

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
ANNUAL FINANCIAL REPORT
FOR THE 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 3/16/11

THOMAS, WILSON, RAGUSA, UFFMAN & CO.

**CERTIFIED PUBLIC ACCOUNTANTS
BATON ROUGE, LOUISIANA**

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. Debelaz

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 YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Required Supplementary Information	
Management's Discussion and Analysis	2
Basic Financial Statements	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flow	9
Notes to Basic Financial Statements	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Schedule of Findings and Responses	22
Resolution of Prior Year Audit Findings	24
Supplemental Information Required by USDA	
Water Customers and Rates	25
Aged Accounts Receivable	25
Insurance in Force	25
Board of Directors	26

THOMAS, WILSON, RAGUSA, UFFMAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Waterworks District No. 2 of Pointe Coupee Parish, LA

We have audited the accompanying financial statements of the Waterworks District No. 2 of Pointe Coupee Parish, LA, (a component unit of the Parish of Pointe Coupee) as of and for the year ended December 31, 2009, as listed in the Table of Contents. These financial statements are the responsibility of 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 and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Waterworks District No. 2 of Pointe Coupee Parish, LA, as of December 31, 2009, and the results of operations and cash flows 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 my report dated January 7, 2011, on our consideration of the Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control over financial reporting and my 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 should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on page 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplementary financial schedules on pages 25 and 26 are presented for purposes of additional analysis required by the U.S. Department of Agriculture and are not a required part of the basic financial statements. The information has not been audited by us, and accordingly, we express no opinion on this information.

Thomas, Wilson, Ragusa, Uffman & Co. CPAs

January 7, 2011

Waterworks District No. 2 of Pointe Coupee Parish, LA

Management's Discussion and Analysis

December 31, 2009

INTRODUCTION

This annual report consists of –

- Our independent auditor's report on the financial statements in which they rendered an unqualified 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 auditor's 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, 2009. 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 assets decreased by \$109,312 from \$3,846,562 in 2008 to \$3,737,250 in 2009.
- Utility operating revenues decreased from \$412,613 in 2008 to \$401,924 in 2009.
- Cash increased by \$33,993 for the year ended December 31, 2009.

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 Assets and the Statement of Activities.

The Financial Statements, presented on pages 7 thru 9, 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 Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 10 thru 18, 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 25 and 26.

Financial Analysis

As noted earlier, net assets 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 \$3,737,250.

The District's total assets are composed of \$385,822 (6.29%) in cash and receivables and \$5,748,646 (93.66%) investment in capital assets (land, buildings, utility systems, vehicles and equipment, etc.). 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 \$178,516 to be used in future operations and acquisition of new capital assets that will improve the operations of the District.

Statement of Net Assets

	Total <u>2009</u>	Total <u>2008</u>	% Change
Current and other assets	\$ 422,828	\$ 389,922	-2.59%
Capital assets	<u>5,715,124</u>	<u>5,901,500</u>	-3.16%
Total assets	<u>6,137,952</u>	<u>6,291,422</u>	-2.44%
Current and other liabilities	163,316	159,923	2.12%
Long-term debt	<u>2,237,386</u>	<u>2,284,937</u>	-2.08%
Total liabilities	<u>2,400,702</u>	<u>2,444,860</u>	-1.81%
Net assets –			
Invested in capital assets, net of related debt	3,421,841	3,562,751	-3.96%
Restricted	136,893	128,027	6.93%
Unrestricted	<u>178,516</u>	<u>155,784</u>	14.59%
Total net assets	<u>\$ 3,737,250</u>	<u>\$ 3,846,562</u>	-2.84%

The District's total revenues decreased by \$11,399 from \$413,529 in 2008 to \$402,130 in 2009.

Total expenses decreased by \$4,414 from \$515,856 in 2008 to \$511,442 in 2009.

Changes in Net Assets

	Total 2009	Total 2008	% Change
Revenues:			
Charges for services	\$ 401,924	\$ 412,613	-2.59%
Interest earned	<u>206</u>	<u>916</u>	-77.51%
Total revenues	<u>402,130</u>	<u>413,529</u>	-2.76%
Functions/Program expenses –			
Administrative	12,698	12,291	3.31%
Professional fees	41,271	41,171	0.24%
Utility operator	71,780	74,250	-3.33%
Maintenance	44,616	33,454	33.37%
Utilities	23,488	33,223	-29.30%
Insurance	6,219	8,223	-24.37%
Depreciation	200,304	199,956	0.17%
Interest on long-term debt	109,880	112,101	-1.98%
Amortization of bond costs	<u>1,186</u>	<u>1,187</u>	-0.08%
Total expenses	<u>511,442</u>	<u>515,856</u>	-0.86%
Increase (Decrease) in net assets	\$ (109,312)	\$ (102,327)	6.83%
Beginning net assets	<u>3,846,562</u>	<u>3,948,889</u>	-2.59%
Ending net assets	<u>\$ 3,737,250</u>	<u>\$ 3,846,562</u>	-2.84%

Capital Assets

At December 31, 2009 and 2008, the District had \$5,715,124 and \$5,901,500, respectively, invested in a broad range of capital assets, including land, buildings, utility systems, vehicles, and equipment.

During 2009, the District made the following capital outlays -

\$13,928 - Improvements to Torbert-Frisco system

Further detail on capital assets is presented in Note 3 on page 14.

	Business-type Activities	
	2009	2008
Land	\$ 129,208	\$ 129,208
Buildings	200	0
Utility property	<u>5,772,092</u>	<u>5,585,916</u>
Totals	<u>\$ 5,901,500</u>	<u>\$ 5,715,124</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.

As mentioned in Note 10 on page 18, the District has received a Letter of Condition from the United States Department of Agriculture, Rural Development, for a loan in the amount of \$2,050,000 for the construction of a new well, elevated water tank, and distribution system upgrade in the Torbert and Frisco communities.

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 Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- 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
STATEMENT OF NET ASSETS

	December 31,	
	2009	2008
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 131,696	\$ 108,646
Accounts Receivable (net of allowance of \$9,857 and \$9,691)	22,788	22,259
Prepaid Expenses	3,484	3,914
TOTAL CURRENT ASSETS	157,968	134,819
RESTRICTED ASSETS:		
Consumer Meter Deposits	77,205	77,128
Debt Service Accounts	136,893	128,027
TOTAL RESTRICTED ASSETS	214,098	205,155
NON-CURRENT ASSETS:		
Capital Assets (net)	5,717,124	5,901,500
Unamortized Bond Costs	33,522	34,708
Due from Pointe Coupee Parish Police Jury	15,240	15,240
TOTAL NON-CURRENT ASSETS	5,765,886	5,951,448
TOTAL ASSETS	6,137,952	6,291,422
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts Payable	17,349	21,067
Current Portion of Long-Term Debt	47,547	45,293
Accrued Interest Payable	8,350	8,519
TOTAL CURRENT LIABILITIES	73,246	74,879
NON-CURRENT LIABILITIES:		
Consumer Meter Deposits Payable	90,070	85,044
Long-Term Debt	2,237,386	2,284,937
TOTAL NON-CURRENT LIABILITIES	2,327,456	2,369,981
TOTAL LIABILITIES	2,400,702	2,444,860
<u>NET ASSETS</u>		
NET ASSETS:		
Invested in Capital Assets	3,432,191	3,571,270
Restricted for Debt Service	136,893	128,027
Unrestricted - Undesignated	168,166	138,746
TOTAL NET ASSETS	\$ 3,737,250	\$ 3,838,043

(See Accompanying Notes to Financial Statements)

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

	For the Year Ended December 31,	
	2009	2008
OPERATING REVENUES:		
Changes for Services		
Water Charges	\$ 386,888	\$ 396,881
Miscellaneous Charges	2,097	2,211
Penalties	12,939	13,521
TOTAL OPERATING REVENUES	401,924	412,613
OPERATING EXPENSES:		
Board Member Compensation and Travel Reimbursements	7,448	6,064
Professional and Technical Services	9,061	7,877
Accounting and Billing Fees	32,210	33,294
Utilities	23,488	33,223
Insurance	6,219	8,223
Utility Operator	71,780	74,250
Repairs, Maintenance and Supplies	25,113	15,068
Chemicals	9,998	10,476
Grass Cutting	9,505	7,910
Publishing	1,091	813
Miscellaneous	3,993	2,911
Uncollectible Accounts	166	2,503
Depreciation	200,304	199,956
TOTAL OPERATING EXPENSES	400,376	402,568
NET OPERATING INCOME	1,548	10,045
NONOPERATING REVENUES (EXPENSES):		
Interest Income	206	916
Interest on Long-Term Debt and Other Charges	(109,880)	(112,101)
Amortization of Bond Costs	(1,186)	(1,187)
TOTAL NONOPERATING REVENUE (EXPENSES)	(110,860)	(112,372)
NET LOSS	(109,312)	(102,327)
NET ASSETS - BEGINNING	3,838,043	4,023,102
Prior Year Adjustment to Depreciation	-	(74,213)
NET ASSETS -ENDING	\$ 3,728,731	\$ 3,846,562

(See Accompanying Notes to Financial Statements)

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

	For the Year Ended December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 401,395	\$ 420,533
Payments to Suppliers	(203,360)	(193,174)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>198,035</u>	<u>227,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Meter Deposits Received net of Refunds	<u>5,026</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>5,026</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Capital Assets	(15,928)	-
Principal Paid on Capital Debt	(45,297)	(43,085)
Interest Paid on Capital Debt	<u>(110,049)</u>	<u>(112,260)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(171,274)</u>	<u>(155,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earned	<u>206</u>	<u>916</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>206</u>	<u>916</u>
NET INCREASE (DECREASE) IN CASH	31,993	72,930
CASH - BEGINNING OF YEAR	<u>313,801</u>	<u>240,871</u>
CASH - END OF YEAR	<u>\$ 345,794</u>	<u>\$ 313,801</u>

(See Accompanying Notes to Financial Statements)

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

NOTES TO BASIC FINANCIAL STATEMENTS

INDEX

	Page
Summary of Significant Accounting Policies	
Organization and Operations	10
Financial Reporting Entity.....	10
Basis of Presentation.....	10
Financial Statements.....	10
Fund Accounting.....	11
Basis of Accounting.....	11
Cash, Cash Equivalents, and Investments.....	12
Restricted Assets.....	12
Accounts Receivable and Bad Debts	12
Capital Assets	13
Fair Value Financial Statements	13
Estimates.....	13
Cash.....	13
Capital Assets.....	14
Long-Term Debt Obligations	14
Contingencies.....	17
Compensation Paid to Board Members.....	17
Maintenance Agreement.....	17
Financial Services and Billing Agreements	17
Lease Agreements	18
Subsequent Events.....	18
Prior Period Adjustment.....	18

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 assets (deficit), 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 assets, statement of revenues, expenses and changes in net assets, and statement of cash flows. It requires the classification of net assets into three components (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. The District does not have restricted net assets. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets 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.

Unrestricted net assets - This component of net assets 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 assets and the reflections of capital contributions as a change in net assets. 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, 2009

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, 2009, 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 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, 2009

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.

NOTE 2 – CASH

The following is a summary of cash at December 31, 2009:

Petty cash and cash on hand	\$ 50
Interest-bearing demand deposits	<u>345,744</u>
Total	<u>\$ 345,794</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 – CASH (Continued)

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, 2009, the District has \$348,198 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance. At December 31, 2009, the District has \$98,198 in uninsured bank balances.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>01/01/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/09</u>
Land	\$ 129,208	\$ -	\$ -	\$ 129,208
Buildings	4,000	-	-	4,000
Utility property	<u>7,990,223</u>	<u>13,928</u>	-	<u>8,004,151</u>
	8,123,431	\$ <u>13,928</u>	\$ -	8,137,359
Accumulated depreciation	<u>(2,221,931)</u>	\$ <u>(200,304)</u>	\$ -	<u>(2,422,235)</u>
	<u>\$ 5,901,500</u>			<u>\$ 5,715,124</u>

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, 2009:

	Balance			Balance	Due Within
	<u>01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/09</u>	<u>One Year</u>
\$451,300 Revenue	\$ 353,962	\$ -	\$ (9,486)	\$ 344,476	\$ 10,094
\$110,000 Revenue	99,883	-	(1,597)	98,286	1,670
\$556,000 Revenue	504,862	-	(8,071)	496,791	8,442
\$356,000 Revenue	327,276	-	(4,591)	322,685	4,801
\$1,250,000 Revenue	<u>1,044,247</u>	-	<u>(21,552)</u>	<u>1,022,695</u>	<u>22,540</u>
	<u>\$ 2,330,230</u>	<u>\$ -</u>	<u>\$ (45,297)</u>	<u>\$ 2,284,933</u>	<u>\$ 47,547</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – LONG-TERM DEBT OBLIGATIONS (Continued)

Long-term debt obligations for the District at December 31, 2009 are comprised of the following:

Revenue Bonds:

\$451,300 Waterworks Revenue Bonds, dated April 3, 1989, due in annual installments of \$31,279 beginning April 3, 1992 through April 3, 2009, interest at 6.25%	\$ 344,476
\$110,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$505 beginning May 3, 2001	98,286
\$556,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$2,552 beginning May 3, 2001	496,791
\$356,000 U.S. Department of Agriculture – RUS, dated June 7, 2001, due in annual installments of \$19,224 (including interest), interest at 4.5%	322,685
\$1,250,000 U.S. Department of Agriculture – RUS, due in monthly installments of \$5,625 beginning March 2005 and matures January 2045	<u>1,022,695</u>

Total Indebtedness \$ 2,284,933

Debt Service Requirements to Maturity

The annual requirements to amortize debt outstanding at December 31, 2009, are as follows:

Year Ending December 31,	Principal	Interest	Total
2010	\$ 47,547	\$ 107,799	\$ 155,346
2011	49,915	105,430	155,345
2012	52,408	102,938	155,346
2013	55,025	100,320	155,345
2014	57,777	97,568	155,345
2015-2019	335,356	441,372	776,728
2020-2024	428,728	348,000	776,728
2025-2029	504,303	229,613	733,916
2030-2034	504,056	115,980	620,036
2035-2039	224,759	28,857	253,616
2040-2042	<u>25,058</u>	<u>814</u>	<u>25,872</u>
	<u>\$ 2,284,932</u>	<u>\$ 1,678,691</u>	<u>\$ 3,963,623</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – LONG-TERM DEBT OBLIGATIONS (Continued)

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 interest on all outstanding bonds of the District. As of December 31, 2009, this sum equal to the highest annual payment is \$155,346 for the year 2019. This fund is restricted to payment of principal and interest in case of default. At December 31, 2009, \$73,317 has accumulated in this fund.

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 of 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, 2009, \$63,576 has accumulated in this fund.

	<u>Bond Fund</u>	<u>Reserve Fund</u>	<u>Depreciation & Contingency</u>
Balance – December 31, 2008	\$ -	\$ 65,480	\$ 62,546
Monthly deposits	-	7,767	7,767
Interest earned	-	70	63
Distribution authorized by USDA	-		(6,800)
Transfer between restricted accounts	-		
Balance December 31, 2009	-	73,317	63,576
Amount Required by Bond Resolution	-	64,969	74,232
Surplus (Deficiency) at December 31, 2009	<u>\$ -</u>	<u>\$ 8,348</u>	<u>\$ (10,656)</u>

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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.

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:

Van J. Debetaz	\$ 1,100
Marvin Losavio	1,300
Mark Major	1,300
Tommy Montgomery	1,200
Kelly Rivet	<u>1,200</u>
	<u>\$ 6,100</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 seven wells, after hour call outs for necessary repairs and maintenance, disconnect water service, and attendance at board meetings. The Contractor is to be paid \$4,100 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 shall terminate on the October 31, 2011. Fees incurred under the agreement for the year ended December 31, 2009 was \$71,780.

NOTE 8 - FINANCIAL SERVICES & BILLING AGREEMENTS

The District has entered into a financial services and billing agreement with Merrick & Hogan, CPAs for accounting and billing services. For the year ended December 31, 2009, fees and reimbursed costs incurred under the agreements amounted to \$32,210.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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.

NOTE 10 - SUBSEQUENT EVENTS

Construction Project

On April 22, 2009, the USDA Rural Development notified the District that funds have been obligated for a loan in the amount of \$2,050,000 for a new well, elevated tank and distribution system upgrade in the Torbert and Frisco communities of the District. Then on June 8, 2009, USDA gave Notice to Proceed with the plans, specs and permitting of the project.

Donation of Property

On January 14, 2010, the District accepted a donation from Format Corporation, a wholly owned subsidiary of Formosa Plastics Corporation, for a one acre parcel of land, together with all rights, ways, privileges, servitudes and appurtenances thereunto valued at \$2,150.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During the year it was determined that net assets invested in capital assets had been understated by the amount of accrued interest payable. Invested in capital assets at December 31, 2008 has been increased by \$8,159 and unrestricted-undesignated net assets have been decreased by that same amount to correct this miscalculation of each category of net assets. Total net assets did not change.

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.

THOMAS, WILSON, RAGUSA, UFFMAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

We have audited the financial statements of Waterworks District No. 2 of Pointe Coupee Parish, LA as of and for the year ended December 31, 2009, and have issued our report thereon dated January 7, 2011. 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 Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 2 of Pointe Coupee Parish, LA's internal control over financial reporting.

A deficiency in internal control exists when the design or operating 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 material misstatement of the entity's financial statements will not be prevented, 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 weakness, as defined above.

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 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 statements 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 Standard*; however, one violation of state ethics law is described in the accompanying schedule of findings and responses as item 2009-1 and one instance of noncompliance with the provisions of the Louisiana Governmental Audit Guide is reported as item 2009-2.

This report is intended solely for the information of management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revenue Statute 24:513, this report is distributed by the Louisiana Legislative Auditor.

Thomas, Wilson, Ragusa, Uffman & Co. CPAs

January 7, 2011

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009

Section A - Summary of Auditor's Reports

- The auditor's report expresses an unqualified opinion on the financial statements of the Waterworks District No.2 of Pointe Coupee Parish, Louisiana.
- No deficiencies were disclosed during the audit of the financial statements.
- No instances of noncompliance were disclosed during the audit of the financial statements.
- One alleged violation of state ethic law was disclosed during the audit of the financial statements.
- The Waterworks District No.2 of Pointe Coupee Parish, Louisiana was determined to be a low-risk auditee for the year ended December 31, 2009.

Section B - Financial Statement Findings

2009-1 Alleged Ethics Violation

On March 18, 2008, the Louisiana Board of Ethics issued Advisory Opinion 2008-221 regarding the contract between the District and M & C Water, LLC. After review of the contract, the Ethics Board concluded that the Code of Governmental Ethics would prohibit M & C Water, LLC from continuing to work for the Pointe Coupee Parish Waterworks District No. 2 pursuant to the contract after October 31, 2008, which was entered into prior to a partner of M & C Water, LLC taking office as a member of the Pointe Coupee Parish Police Jury.

In its opinion, the Ethics Board stated that Section 113A of the Code prohibits a public servant from bidding on or entering into any contract, subcontract or agency. As a member of the Police Jury, the Police Jury is the entire parish government, which includes the Waterworks District No. 2 created by the Police Jury. In addition, the Police Jury appoints all 5 members to the board of commissioners of the Waterworks District No.2. Therefore, any renewal of the contract, which requires the Police Jury's action, is prohibited under Section 113A of the Code. The Board has opined in the past that an automatic renewal, which would require no action by the Police Jury, is not a transaction which is under the supervision or jurisdiction of the Police Jury. However, in this case, the automatic renewal provision is based on a contract with the same terms and conditions. Since the automatically renewed contract will be for one year versus the three year term, the contract will not be under the same terms and conditions. Therefore, the contract renewal is prohibited by Section 113A of the Code.

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009

Finding

Between January 1, 2008 and October 31, 2008, M & C Water, LLC performed services for the Waterworks District No.2 in the amount of \$62,350.40. From November 1, 2008, to December 31, 2009, M & C Water, LLC performed \$11,900.00 in services for the Waterworks District No.2. Based upon the Advisory Opinion 2008-221 of the Louisiana Board of Ethics, the services performed after November 1, 2008, is a violation of the Code of Governmental Ethics.

Response

Attorney for the partner/police juror has filed for a reconsideration of the Advisory Opinion. It is the opinion of the Waterworks District No. 2's attorney that Waterworks District is not in violation and he would advise the Board to file suit in Court to have the Court determine whether or not the contract in question was in violation of the statute.

2009-2 Late Financial Reporting to Louisiana Legislative Auditor

Finding

Audited financial statements were not submitted to the Louisiana Legislative Auditor's office by 6 months after year end.

Response

The District changed audit firms after the deadline. The audit for the year ended December 31, 2010 will begin much earlier and audit will be submitted timely for the year ended December 31, 2010.

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009

2008-1 – see finding 2009-1

Supplemental Information Required by USDA

(Unaudited)

Water Customers and Rates

At December 31, 2009, the District billed the following number of customers:

Rate Code/Description	Customers	Rate	
W1 - Residential	1,279	\$	10.05 - 1 st 2,000 gallons
		\$	1.70 - per thousand, over 2,000 gallons
W2 - Commercial	18	\$	30.00 - 1 st 10,000 gallons
		\$	1.70 - 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	\$	450.00 per month flat rate
W6 - P. C. Central High	1	\$	1,500.00 per month flat rate
W7 - Camps	28	\$	10.50 - 1 st 2,000 gallons
		\$	1.75 - per thousand, next 8,000 gallons
		\$	1.50 - per thousand, over 10,000 gallons
W8 - Farmers	39	\$	15.00 - 1 st 2,000 gallons
		\$	1.70 - per thousand, over 2,000 gallons
W9 - Sheriff	1	\$	15.00 - 1 st 2,000 gallons
		\$	1.70 - per thousand, over 2,000 gallons
W10 - Governmental	1	\$	30.00 - 1 st 10,000 gallons
		\$	1.70 - per thousand, over 10,000 gallons

Aged Accounts Receivable

At December 31, 2009, the receivables due from customers is as follows:

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
Gross	\$ 21,343	\$ 2,716	\$ 435	\$ 196	\$ 7,955	\$ 32,645
Allowance	(671)	(467)	(181)	(84)	(8,354)	(9,857)
Net	<u>\$ 20,672</u>	<u>\$ 2,249</u>	<u>\$ 254</u>	<u>\$ 112</u>	<u>\$ (599)</u>	<u>\$ 22,788</u>

Insurance in Force

Issuer/Insurer	Type of Insurance	Limit Description	Coverage	Effective Dates
Cazyoux Insurance Agency/ American Alternative Insurance Corporation	General Liability	Bodily injury and property damage	\$ 1,000,000	07/31/09 - 07/31/10
			Per occurrence	
		Aggregate	\$ 3,000,000	
		Personal injury and advertising injury	\$ 1,000,000	
			Per person or organization	
		Aggregate	\$ 3,000,000	
		Professional liability	\$ 1,000,000	
			Per claim	
		Aggregate	\$ 3,000,000	
		Employee benefits liability	\$ 1,000,000	
			Per person	
		Aggregate	\$ 3,000,000	
		Damage to premises rented to you	\$ 1,000,000	
Any one premises	\$ 1,000,000			
Medical expense	\$ 10,000			
Per accident	\$ 10,000			
L. Boanchoud Insurance Agency, Inc / CAN Surety	Fidelity Bond	Per Occurrence	\$ 100,000	11/22/09 - 11/22/10

Board of Directors

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

Marvin Losavio
PO Box 855
Innis, LA 70747
(225) 718-2059

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

Tommy Montgomery
PO Box 178
Lottie, LA 70756
(225) 718-5724

Kelly Rivet
7544 Morganza Hwy.
Morganza, LA 70759
(225) 718-0726