

RECEIVED  
LEGISLATIVE AUDITOR  
2007 MAY 11 AM 10:53

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Financial Statements  
and Independent Accountant's Report  
As of and for the Year Ended  
December 31, 2006  
With Independent Accountant's Report on Applying  
Agreed-Upon Procedures  
For the Year Ended December 31, 2006**

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 5-23-07

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Financial Statements  
and Independent Accountant's Report  
As of and for the Year Ended  
December 31, 2006  
With Independent Accountant's  
Agreed-Upon Procedures Report  
For the Year Ended December 31, 2006**

**CONTENTS**

	<u>Statement</u> <u>Page No.</u>
Independent Accountant's Report .....	2
<b>Required Supplemental Information (Part A)</b>	
Management's Discussion and Analysis (MD&A) .....	4
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements (GWFS):	
Business-Type Activities:	
Comparative Statement of Net Assets .....	A 10
Comparative Statement of Revenues, Expenses, and Changes in Net Assets.....	B 11
Fund Financial Statement (FFS):	
Proprietary Fund – Enterprise Fund:	
Comparative Statement of Cash Flows .....	C 12
Notes to the Basic Financial Statements .....	13
	<u>Schedule</u> <u>Page No.</u>
<b>Louisiana Required Supplemental Information</b>	
Schedule of Per Diem Paid Board Members .....	1 21
Independent Accountant's Agreed-Upon Procedures Report .....	23

THIS PAGE WAS INTENTIONALLY LEFT BLANK.

**RICHARD B. GARRETT**  
Certified Public Accountant  
1537 Frenchman's Bend Road  
Monroe, LA 71203

Independent Accountant's Report

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

I have reviewed the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, as of and for the year ended December 31, 2006, which collectively comprise the Water District's Basic Financial Statements as listed in the table of contents. These financial statements are the responsibility of the management of Consolidated Water District No. 2 of Morehouse Parish.

My review was conducted in accordance with *Statements of Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America. A review consists principally of inquiries of the Water District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report, dated April 23 2007, on the results of my agreed-upon procedures.

The Management's Discussion and Analysis and the Schedule of Per Diem Paid Board Members on pages 4 through 9 and on page 21, respectively, are not a required part of the Basic Financial Statements but are supplementary information required by the Governmental Accounting Standards Board and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the Basic Financial

THIS PAGE WAS INTENTIONALLY LEFT BLANK.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Independent Accountant's Report**

Statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.



**Richard B. Garrett**

Monroe, Louisiana  
April 23, 2007

**THIS PAGE WAS INTENTIONALLY LEFT BLANK.**

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Management's Discussion and Analysis  
Fiscal Year Ended December 31, 2006**

Management's Discussion and Analysis of the Consolidated Water District No. 2 of Morehouse Parish's financial performance provides an overall review of the Water District's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the Water District's financial performance as a whole. The reader should read this discussion in conjunction with the Notes to the Basic Financial Statements, and the financial statements, which are all included in this report, to enhance their understanding of Consolidated Water District No. 2 of Morehouse Parish's financial performance.

**Financial Highlights**

- Net assets increased by \$98,680
- Purchased a new truck
- Number of customers increased by 18

**Using This Annual Financial Report (AFR)**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consolidated Water District No. 2 of Morehouse Parish as a whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Water District as a whole and present a longer-term view of the Water District's finances. Also included in the financial statements is the Comparative Statement of Cash Flows Fund Financial Statement, which reports cash flows of the Proprietary Fund – Enterprise Fund of the Water District.

**Reporting the Water District as a Whole**

**Comparative Statement of Net Assets and the Comparative  
Statement of Revenues, Expenses, and Changes in Net Assets**

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses, and Changes in Net Assets report information about the Water District as a whole and its activities in a way to inform the reader as to how the Water District



did financially during 2006. In short, is the Water District better off financially or is it worse off financially than it was this time last year? These statements report all assets and liabilities of the Water District on the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Water District's net assets and the change in those assets. This change in net assets is important because it tells the reader that, for the Water District as a whole, the financial position of the Water District improved or declined. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors affecting the Water District include increases or decreases in the number of persons served by the Water District as the result of persons moving into or out of the water district and road construction projects requiring replacement or moving of water lines.

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses, and Changes in Net Assets report the business-type activities of the Water District. Most of the Water District's operations and services are reported here including salaries and employee benefits, operating services, office expenses, and maintenance and repairs.

#### **The Water District as a Whole**

The Water District's net assets increased by \$98,680 from \$869,805 at December 31, 2005 to \$968,485 at December 31, 2006. Of the \$968,485 of net assets at December 31, 2006, \$726,843 were unrestricted. The following analysis focuses on the net assets (Table 1) and the change in net assets (Table 2) of the Water District's business-type activities.

**Table 1**  
**Business-Type Activities**  
**Net Assets**  
**December 31, 2006 and December 31, 2005**

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current and other assets	<b>\$733,932</b>	\$624,012
Restricted assets	<b>41,891</b>	40,304
Capital assets, net	<b>241,642</b>	256,690
Total assets	<b><u>1,017,465</u></b>	<u>921,006</u>
<b>Liabilities</b>		
Current and other liabilities	<b>7,089</b>	10,897
Long-term liabilities – customer deposits	<b>41,891</b>	40,304
Total liabilities	<b><u>48,980</u></b>	<u>51,201</u>
<b>Net assets</b>		
Invested in capital assets, net of debt	<b>241,642</b>	256,690
Unrestricted	<b>726,843</b>	613,115
Total net assets	<b><u>\$968,485</u></b>	<u>\$869,805</u>

The balance of \$726,843 in the unrestricted assets represents the accumulated results of all past years' operations. It means that if the Water District had to pay off all of its bills today, it would have enough funds to pay them off.

The results of this year's operations for the Water District as a whole are reported in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets on page 11. Table 2 recaps the information from the Comparative Statement of Revenues, Expenses, and Changes in Net Assets.

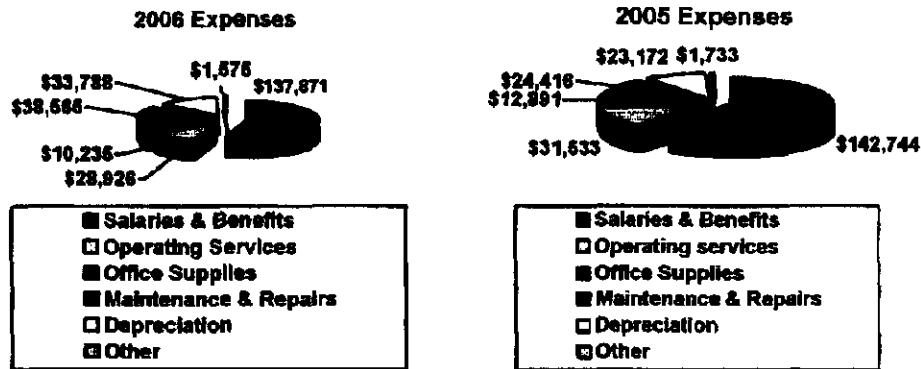
**Table 2**  
**Business-Type Activities**  
**Changes in Net Assets**  
**Fiscal Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Operating revenues:</b>		
Water sales	\$294,719	\$257,146
Other	<u>27,109</u>	<u>22,379</u>
Total operating revenues	<u>321,828</u>	<u>279,525</u>
<b>Operating expenses:</b>		
Salaries and employee benefits	137,871	142,744
Operating services	28,926	31,533
Office supplies	10,235	12,891
Maintenance, repairs, and materials	38,565	24,416
Depreciation	33,788	23,172
Other	<u>1,575</u>	<u>1,733</u>
Total operating expenses	<u>250,960</u>	<u>236,489</u>
<b>Operating income</b>	<u>70,868</u>	<u>43,036</u>
<b>Nonoperating Revenues:</b>		
Gain on disposal of assets	558	-
Use of money and property – interest income	<u>27,254</u>	<u>16,264</u>
Total nonoperating revenues	<u>27,812</u>	<u>16,264</u>
<b>Increase in Net Assets</b>	<u>\$98,680</u>	<u>\$59,300</u>

Consolidated Water District No. 2 of Morehouse Parish's 2006 and 2005 revenues are presented below:



Consolidated Water District No. 2 of Morehouse Parish's 2006 and 2005 expenses are presented below:



### Business-Type Activities

As reported in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets on page 11, the cost of operating the Water District this year was \$250,960. The operations of the district in 2006 were funded mainly by water sales of \$294,719. This compares to an operating cost of \$236,489 and water sales of \$257,146 in 2005. The increase in water sales of \$37,573 or 14.6 per cent was the result of increased water usage by customers for watering their lawns because of the dry 2006 summer and an increase in water rates. At December 31, 2006, the Water District was serving 1149 customers as compared to 1,131 at December 31, 2005. The increase in customers is the result of additional meters at various locations and inactive meters being reactivated.

The 2006 operating expenses of the Water District increased by \$14,471 or 6.1 percent from \$236,489 to \$250,960. The increase in the operating expenses was the result of an increase in maintenance, repairs, and materials of \$14,149 and depreciation of \$10,616. Maintenance, repairs, and materials increased due to purchasing new meters and tools in 2006. Also, after the hurricanes Rita and Katrina hit, the cost of materials and supplies increased. Other expenses of the District decreased in 2006.

### Capital Assets

Capital assets of the Water District used in performance of general operations are recorded in the financial statements as assets at their original cost at the time of purchase. Depreciation of capital assets has been recognized in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets.

At December 31, 2006, as reported on the Statement of Net Assets, the Water District had \$241,642 invested in property, plant and equipment, net of depreciation. Capital assets decreased by a net of \$15,048 during 2006. The net decrease in capital assets was due to

the Water District depreciating the capital assets by \$33,788 and purchasing a vehicle for \$15,940 and extending a shed for \$2,800. For more detail of capital assets, see Note 3 of the Notes to the Basic Financial Statements. Table 4 presents capital assets, net of depreciation, at December 31, 2006.

**Table 4**  
**Capital Assets at Year-end**  
**Net of Depreciation**  
**Business-Type Activities**

	<u>2006</u>	<u>2005</u>
Land	\$1,000	\$1,000
Water system	203,083	217,868
Equipment	<u>37,559</u>	<u>37,822</u>
Total	<u>\$241,642</u>	<u>\$256,690</u>

#### **For the Future**

Management of the Water District feels good about the future of the district. The Water District reported another increase in net assets for 2006 of \$98,680. Management of the Water District feels that the unrestricted net assets balance at December 31, 2006, of \$726,843 should protect them in the event a major unforeseen repair to the water lines or water tank is required. The Water District is not aware of any major repairs that must be made in the near future to the water system nor is management planning any expansions of the Water District in the near future. Present water rates appear to be adequate to support the operations of the Water District.

In 2008 the State of Louisiana plans to perform major repairs to Highway 425, which runs through the Water District. As a result of the road work, the District will have to move several of its water lines at a substantial cost to the Water District. Management of the Water District is inquiring about grants to help defray the cost of moving the water lines.

#### **Contacting the Water District's Financial Management**

This financial report is designed to provide our customers and the Morehouse Parish Police Jury with a general overview of the Water District's finances and to show the Water District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rhonda Little, Secretary-Treasurer, 7125 Pine Grove Loop, Bastrop, LA 71220-6830 or call at (318) 281-2989 or E-mail to [consolww2@yahoo.com](mailto:consolww2@yahoo.com).

## Statement A

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Comparative Statement of Net Assets  
Business-Type Activities  
December 31, 2006 and 2005**

	<b>Total</b>	
	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$696,464	\$585,410
Accounts receivable - water sales	21,764	22,084
Inventory (note 1-H)	15,704	16,518
Total current assets	<u>733,932</u>	<u>624,012</u>
Restricted assets - cash and cash equivalents (note 2)	41,891	40,304
Capital assets, net of depreciation:		
Property, plant, and equipment (note 3)	241,642	256,690
Total assets	<u>1,017,465</u>	<u>921,006</u>
<b>LIABILITIES</b>		
Current liabilities (payable from current assets):		
Accounts payable	4,593	8,551
Taxes payable	260	279
Salary deductions payable	2,236	2,067
Long-term liabilities (payable from restricted assets) - customer deposits	41,891	40,304
Total liabilities	<u>48,980</u>	<u>51,201</u>
<b>NET ASSETS</b>		
Invested in capital assets	241,642	256,690
Unrestricted	726,843	613,115
Total net assets	<u>\$968,485</u>	<u>\$869,805</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

## Statement B

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Comparative Statement of Revenues,  
Expenses, and Changes in Net Assets  
Business-Type Activities  
For the Years Ended December 31, 2006 and 2005**

	<b>Total</b>	
	<b>2006</b>	<b>2005</b>
<b>OPERATING REVENUES</b>		
Water sales	\$294,719	\$257,146
Safe drinking water fee	4,123	4,110
Installation and connection fees	22,062	15,640
Other	924	2,629
<b>Total operating revenues</b>	<b>321,828</b>	<b>279,525</b>
<b>OPERATING EXPENSES</b>		
Salaries	105,588	104,847
Per diem (Schedule 1)	4,080	3,720
Employee benefits	28,203	34,177
Operating services	28,926	31,533
Office expenses	10,235	12,891
Maintenance, repairs, and materials	38,565	24,416
Depreciation	33,788	23,172
Professional services	1,575	1,733
Other	-	-
<b>Total operating expenses</b>	<b>250,960</b>	<b>236,489</b>
<b>OPERATING INCOME</b>	<b>70,868</b>	<b>43,036</b>
<b>NONOPERATING REVENUES</b>		
Gain on disposal of assets	558	-
Use of money and property - interest income	27,254	16,264
<b>Total nonoperating revenues</b>	<b>27,812</b>	<b>16,264</b>
<b>CHANGE IN NET ASSETS</b>	<b>98,680</b>	<b>59,300</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>869,805</b>	<b>810,505</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$968,485</b>	<b>\$869,805</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

THIS PAGE WAS INTENTIONALLY LEFT BLANK.



**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
PROPRIETARY FUND - ENTERPRISE FUND**

**Comparative Statement of Cash Flows  
For the Years Ended December 31, 2006 and 2005**

	Total	
	2006	2005
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$323,956	\$275,488
Cash payments to suppliers and employees	(222,023)	(208,439)
Meter deposits from members (net)	1,647	1,546
State sales tax (net)	(11)	159
Net cash provided (used) by operating activities	<u>103,569</u>	<u>68,754</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(18,182)	(835)
<b>Cash flows from investing activities - interest</b>		
Income from time deposits	<u>27,254</u>	<u>16,264</u>
Net increase in cash and cash equivalents	112,641	84,183
Cash and cash equivalents at beginning of year	<u>625,714</u>	<u>541,531</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$738,355</u></u>	<u><u>\$625,714</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	<u>\$70,868</u>	<u>\$43,036</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	33,788	23,172
Changes in assets and liabilities:		
Increase/decrease in:		
Accounts receivable	320	(4,321)
Inventory	813	1,057
Accounts payable - operating	(3,807)	4,265
Customer deposits	1,587	1,545
Total adjustments	<u>32,701</u>	<u>25,718</u>
<b>Net cash provided by operating activities</b>	<u><u>\$103,569</u></u>	<u><u>\$68,754</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

THIS PAGE WAS INTENTIONALLY LEFT BLANK.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

Notes to the Basic Financial Statements  
As of and for the Year Ended  
December 31, 2006

**INTRODUCTION**

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3811. The Water District is governed by a five member board of commissioners who are residents of, and own real estate in, the district. The Board is appointed by the police jury and is responsible for providing water service to users within the boundaries of the district. The Water District serves approximately 1,149 customers and consists of approximately 124 miles of water system in rural Morehouse Parish.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, have been prepared in conformity with generally accepted accounting principles (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.

**B. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Morehouse Parish Police Jury is the financial reporting entity for Morehouse Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Morehouse Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Notes to the Financial Statements (Continued)**

entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the members of the governing board, because of the scope of public service, and because the district is located within the geographical jurisdiction of the police jury, the district was determined to be a component unit of the Morehouse Parish Police Jury, the financial reporting entity. The accompanying Basic Financial Statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**C. FUND ACCOUNTING**

Consolidated Water District No. 2 of Morehouse Parish is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, 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.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Notes to the Financial Statements (Continued)**

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the cash basis of accounting. However, the Enterprise Fund reported in the accompanying financial statements has been converted to an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Under Governmental Accounting Standards Board Statement No. 20, the Water District has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

**Revenues**

**Operating:**

Water sales and safe drinking water fees are recorded when earned by the water district. Water bills are due and payable to the water district by the tenth day of the month following receipt of the service.

Connection and installation fees are recorded when the services are performed and due to the water district.

**Nonoperating:**

Interest earnings on time deposits and demand deposits are recorded at the end of each month when credited by the bank.

**Expenses**

All expenses are recognized when incurred.

**E. BUDGETS**

Generally accepted accounting principles as applied to governmental units do not require the preparation of a budget for Proprietary - Enterprise Funds. Additionally, Louisiana law has not required that districts of this nature prepare and adopt annual budgets for operations. Therefore, a budget comparison is not presented in the accompanying Basic Financial Statements.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Notes to the Financial Statements (Continued)**

**F. ENCUMBRANCES**

The district does not use encumbrance accounting in its accounting system.

**G. CASH AND CASH EQUIVALENTS**

Cash includes amounts in petty cash and interest bearing demand deposits. Cash equivalents include amounts in time deposits. 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.

**H. INVENTORY**

Inventory consists of parts and expendable supplies and is recorded as an expense when consumed. Inventory is valued at market, which approximates cost.

**I. RESTRICTED ASSETS**

Meter deposits in the Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by liability to customers.

**J. CAPITAL ASSETS**

Capital assets and accumulated depreciation thereon, of the Water District are included on the balance sheet of the Enterprise Fund. The Water District considers assets with an initial individual cost of more than \$500 and an estimated useful life of 5 years or more as a capital asset. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the property as follows:

Water systems, tanks, and wells	40 years
Equipment and buildings	5-20 years

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Notes to the Financial Statements (Continued)**

**K. COMPENSATED ABSENCES**

The district has two salaried employees and two hourly employees. All employees are granted up to 2 weeks annual leave depending on length of service. The leave is non-cumulative. Upon termination, employees are not paid for unused vacation leave. Salaried employees are granted sick leave on an as needed basis.

At December 31, 2006, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure to conform with GASB Codification Section C60.

**L. RISK MANAGEMENT**

The Water District carries insurance policies for liability, workman's compensation, and auto and property with \$500 deductibles. The Water District also carries an errors and omissions policy on its board members with a \$1,000 deductible.

**M. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

*Custodial credit risk-deposits.* At December 31, 2006, the Water District has cash and cash equivalents (book balances) totaling \$738,355 as follows:

Interest-bearing demand deposits	\$496,135
Time deposits	242,020
Petty Cash	<u>200</u>
Total	<u>\$738,355</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal depository insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal depository insurance must at all times equal the amount on deposit with the fiscal agent.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Notes to the Financial Statements (Continued)**

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, 2006, the Water District has \$739,054 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal depository insurance and \$539,054 of collateral held by the trust department of agents of the pledging financial institutions in the Water District's name. Securities that may be pledged as collateral are obligations of the United States Government and its agencies, and obligations of the State of Louisiana and its municipalities and school districts.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Water District that the fiscal agent has failed to pay deposited funds upon demand.

**3. CAPITAL ASSETS**

A summary of capital assets at December 31, 2006, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Capital assets, not being depreciated:			
Land	\$1,000		\$1,000
Capital assets, being depreciated:			
Buildings and equipment	135,521	(\$97,962)	37,559
Water systems, tanks and wells	<u>645,443</u>	<u>(442,360)</u>	<u>203,083</u>
Total	<u>\$781,964</u>	<u>(\$540,322)</u>	<u>\$241,642</u>

**4. PENSION PLAN**

The employees of Consolidated Water District No. 2 of Morehouse Parish are members of the Social Security System. In addition to the employee contribution withheld at 6.2 per cent of gross salary, the water district contributes an equal amount to the Social Security System. Aggregate pension cost for the year was \$13,093. The water district does not guarantee the benefits granted by the Social Security System.



**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana  
Notes to the Financial Statements (Concluded)**

**5. OTHER POSTEMPLOYMENT BENEFITS**

The water district provides no postretirement health care and life insurance benefits to former employees.

**6. LITIGATION AND CLAIMS**

At December 31, 2006, the water district is not involved in any litigation nor is management aware of any claims.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**LOUISIANA REQUIRED  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Year Ended December 31, 2006**

**PER DIEM PAID BOARD MEMBERS**

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, board members receive \$60 per meeting attended up to a maximum of 36 meetings per year.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Schedule of Per Diem Paid Board Members  
For the Year Ended December 31, 2006**

	<u>NUMBER</u>	<u>AMOUNT</u>
Derrell Bray	15	\$900
Douglas Goyne	14	840
Bud Morrison	15	900
Eddie Potter	13	780
Wyatt Smith, President	<u>11</u>	<u>660</u>
Total	<u>68</u>	<u>\$4,080</u>

THIS PAGE WAS INTENTIONALLY LEFT BLANK.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Independent Accountant's Report on Applying  
Agreed-Upon Procedures  
For the Year Ended December 31, 2006**

**RICHARD B. GARRETT**  
Certified Public Accountant  
1537 Frenchman's Bend Road  
Monroe, Louisiana 71203

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

**CONSOLIDATED WATER DISTRICT NO. 2**  
**OF MOREHOUSE PARISH**  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the Board of Commissioners of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Consolidated Water District No. 2 of Morehouse Parish's compliance with certain laws and regulations for the year ended December 31, 2006, included in the *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Public Bid Law**

1. Review the board minutes and all expenditures made during the year ended December 31, 2006, for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

During the year, the Water District did not start any public works projects that fell under the guidelines of the public bid law. The Water District purchased a vehicle that fell under the guidelines of the public bid law. The Water District purchased a truck under state contract.

**RICHARD B. GARRETT**

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury  
Bastrop, Louisiana  
Agreed-Upon Procedures Report  
April 23, 2007  
Page 2

**Code of Ethics for Public Officials and Public Employees**

2. Obtain from management a list of the immediate family members of each commissioner as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interest of the commissioners and the employees, as well as their immediate families.

Management provided me with the requested list which included all of the noted information.

3. Obtain from management payroll data for all employees paid for the year ended December 31, 2006.

Management provided me the requested payroll data.

4. Determine whether any of the employees paid during the year, per the payroll data in agreed-upon procedure no. 3, were included on the list from management of immediate family members, per agreed-upon procedure no. 2.

None of the employees included in the payroll data (agreed-upon procedure no. 3) were included on the list from management of immediate family members (agreed-upon procedure no. 2).

**RICHARD B. GARRETT**

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury  
Bastrop, Louisiana  
Agreed-Upon Procedures Report  
April 23, 2007  
Page 3

**Accounting and Reporting**

5. Randomly select 6 disbursements made during the year ended December 31, 2006, in the Operations and Maintenance Fund and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined the supporting documentation for each of the six disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct general ledger account; and

I examined the documentation of each expenditure to determined that the expenditure had been charged to the proper account code. All expenditures were charged to the proper general ledger account code.

- (c) determine whether payments received approval from proper authorities.

The six expenditures examined were for dues, postage, health insurance, locating fees, and telephone services. Expenditures of this type, which are supported by an invoice, are approved by a commissioner initialing the invoice indicating approval for payment. All six expenditures examined had been approved by a commissioner.



**RICHARD B. GARRETT**

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury  
Bastrop, Louisiana  
Agreed-Upon Procedures Report  
April 23, 2007  
Page 4

6. Select one month's payroll and examine the gross wages paid all employees each week of the month to see that:

- (a) the salary/hourly rate agrees to the amount authorized by the Commissioners.

I examined all four employees' weekly gross wages for one month to see that the salary or hourly rate paid, as applicable, was the amount authorized by the Commissioners. The salary and hourly rate paid each employee was the amount authorized by the Commissioners.

- (b) the number of hours paid agrees to the time cards.

I compared the number of hours worked, per the weekly time cards, for the two hourly employees for one month to the number of hours the employees were paid each week. The two employees were paid 4 times each during the month of December 2006. Both employees' time cards reported the number of hours worked during the week and the time cards were approved by their supervisor for each of the four times they were paid in December. The employees were paid for the number of hours reported on their time cards.

**RICHARD B. GARRETT**

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury

Bastrop, Louisiana

Agreed-Upon Procedures Report

April 23, 2007

Page 5

**Meetings**

7. Examine evidence indicating that agendas for meetings in which minutes were recorded were posted as required by LSA-RS 42:1 - 12 (the open meetings law).

Consolidated Water District No. 2 is required to post a notice of each meeting and the accompanying agenda on the front gate of the district's office. Although management has asserted that such documents were properly posted and management provided me copies of the documents, I cannot determine if the documents were actually posted because there is no evidence to support this. The Water District did post a notice in the newspaper in January 2006, stating that the district's board meets the second Tuesday of each month at 5:00 PM in the district office.

The Water District provided me with notices with agendas for the monthly and special meetings held during the year. I compared the notices to the Board of Commissioners' minutes of their meetings to see that there was a notice for each meeting held during the year. There was a notice to the public for all of monthly meetings and for the special meetings held during the year.

**Debt**

8. Read the minutes of all board meeting for the year ended December 31, 2006, and examine bank deposits for the period under examination to determine if any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

A reading of the minutes of the Water District for the year ended December 31, 2006, and an examination of the bank deposits for the period under examination, did not identify any deposits or authorizations for bank loans, bonds, or like indebtedness.

**RICHARD B. GARRETT**

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury  
Bastrop, Louisiana  
Agreed-Upon Procedures Report  
April 23, 2007  
Page 6

**Advances and Bonuses**

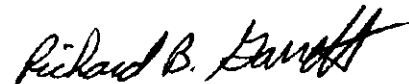
9. Examine all disbursements in the cash disbursement journal for the year ended December 31, 2006, and read the minutes for the year to determine whether any payments have been made to employees that may constitute a bonus, advance, or gift.

A reading of the minutes of the Water District for the year ended December 31, 2006, did not indicate any approval for such payments. Examination of the expenditures in the cash disbursements' journal did not disclose any instances of payments to employees which would constitute a bonus, advance or gift.

My prior year report dated March 10, 2006, did not include any comments or unresolved matters.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**Richard B. Garrett**

Monroe, Louisiana  
April 23, 2007

THIS PAGE WAS INTENTIONALLY LEFT BLANK.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Corrective Action Taken on Prior Year Findings  
For the Year Ended December 31, 2006**

**CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS**

In accordance with the *Louisiana Governmental Audit Guide* a schedule of corrective action taken on prior year findings has been included.

THIS PAGE WAS INTENTIONALLY LEFT BLANK.

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Corrective Action Taken on Prior Year Findings  
For the Year Ended December 31, 2006**

**In the attestation report for the year ended December 31, 2005, there were no findings reported.**

RECEIVED  
LEGISLATIVE AUDITOR  
2007 MAY 11 AM 10:53

**CONSOLIDATED WATER DISTRICT NO. 2  
OF MOREHOUSE PARISH  
MOREHOUSE PARISH POLICE JURY  
Bastrop, Louisiana**

**Louisiana Attestation Questionnaire  
For the Year Ended December 31, 2006**

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 \_\_\_\_\_



**CONSOLIDATED WATER DISTRICT NO. 2**  
**OF MOREHOUSE PARISH, LOUISIANA**  
7125 Pine Grove Loop  
BASTROP, LOUISIANA

March 13, 2007

Richard B. Garrett, CPA  
1537 Frenchman's Bend Road  
Monroe, Louisiana 71203

Dear Mr. Garrett

In connection with your review of our financial statements as December 31, 2006, and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representation to you. We accept full responsibility for our compliance with the following laws and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of March 13, 2007.

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212.

Yes (  ) No ( )

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or commissioners has accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes (  ) No ( )

It is true that no member of the immediate family of any member of the board of commissioners of the water district has been employed by the water district after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes (  ) No ( )

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:43).

Yes (  ) No ( )

**Accounting and Reporting**

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes (  ) No ( )

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:464, and/or 39:92, as applicable.

Yes (  ) No ( )

We have had our financial statements compiled in accordance with LSA-RS 24:513.

Yes (  ) No ( )

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in LSA-RS 42:1 through 42:12.

Yes (  ) No ( )

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less, to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes (  ) No ( )

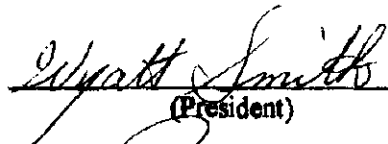
**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes (  ) No ( )

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance, which may occur subsequent to the issuance of your report.

  
\_\_\_\_\_  
(President)

MARCH 13  
~~2007~~ 2007  
(Date)

  
\_\_\_\_\_  
(Secretary)

MARCH 13  
~~2007~~ 2007  
(Date)

FILENAME: ATTESTATION/ATTESTATION