u>			<u>\$ 7,201,833</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 – LONG-TERM DEBT OBLIGATIONS

The District's debt consists of USDA Bonded Debt. The following summarizes debt transactions for the year ended December 31, 2013:

	Balance 01/01/2013	Additions	Reductions	Balance 12/31/2013	Due Within One Year
\$451,300 Revenue	\$ 312,200	\$ -	\$ (12,172)	\$ 300,028	\$ 12,953
\$110,000 Revenue	93,042	-	(1,912)	91,130	1,999
\$556,000 Revenue	470,282	-	(9,660)	460,622	10,103
\$356,000 Revenue	307,607	-	(5,495)	302,112	5,746
\$1,250,000 Revenue	951,916	-	(25,793)	926,123	26,976
\$2,050,000 Revenue	<u>2,050,000</u>	-	<u>(12,200)</u>	<u>2,037,800</u>	<u>30,203</u>
	<u>\$ 4,185,047</u>	<u>\$</u>	<u>\$ (67,232)</u>	<u>\$ 4,117,815</u>	<u>\$ 87,980</u>

Long-term debt obligations for the District at December 31, 2013 are comprised of the following:

Revenue Bonds:

\$451,300 Waterworks Revenue Bonds, dated April 3, 1989, due in monthly installments of \$2,612 beginning April 1992 through August 2028, including interest at 6.25%	\$ 300,028
\$110,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$505 beginning May 2001 through February 2039, including interest at 4.5%	91,130
\$556,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$2,552 beginning May 2001 through February 2039, including interest at 4.5%	460,622
\$356,000 U.S. Department of Agriculture – RUS, dated June 7, 2001, due in monthly installments of \$1,602 beginning June 2001 through May 2041, including interest at 4.5%	302,112
\$1,250,000 U.S. Department of Agriculture – RUS, dated February 15, 2005, due in monthly installments of \$5,675 beginning February 2005 through January 2035, including interest at 4.5%	926,123
\$2,050,000 Waterworks Revenue Bonds, dated July 24, 2012, due in monthly installments of \$7,155 beginning August 2013 through July 2052, including interest at 2.75%.	<u>2,037,800</u>
Total Indebtedness	<u>\$4,117,815</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 – LONG-TERM DEBT OBLIGATIONS (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize debt outstanding at December 31, 2013, are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 87,980	\$ 153,226	\$ 241,206
2015	91,543	149,663	241,206
2016	95,619	145,587	241,206
2017	99,704	141,502	241,206
2018	103,979	137,227	241,206
2019-2023	591,301	614,727	1,206,028
2024-2028	720,911	473,642	1,194,553
2029-2033	722,991	326,345	1,049,336
2034-2038	588,247	193,947	782,194
2039-2043	365,645	114,257	479,902
2044-2048	363,993	65,307	429,300
2049-2052	285,902	14,146	300,048
	<u>\$ 4,117,815</u>	<u>\$ 2,529,576</u>	<u>\$ 6,647,391</u>

Bond Restrictions

In accordance with the indentures governing the revenue bonds, cash is periodically deposited into accounts administered by a trustee bank. These bonds are a direct liability to be serviced by the earnings of the District. Deposits are made to these trust accounts in accordance with the requirements as follows: All revenue derived from operations are to be deposited in a "Revenue Fund" in a bank that is a member of Federal Deposit Insurance Corporation as long as any of the bonds are outstanding. Required transfers are made on a monthly basis to designated trust accounts. In addition, the indenture of 2005 requires the use of a separate "Construction Account".

Required monthly transfers from the "Revenue Fund" are to be made into a "Bond Fund" to provide payment of the next maturing interest and principal of the revenue bonds. The District has opted to make monthly payments on the bonds instead of annual payments; therefore, the use of the "Bond Fund" is not required.

Required monthly transfers of \$647.27 are to be made from the "Revenue Fund" into a "Reserve Fund" until a sum equal to the highest annual principal and interest on all outstanding bonds of the District. As of December 31, 2013, this is \$241,206 for the year 2019. This fund is restricted to payment of principal and interest in case of default. At December 31, 2013, \$107,233 has accumulated in this fund.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 – LONG-TERM DEBT OBLIGATIONS (Continued)

Required monthly transfers of \$647.27 are to be made from the "Revenue Fund" into a "Depreciation and Contingency Fund". This fund is restricted to payments for unusual or extraordinary maintenance and repairs. Replacement and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the "Bond Fund" or "Reserve Fund". At December 31, 2013, \$97,898 has accumulated in this fund.

Required monthly transfers of \$3,013.00 are to be made from the "Revenue Fund" into a "Short Lived Asset Fund". This fund is restricted to payments for _____. At December 31, 2013, \$12,052 has accumulated in this fund.

	Short Lived Asset Fund	Reserve Fund	Depreciation & Contingency Fund
Balance – December 31, 2012	\$ -	\$ 98,546	\$ 90,121
Monthly deposits	12,052	8,676	7,767
Interest earned	-	11	10
Distribution authorized by USDA	-	-	-
Transfer between restricted accounts	-	-	-
Balance December 31, 2013	12,052	107,233	97,898
Amount Required by Bond Resolution	12,052	88,270	97,543
Surplus (Deficiency) at December 31, 2013	\$ -	\$ 18,963	\$ 355

As of August 2013, the required monthly transfers of \$3,013.00, \$647.27, and \$647.27 are to be made from the "Revenue Fund" into a "Short Lived Asset Fund", a "Reserve Fund", and a "Depreciation and Contingency Fund", respectively.

NOTE 5 – CONTINGENCIES

Litigation

There is no pending litigation against the District.

Environmental Contingencies

Management of the District is not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water systems on a regular basis and providing the test results to the proper environmental authorities.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 6 – COMPENSATION PAID TO BOARD MEMBERS

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the board members is as follows:

	<u>2013</u>	<u>2012</u>
Van J. Debetaz	\$ 1,100	\$ 1,100
Marvin Losavio	1,100	1,200
Mark Major	1,200	1,200
Tommy Montgomery	1,100	1,100
Kelly Rivet	<u>1,000</u>	<u>900</u>
	<u>\$ 5,500</u>	<u>\$ 5,500</u>

NOTE 7 - MAINTENANCE AGREEMENT

The District has entered into a maintenance agreement with M & C Water, L.L.C. ("Contractor") for the maintenance of all service lines to minimum standards of the State of Louisiana, maintenance of eight wells, after hour call outs for necessary repairs and maintenance, disconnect water service, and attendance at board meetings. The Contractor is to be paid \$4.55 per meter or approximately \$6,320 per month for all routine service, \$150 or \$200 per new service taps, \$100 per hour for repairs, \$1 per meter for readings, \$20 per disconnect service, and \$100 per hour to repair hydrants. The Agreement was renewed on November 1, 2008 and renewed again in November, 2011. Fees incurred under the agreement for the year ended December 31, 2013 and 2012 was \$102,017 and \$86,323, respectively.

NOTE 8 - FINANCIAL SERVICES & BILLING AGREEMENTS

The District has entered into a financial service and billing agreement with Merrick & Hogan, CPAs for accounting and billing services. For the year ended December 31, 2013 and 2012, fees and reimbursed costs incurred under the agreements amounted to \$41,736 and \$38,400, respectively.

NOTE 9 - LEASE AGREEMENT

On April 4, 1989, a lease was obtained from Perry Glenn Gustin for a certain lot of land for the purpose of constructing and operating a water district plant and system. The lease was made and accepted for a term of fifty (50) years, effective April 3, 1989, and ending April 3, 2039. The agreement was amended on November 30, 1989 and then again on July 1, 1999. The rental for the use of this property is free water usage for his present household and shop building during the term of the lease at the rate of \$41.80 per month or \$501.60 per annum.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 10 – GRANT AGREEMENT

As part of the USDA financing of the new water well project, USDA also awarded a \$625,000 grant to cover development costs in excess of the loan amount. During 2013 and 2012, \$169,552 and \$56,647, respectively, of these funds were awarded to the District.

NOTE 11 – SUBSEQUENT EVENTS

The District has evaluated all subsequent events through April 28, 2014, the date the financial statements were available to be issued.

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.





INDEPENDENT AUDITORS' 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*

Board of Directors
Waterworks District No. 2 of Pointe Coupee Parish, LA
New Roads, Louisiana

We have audited, in accordance with the 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, the financial statements of the business-type activities of Waterworks District No. 2 of Pointe Coupee Parish, LA, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of Pointe Coupee Parish, LA's basic financial statements, and have issued our report thereon dated April 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control.

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 and correct, 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. 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 charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of Pointe Coupee Parish, LA's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
April 28, 2014

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2013

Section A – Summary of Auditors’ Reports

- The auditors’ report expresses an unmodified opinion on the financial statements of the Waterworks District No. 2 of Pointe Coupee Parish, LA.
- No deficiencies were disclosed during the audit of the financial statements.
- No instances of noncompliance were disclosed during the audit of the financial statements.

Section B - Findings Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

Finding Reference Number 2012-01(a)

Resolution – Finding no longer applicable

Finding Reference Number 2012-01(b)

Resolution – Finding no longer applicable

Supplemental Information Required by USDA

(Unaudited)



TWRU

CPAs & Financial Advisors

Water Customers and Rates

At December 31, 2013, the District billed the following number of customers:

Rate Code/Description	Customers	Rate	
W1 – Residential	1,331	\$	12.00 – 1 st 2,000 gallons
		\$	2.00 – per thousand, over 2,000 gallons
W2 – Commercial	22	\$	36.00 – 1 st 10,000 gallons
		\$	2.00 – per thousand, over 10,000 gallons
W4 – Industrial	2	\$	750.00 – 1 st 1,000,000 gallons
		\$	0.90 – per thousand, over 1,000,000 gallons
W5 – Batchelor Elementary	1	\$	1,500.00 per month flat rate
W6 – P. C. Central High	1	\$	450.00 per month flat rate
W7 – Camps	23	\$	12.00 – 1 st 2,000 gallons
		\$	2.00 – per thousand, next 8,000 gallons
		\$	1.75 – per thousand, over 10,000 gallons
W8 – Farmers	41	\$	18.00 – 1 st 2,000 gallons
		\$	2.00 – per thousand, over 2,000 gallons
W9 – Sheriff	1	\$	18.00 – 1 st 2,000 gallons
		\$	2.00 – per thousand, over 2,000 gallons
W10 – Governmental	0	\$	36.00 – 1 st 10,000 gallons
		\$	2.00 – per thousand, over 10,000 gallons

Aged Accounts Receivable

At December 31, 2013, the receivables due from customers are as follows:

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
Gross	\$ 30,062	\$ 1,558	\$ 1,724	\$ 724	\$ 19,562	\$ 53,630
Allowance	(244)	(80)	(71)	(151)	(19,842)	(20,388)
Net	\$ 29,818	\$ 1,478	\$ 1,653	\$ 573	\$ (280)	\$ 33,242

Insurance in Force

Issuer/Insurer	Type of Insurance	Limit Description	Coverage	Effective Dates
Cazayoux Insurance Agency/ American Alternative Insurance Corporation	General Liability	Bodily injury and property damage		07/31/13 – 07/31/14
		Per occurrence	\$ 1,000,000	
		Aggregate	\$ 3,000,000	
		Personal injury and advertising injury		
		Per person or organization	\$ 1,000,000	
		Aggregate	\$ 3,000,000	
		Professional liability		
		Per claim	\$ 1,000,000	
		Aggregate	\$ 3,000,000	
		Directors and Officers		
		Occurrence	\$ 1,000,000	
		Umbrella Policy		
		Per person	\$ 1,000,000	
Aggregate	1,000,000			
Replacement Cost	\$ 4,395,000			
Medical expense				
Per accident	\$ 10,000			
L. Bouanchaud Insurance Agency, Inc. CAN Surety	Fidelity Bond	Per Occurrence	\$ 250,000	10/1/13 - 10/1/14



TWRU
CPAs & Financial Advisors

Board of Directors

Van J. Debetaz
6411 Normandy Road
Batchelor, LA 70715
(225) 492-2850
Term expires December 2018

Marvin Losavio
PO Box 855
Innis, LA 70747
(225) 718-2059
Term expires December 2017

Mark Major
4103 W. Major Road
Livonia, LA 70755
(225) 637-2208
Term expires December 2014

Tommy Montgomery
PO Box 178
Lottie, LA 70756
(225) 718-5724
Term expires December 2015

Kelly Rivet
7544 Morganza Hwy.
Morganza, LA 70759
(225) 718-0726
Term expires December 2016