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WATERWORKS DISTRICT NO. 2
OF POINTE COUPEE PARISH, LA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2006

WATERWORKS DISTRICT NO. 2
OF POINTE COUPEE PARISH, LA
105 GISELE STREET
NEW ROADS, LA 70760
(225) 638-4501

COMMISSIONERS

Marvin Losavio, Chairman
John Grezaffi
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, 2006

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George F. Delaune

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OFFICERS ASSOCIATION

INDEPENDENT AUDITOR'S REPORT

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

I 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, 2006, as listed in the Table of Contents. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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, and the Louisiana Governmental Audit Guide. Those standards and the guide require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2006, 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, I have also issued my report dated June 11, 2007, on my 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 my 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 my audit.

The Management's Discussion and Analysis on page 3 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. I 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, I did not audit the information and express no opinion on it.

The accompanying supplementary financial schedules on pages 24 and 25 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 me, and accordingly, I express no opinion on this information.

George F. Delaune, CPA

June 11, 2007

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Waterworks District No. 2 of Pointe Coupee Parish, LA
Management's Discussion and Analysis
December 31, 2006

This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the accompanying basic financial statements, which begin on page 8.

Report Layout

This annual report consists of financial statements, notes to the financial statements, and supplementary information.

The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows (on page 8-10) provide information about the activities of the District.

These statements report the District's net assets and changes in them. You can think of the District's net assets–the difference between assets and liabilities–as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Current Operations

For the year ended December 31, 2006, the District's "Net Operating Income" was $33,905 compared to a net loss in 2005 of $142,445. After payment of interest on debt and other nonoperating items, "Net Loss" was $52,854 compared to $203,230 for the previous year.

The change in operations had a material effect on cash flow. Total cash increased $72,910 in 2006 while cash decreased $88,731 in 2005. This is a change of $161,641.

Capital Assets

At the end of December 31, 2006, the District had $6,303,012 invested in capital assets, net of accumulated depreciation as reflected in Note 3 on page 15.

Economic Conditions and the Future

A change in management in November 2005, was very positive for the District and management believes that this should continue in 2007.

Management is continuing to make improvements to the system and making extensions to provide potable water to other residents in the area served by the District.

Contacting the District's Financial Management

This financial report is designed to provide our 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 105 Gisele Street, New Roads, LA (225) 638-4501.

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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, 2006
(With Comparative Total for 2005)

	2006	2005
ASSETS		
Current Assets:		
Cash	$ 109,900	$ 67,945
Accounts receivable (net)	30,684	453
Due from Pointe Coupee Parish Police Jury	15,240	
Prepaid expenses	5,189	5,212
Total current assets	161,013	73,610
Restricted Assets:		
Consumer meter deposits	70,853	57,150
Debt service accounts	120,363	101,765
Construction account	50,106	51,452
Total restricted assets	241,322	210,367
Noncurrent Assets:		
Capital assets (net)	6,303,012	6,321,267
Unamortized bond costs	36,694	37,880
Total noncurrent assets	6,339,706	6,359,147
Total Assets	6,742,041	6,643,124
LIABILITIES		
Current Liabilities:		
Accounts payable	31,754	3,372
Contracts and retainage payable		41,300
Current portion of long-term debt	38,191	31,584
Accrued interest payable	23,795	24,861
Total current liabilities	93,740	101,117
Noncurrent Liabilities:		
Consumer meter deposits payable	71,561	67,850
Long-term debt	2,432,402	2,433,827
	2,503,963	2,501,677
Total Liabilities	2,597,703	2,602,794
NET ASSETS		
Invested in capital assets	3,808,625	3,855,856
Restricted for debt service	146,674	122,501
Unrestricted - undesignated	189,039	61,973
Total Net Assets	$ 4,144,338	$ 4,040,330

See accompanying notes to the basic financial statements.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2006
(With Comparative Total for 2005)

	2006	2005
Operating Revenues		
Charges for services -		
Water charges	$ 411,196	$ 256,406
Miscellaneous charges	10,087	
Penalties	11,441	12,010
Total Operating Revenues	432,724	268,416
Operating Expenses		
Director fees and travel	8,707	
Salaries and benefits		70,424
Administrative costs		30,562
Professional and technical services	5,101	2,536
Accounting and billing fees	32,530	
Utilities	26,227	24,535
Insurance	8,822	15,280
Utility operator	83,469	
Repairs, maintenance and supplies	34,248	52,593
Miscellaneous	1,176	2,928
Uncollectible accounts	399	31,161
Depreciation	198,140	180,842
Total Operating Expenses	398,819	410,861
Net Operating Income (Loss)	33,905	(142,445)
Nonoperating Revenue (Expenses)		
Interest earned	4,430	5,794
Interest on long-term debt and other charges	(90,003)	(64,949)
Amortization of bond costs	(1,186)	(1,630)
Total Nonoperating Revenue (Expenses)	(86,759)	(60,785)
Net Loss	(52,854)	(203,230)
Net Assets - Beginning	4,040,330	4,243,560
Prior year adjustment to consumer meter deposits	(21,766)	
Prior year adjustment to construction costs	178,628	
Net Assets - Ending	$ 4,144,338	$ 4,040,330

See accompanying notes to the basic financial statements.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006
(With Comparative Total for 2005)

	2006	2005
Cash Flows from Operating Activities		
Receipts from customers	$ 402,493	$ 319,584
Payments to suppliers	(183,803)	(258,153)
Payments to employees and benefits		(70,424)
Net Cash Provided by (Used in) Operating Activities	218,690	(8,993)
Cash Flows from Non-Operating Activities		
Repayment of loans from other entities		(87,000)
Net Cash (Used in) Non-Operating Activities	0	(87,000)
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(150,210)	(264,936)
Capitalization of bond issuance costs		(19,176)
Amortization of bond issuance costs	1,186	1,630
Proceeds from issuance of debt	37,800	388,722
Principal paid on capital debt	(32,618)	(38,193)
Interest paid on capital debt	(91,069)	(66,579)
Net Cash Provided by (Used in) Capital & Related Financing Activities	(150,210)	1,468
Cash Flows from Investing Activities		
Interest earned	4,430	5,794
Net Cash Provided by Investing Activities	4,430	5,794
Net Increase (Decrease) in Cash	72,910	(88,731)
Balances - Beginning of Year	278,312	367,043
Balances - End of Year	$ 351,222	$ 278,312

	2006	2005
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities		
Net operating income (loss)	$ 33,905	$ (142,445)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation expense	198,140	180,842
Provision for doubtful accounts		31,161
Change in assets and liabilities:		
Receivables	(45,471)	37,032
Prepaid insurance	23	(1,528)
Accounts payable	28,382	(128,190)
Consumer meter deposits	3,711	14,135
Net Cash Provided (Used) by Operating Activities	$ 218,690	$ (8,993)

See accompanying notes to the basic financial statements.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA

NOTES TO BASIC FINANCIAL STATEMENTS

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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 ordinances 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:

- 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.

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, 2006, 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. The District uses the direct charge-off method whereby uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The direct charge-off method is used because it does not cause a material departure from GAAP and it approximates the valuation method.

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

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, 2006:

Petty cash and cash on hand	$	50
Interest-bearing demand deposits		351,183
Total	$	351,233

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, 2006, the District has $351245 in deposits (collected bank balances). These deposits are secured from risk by $220,959 of federal deposit insurance and $130,286 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 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 that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	1-1-2006	Additions	Deletions	12-31-2006
Land	$ 129,208			$ 129,208
Buildings	26,976		$ (22,976)	4,000
Machinery and equipment	4,834		(4,834)	0
Computer equipment	5,774		(5,774)	0
Utility property	7,894,603	$ 23,008		7,917,611
	8,061,395	$ 23,008	$ (33,584)	8,050,819
Accumulated depreciation	(1,561,500)	$ (198,140)	$ 11,833	(1,747,807)
	$ 6,499,895			$ 6,303,012

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, 2006:

	Balance 1-1-2006	Additions	Reductions	Balance 12-31-2006	Due Within One Year
$451,300 Revenue	$ 382,138		$ (4,968)	$ 377,170	$ 7,765
$110,000 Revenue	104,266		(1,395)	102,870	1,460
$556,000 Revenue	527,011		(7,053)	519,958	7,377
$356,000 Revenue	339,873		(4,012)	335,861	4,196
$1,250,000 Revenue	1,115,112	$ 37,800	(18,177)	1,134,735	17,393
	$ 2,468,400	$ 37,800	$ (35,605)	$ 2,470,594	$ 38,191

Long-term debt obligations for the District at December 31, 2006, 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, 2029, interest at 6.25%	$ 377,170
$110,000 U.S. Department of Agriculture - RUS, dated April 3, 2001, due in monthly installments of $505 beginning May 3, 2001	102,869
$556,000 U.S. Department of Agriculture - RUS, dated April 3, 2001, due in monthly installments of $2,552 beginning May 3, 2001	519,958
$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%	335,862
$1,250,000 U.S. Department of Agriculture - RUS, due in monthly installments of $5,625 beginning March 2005 and matures January 2045	1,134,735
Total Indebtedness	$ 2,470,594

Debt Service Requirements to Maturity

The annual requirements to amortize debt outstanding at December 31, 2006, are as follows:

Year Ending December 31,	Principal	Interest	Total
2007	$ 38,190	$ 117,155	$ 155,345
2008	40,074	115,271	155,345
2009	42,051	113,294	155,345
2010	44,128	111,217	155,345
2011	46,309	109,306	155,615
2012 - 2016	268,319	508,406	776,725
2017 - 2021	341,975	434,750	776,725
2022 - 2026	436,334	340,391	776,725
2027 - 2031	493,204	221,286	714,490
2032 - 2036	512,583	107,452	620,035
2037 - 2041	207,427	12,818	220,245
	$ 2,470,594	$ 2,191,346	$ 4,661,940

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 ranging from $25 to $315 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, 2006, this sum is $155,346 for the year 2019. This fund is restricted to payment of principal and interest in case of default.

Required monthly transfers ranging from $25 to $315 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, 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".

NOTE 5 - CONTINGENCIES

Litigation

There is no pending litigation against the District.

Environmental Contingencies

Management of the District is not aware of nay 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 mayor and board members is as follows:

John Grezaffi	$	1,200
Marvin Losavio		1,700
Mark Major		1,600
Tommy Montgomery		1,700
Kelly Rivet		1,500
	$	7,700

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 began on the 1st day of November, 2005 and shall terminate on the 31st day of October, 2008. Fees paid under the agreement for the year ended December 31, 2006 was $83,469.

NOTE 8 - FINANCIAL SERVICES & BILLING AGREEMENTS

The District has entered into a financial services and billing agreements with Merrick & Hogan, CPAs for accounting and billing services. For the year ended December 31, 2006, fees paid under the agreements amounted to $32,530.

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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.

George F. Delaune

CERTIFIED PUBLIC ACCOUNTANT

(A Professional Corporation)

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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

I have audited the financial statements of the Waterworks District No. 2 of Pointe Coupee Parish, LA, as of and for the year ended December 31, 2006, and have issued my report thereon dated June 11, 2007. I conducted my 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, and the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and; but not for the purpose of expressing my opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do no express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters (2006-1) that is required to be reported under Government Auditing Standards and the provisions of the Louisiana Governmental Audit Guide.

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. However, this report is a matter of public record and its distribution is not limited.

George F. Delaune, CPA

June 11, 2007

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 reportable conditions were disclosed during the audit of the financial statements.
- One instance of noncompliance was disclosed during the audit of the financial statements.
- The Waterworks District No. 2 of Pointe Coupee Parish, Louisiana was determined not to be a low-risk auditee for the year ended December 31, 2006.

Section B - Findings – Financial Statements Audit

2006-1 Delay in Issuing Audit Report

Change in management, accounting systems, and billing systems caused problems in reconciling transition of accounting records.

Management does not foresee any problems in future and the report should be issued on time.

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
RESOLUTION OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

There were no prior year audit findings or questioned costs.

Supplemental Information Required by USDA

(Unaudited)

Water Customers and Rates

At December 31, 2006, the District billed the following number of customers:

Rate Code/Description	Customers	Rate
W1 - Residential	1,239	$10.05 - 1" 2,000 gallons $ 1.70 - per thousand, over 2,000 gallons
W2 - Commercial	24	$30.00 - 1" 10,000 gallons $ 1.70 - per thousand, over 10,000 gallons
W4 - Industrial	2	$500.00 - 1" 1,000,000 gallons $ 0.50 - 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	0	$4.00 - 1" 2,000 gallons $1.75 - per thousand, next 8,000 gallons $1.50 - per thousand, over 10,000 gallons
W8 - Farmers	31	$15.00 - 1" 2,000 gallons $ 1.70 - per thousand, over 2,000 gallons

Insurance in Force

Issuer/Insurer	Type of Insurance	Limit Description	Coverage	Effective Dates
Cazayoux Insurance Agency / American Alternative Insurance Corporation	General Liability	Bodily injury and property damage		07/31/06 - 07/31/07
		Per occurrence	$ 1,000,000	
		Aggregate	$ 3,000,000	
		Personal injury and advertising injury		
		Per person or organization	$ 1,000,000	
		Aggregate	$ 3,000,000	
		Professional liability		
		Per claim	$ 1,000,000	
		Aggregate	$ 3,000,000	
		Employee benefits liability		
		Per person	$ 1,000,000	
		Aggregate	$ 3,000,000	
		Damage to premises rented to you		
		Any one premises	$ 1,000,000	
		Medical expense		
		Per accident	$ 10,000	
L. Bouanchaud Insurance Agency, Inc. / Western Surety Company	Fidelity Bond	Per Occurrence	$ 100,000	11/22/06 - 11/22/07

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