

**LOUVIERS WATER AND SANITATION  
DISTRICT**

**Douglas County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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# David B. Green • CPA • LLC

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Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Louviere Water and Sanitation District

We have audited the accompanying financial statements of Louviere Water and Sanitation District as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Louviere Water and Sanitation District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louviere Water and Sanitation District, as of December 31, 2009, and the changes in financial position and cash flows thereof 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 our report dated August 24, 2010, on our consideration of Louviere Water and Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

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

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Brighton, CO 80601

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Certified Public Accountants & Business Consultants

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louviers Water and Sanitation District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "David B. Shan CPA LLC". The signature is written in a cursive, flowing style.

Brighton, CO  
August 24, 2010

**LOUVIERS WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2009**

Our discussion and analysis of Louviers Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the District's basic financial statements which begin on page 1.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Fund Net Assets, and 3) Statement of Cash Flows. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets are prepared using the economic resource measurement focus and the accrual basis of accounting.

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. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net assets can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* reports the changes that have occurred during the year to the District's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

**FINANCIAL SUMMARY AND ANALYSIS**

**Net Assets**

As noted earlier, net assets may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities in 2009 by \$516,973. Total assets and liabilities were \$1,205,368 and \$688,395, respectively. These balances increased from the 2008 balances of \$-0-, due primarily to the Louviers Mutual Service Company (LMSC), a Colorado nonprofit organization, entered into a Dissolution and Transfer Agreement dated May 28, 2009, providing, among other things, for the assignment and transfer by LMSC to the District, of all tangible and intangible assets of LMSC, owned by LMSC at the time of dissolution. Effective October 30, 2009 the District entered into a Bill of Sale and Assignment and Assumption Agreement with LMSC to assign and transfer all tangible and intangible assets owned by LMSC to the District.

	<u>2008</u>	<u>\$ Change</u>	<u>2009</u>
Current and other assets	\$ -	\$ 180,207	\$ 180,207
Capital assets	-	1,025,161	1,025,161
<b>Total assets</b>	<u>-</u>	<u>1,205,368</u>	<u>1,205,368</u>
Current liabilities	-	15,290	15,290
Long-term liabilities	-	673,105	673,105
<b>Total Liabilities</b>	<u>-</u>	<u>688,395</u>	<u>688,395</u>
Invested in capital assets	-	345,161	345,161
Unrestricted	-	171,812	171,812
<b>Total Net Assets</b>	<u>\$ -</u>	<u>\$ 516,973</u>	<u>\$ 516,973</u>

### Changes in Net Assets

As noted in the table below, the District's net assets increased by \$516,973. As noted above the key component of this increase was the contribution of all tangible and intangible assets from LMSC to the District. The operating revenue consisted of charges for water and sewer services to the District's customers for the months of November and December 2009. The operating expenses were primarily for the months of November and December 2009, however there were some costs incurred by the District to get the operations up and going.

	<u>2008</u>	<u>\$ Change</u>	<u>2009</u>
Operating revenue	\$ -	\$ 20,720	\$ 20,720
Nonoperating revenue	-	60	60
<b>Total revenues</b>	<u>-</u>	<u>20,780</u>	<u>20,780</u>
Operating expenses	-	50,234	50,234
Nonoperating expenses	-	5,388	5,388
<b>Total expenses</b>	<u>-</u>	<u>55,622</u>	<u>55,622</u>
Income before capital contributions	<u>-</u>	<u>(34,842)</u>	<u>(34,842)</u>
Capital and operating contributions	<u>-</u>	<u>551,815</u>	<u>551,815</u>
Change in net assets	<u>-</u>	<u>516,973</u>	<u>516,973</u>
<b>Net Assets - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets - End of Year</b>	<u>\$ -</u>	<u>\$ 516,973</u>	<u>\$ 516,973</u>

### BUDGETARY HIGHLIGHTS

During 2009 the District's budget was amended, to incorporate the issuance of the General Obligation Bond, Series 2009. The total amended appropriated expenditures for 2009 were \$900,000 and actual expenditures were \$733,670, or \$166,330 under budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets at December 31, 2009 is as follows:

	<u>2008</u>	<u>\$ Change</u>	<u>2009</u>
Land	\$ -	\$ 75,303	\$ 75,303
<b>Total capital assets, not being depreciated</b>	<u>-</u>	<u>75,303</u>	<u>75,303</u>
Water system and facilities	-	125,444	125,444
Wastewater system and facilities	-	829,932	829,932
<b>Total capital assets being depreciated</b>	<u>-</u>	<u>955,376</u>	<u>955,376</u>
<b>Total accumulated depreciation</b>	<u>-</u>	<u>(5,518)</u>	<u>(5,518)</u>
<b>Total capital assets, net</b>	<u>\$ -</u>	<u>\$ 1,025,161</u>	<u>\$ 1,025,161</u>

As noted above the District received contributed assets from LMSC. This included all the land, water system and sewer system assets owned by LMSC.

Additional information on the District's capital assets can be found in Note 4 of this report.

### Long-Term Obligations

The District's long-term obligations at December 31, 2009 are as follows:

	<u>2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>2009</u>
Construction loan	\$ -	\$ 672,841	\$ 672,841	\$ -
General obligation bond	-	680,000	-	680,000
<b>Total long-term debt</b>	<u>\$ -</u>	<u>\$ 1,352,841</u>	<u>\$ 672,841</u>	<u>\$ 680,000</u>

As noted above, the District entered into a Dissolution and Transfer Agreement and a Bill of Sale and Assignment and Assumption Agreement with LMSC to assign and transfer all tangible and intangible assets owned by LMSC to the District. These agreements also included the assumption of the liabilities of LMSC by the District. The District assumed a Rural Community Assistance Corporation construction loan in the amount of \$672,841 on October 30, 2009. On November 4, 2009 the District issued a General Obligation Bond, Series 2009 for \$680,000. The proceeds of this bond were used to retire the outstanding balance on the construction loan and to pay for costs of issuance of the bond.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

## **ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES**

For 2010 the District did not raise rates or levy a property tax mill levy. Anticipated revenues are \$177,300 and appropriated expenditures are \$244,672. With these revenues and expenditures, the District is anticipating using \$67,372 of the accumulated funds available.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Louviers Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Accountant, Neil Schilling, CPA, P.O. Box 632060 Highlands Ranch, CO 80163, (720) 348-1086.



## **BASIC FINANCIAL STATEMENTS**

**LOUVIERS WATER AND SANITATION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**December 31, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 129,712
Accounts receivable	39,771
Total current assets	169,483

**CAPITAL ASSETS**

Capital assets, not being depreciated	75,303
Capital assets, being depreciated	955,376
	1,030,679
Less accumulated depreciation and amortization	(5,518)
Total capital assets	1,025,161

**OTHER ASSETS**

Bond issue costs, net of accumulated amortization	10,724
Total other assets	10,724

**TOTAL ASSETS** \$ 1,205,368

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 3,963
Accrued interest payable	4,432
Current portion of long term debt	6,895
Total current liabilities	15,290

**LONG-TERM LIABILITIES**

Long-term portion of long term debt	673,105
Total long-term liabilities	673,105

**NET ASSETS**

Invested in capital assets	345,161
Unrestricted	171,812
Total net assets	516,973

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,205,368

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LOUVIERS WATER AND SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**Year Ended December 31, 2009**

<b>OPERATING REVENUE</b>	
Water service charges	\$ 12,159
Sewer service charges	7,192
Late fees and other charges	1,369
Total operating revenue	20,720
 <b>OPERATING EXPENSES</b>	
Water and sewer operations	32,198
Administration expense	12,518
Depreciation	5,518
Total operating expenses	50,234
 <b>OPERATING LOSS</b>	 (29,514)
 <b>NONOPERATING REVENUE (EXPENSE)</b>	
Net investment income	60
Interest expense	(5,120)
Bond issue cost amortization	(268)
Total nonoperating revenue (expense)	(5,328)
 <b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	 (34,842)
 <b>CAPITAL AND OPERATING CONTRIBUTIONS</b>	
Contribution from LMSC	551,815
	551,815
 <b>CHANGE IN NET ASSETS</b>	 516,973
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 -
 <b>NET ASSETS - END OF YEAR</b>	 \$ 516,973

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LOUVIERS WATER AND SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 64,278
Payments to vendors	(131,751)
Net cash required by operating activities	(67,473)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Contributions from LMSC	201,636
Net cash provided by capital financing activities	201,636

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Bond issuance proceeds	680,000
Interest paid	(688)
Bond issuance costs paid	(10,993)
LMSC infrastructure reimbursement	(672,841)
Net cash required by capital financing activities	(4,522)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	71
Net cash provided by investing activities	71

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

129,712

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

-

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 129,712

**RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

Net Loss from operations	\$ (29,514)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:	
Depreciation	5,518
Vendor payments made by District for LMSC	(87,585)
Customer receipts received by District for LMSC	42,563
Effects of changes in operating assets and liabilities:	
Accounts receivable	995
Accounts payable	550
Net cash provided by operating activities	\$ (67,473)

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

Capital assets contributed to District by LMSC	\$ 1,030,679
Debt of LMSC assumed by District	\$ (672,841)

These financial statements should be read only in connection with the accompanying notes to financial statements.

**LOUVIERS WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Louviers Water and Sanitation District (District), was created on November 20, 2008, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District purpose is to provide public water and sanitary sewer services to the citizens of the District. The District is governed by an elected Board of Directors.

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District and Louviers Mutual Service Company (LMSC), a Colorado nonprofit organization, entered into a Dissolution and Transfer Agreement dated May 28, 2009, providing, among other things, for the assignment and transfer by LMSC to the District, of all tangible and intangible assets of LMSC, owned by LMSC at the time of dissolution. Effective October 30, 2009 the District entered into a Bill of Sale and Assignment and Assumption Agreement with LMSC to assign and transfer all tangible and intangible assets owned by LMSC to the District and for the District to assume all liabilities of LMSC. The District was not financially accountable for LMSC.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989, are not applied.

**LOUVIERS WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Operating Revenues and Expenses**

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

During the year ended December 31, 2009, supplementary appropriations approved by the District modified the appropriation from \$467,685 to \$900,000.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Capital Assets**

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District has recorded purchased capacity, which is capacity in water lines and facilities that are property of the Denver Water Board, for which the District was required to pay Denver Water Board.

Depreciation and amortization expense has been computed using the straight-line method over the estimated economic useful lives:

Water system and facilities	5-20 years
Wastewater system and facilities	5-40 years

**LOUVIERS WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Tap Fees and Contributed Capital Assets**

Tap fees are recorded as capital contributions when received. Capital assets contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

**Use of Restricted Funds**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 3 - CASH AND INVESTMENTS**

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators.

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2009, the District had cash deposits with a bank balance of \$133,560 and a carrying balance of \$129,711.

**Investments**

**Credit Risk**

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

**LOUVIERS WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS** (continued)

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

At December 31, 2009, the District held no investments.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2009 follows:

	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2009</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 75,303	\$ -	\$ 75,303
Total capital assets, not being depreciated	-	75,303	-	75,303
Capital assets, being depreciated:				
Water system and facilities	-	125,444	-	125,444
Wastewater system and facilities	-	829,932	-	829,932
Total capital assets being depreciated	-	955,376	-	955,376
Less accumulated depreciation for:				
Water system and facilities	-	(1,832)	-	(1,832)
Wastewater system and facilities	-	(3,686)	-	(3,686)
Total accumulated depreciation	-	(5,518)	-	(5,518)
Total capital assets being depreciated, net	-	949,858	-	949,858
Total capital assets, net	<u>\$ -</u>	<u>\$ 1,025,161</u>	<u>\$ -</u>	<u>\$ 1,025,161</u>

On October 30, 2009, LMSC transferred all capital assets to the District (see Note 1). The District recorded these capital assets at estimated fair value at the time of transfer.



**LOUVIERS WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009**

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2009:

	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2009</u>	<u>Due Within One Year</u>
Rural Community Assistance Corporation Loan	\$ -	\$ 672,841	\$ 672,841	\$ -	\$ -
General Obligation Bond, Series 2009	-	680,000	-	680,000	6,895
	<u>\$ -</u>	<u>\$ 1,352,841</u>	<u>\$ 672,841</u>	<u>\$ 680,000</u>	<u>\$ 6,895</u>

**Rural Community Assistance Corporation Loan**

On October 30, 2009, the District assumed the construction loan payable to the Rural Community Assistance Corporation from LMSC (see Note 1). The original construction loan agreement bore an interest rate of 4.125%, with principal and interest payable over a 40 year period. An additional construction loan agreement was entered into for \$74,000. This additional loan bore an interest rate of 4.5% and was also payable over a 40 year period. On November 6, 2009 the District repaid the outstanding balance on this loan. Interest paid on the construction loan during 2009 was \$687.

**General Obligation Bond, Series 2009**

On November 4, 2009, the District issued a \$680,000 of General Obligation Bond dated November 4, 2009. The bond was issued to the United States of America Rural Utilities Service which is administered by the United States Department of Agriculture, Office of Rural Development. The bond bears interest at 4.125% and requires \$17,436 semiannual payments of principal and interest on May 4 and November 4, commencing on May 4, 2010 with the final payment due on November 4, 2049. The bond is subject to redemption prior to maturity as a whole or any portion thereof, on any date, upon the payment of par and accrued interest, without redemption premium. The proceeds of the bond were used to retire the outstanding balance of the Rural Community Assistance Corporation loan.

The District’s general obligation bonds will mature as follows:

**LOUVIERS WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009**

**NOTE 5 – LONG-TERM OBLIGATIONS** (continued)

<b>Year(s) Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 6,895	\$ 27,977	\$ 34,872
2011	7,183	27,689	34,872
2012	7,405	27,467	34,872
2013	7,791	27,081	34,872
2014	8,115	26,757	34,872
2015-2019	45,858	128,502	174,360
2020-2024	56,182	118,178	174,360
2025-2029	68,991	105,369	174,360
2030-2034	84,621	89,739	174,360
2035-2039	103,794	70,566	174,360
2040-2044	127,290	47,070	174,360
2045-2049	155,875	18,189	174,064
	<u>\$ 680,000</u>	<u>\$ 714,584</u>	<u>\$ 1,394,584</u>

As of December 31, 2009 the District had authorized but unissued indebtedness of \$680,000 and \$760,000 for water system improvements and refunding outstanding debt, respectively.

**NOTE 6 - NET ASSETS**

The District has net assets consisting of two components – invested in capital assets, net of related debt and unrestricted.

Invested in capital assets, consists of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2009 the District had invested in capital assets of \$345,161.

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

During 2009, the District entered into a contract for the operation of the District's water and sewer systems. The company providing the services is owned and operated by a member of the District's board of directors. During 2009 the District incurred \$1,600 of costs under the contract, including \$800 due and payable under the contract at December 31, 2009.

**LOUVIERS WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

On November 4, 2008 a majority of the District's voters approved the following ballot questions:

Shall Louviers Water and Sanitation District taxes be increased \$25,000 in fiscal year 2009 and by whatever tax revenues are generated in each fiscal year thereafter by an ad valorem property tax mill levy not to exceed ten (10.000) mills, or by such lesser amount as necessary to pay the District's administration and operations and maintenance expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2010 and in each fiscal year thereafter for as long as the District continues in existence, such authorization to constitute a voter-approved revenue change which may be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained in Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall Louviers Water and Sanitation District be authorized to collect, retain, and spend the full amount of all taxes, tax increment revenues, system development fees, park fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during 2008 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained in Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District is of the opinion that its water and sewer operations, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**LOUVIERS WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2009**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Water service charges	\$ 123,000	\$ 69,814	\$ 12,159	\$ (57,655)
Sewer service charges	9,324	4,775	7,192	2,417
Other income and permit fees	500	3,324	1,369	(1,955)
Cell tower lease	12,700	-	-	-
Investment income	400	14	60	46
WWTP RCAC Loan	322,000	-	-	-
Bond proceeds	-	680,000	680,000	-
Contribution from LMSC - current assets and liabilities	-	134,877	193,978	59,101
Total Revenues	<u>467,924</u>	<u>892,804</u>	<u>894,758</u>	<u>1,954</u>
<b>EXPENDITURES</b>				
Administration:				
Accounting and bookkeeping	10,000	5,252	1,407	3,845
Audit	5,000	-	-	-
Bank charges	50	501	146	355
Computer software/support	850	500	-	500
Consultants	10,000	1,233	661	572
Insurance	5,000	344	-	344
Legal fees	10,000	13,763	9,390	4,373
Miscellaneous expense	1,000	-	-	-
Office supplies/expenses	800	794	713	81
Dues and subscriptions	10,000	295	-	295
Utilities	600	444	201	243
Operations:				
Chemical expense	1,000	466	24	442
Operations	15,240	5,240	1,668	3,572
Meter reading	-	600	935	(335)
Repairs and maintenance - infrastructure	10,000	27,004	3,875	23,129
Tank evaluation and maintenance	-	4,450	-	4,450
Parts and minor equipment	2,500	32	282	(250)
Supply and distribution study	-	25,000	23,775	1,225
Miscellaneous repairs and maintenance	500	2,258	-	2,258
Utility locates	500	333	8	325
Sewer cleaning	-	11,689	-	11,689
Testing - water and sewer	12,000	4,804	498	4,306
Utilities - infrastructure	7,000	3,498	1,133	2,365
Water meter expense	1,000	-	-	-
Capital outlay:				
Wastewater treatment plant	322,000	3,268	-	3,268
Debt service:				
Loan number 1	38,241	-	-	-
Loan number 2	4,404	-	-	-
LMSC infrastructure reimbursement	-	673,528	672,841	687
Interest	-	-	5,120	(5,120)
Bond issue costs	-	10,993	10,993	-
Contingency	-	103,711	-	103,711
Total expenditures	<u>467,685</u>	<u>900,000</u>	<u>733,670</u>	<u>166,330</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>239</b>	<b>(7,196)</b>	<b>161,088</b>	<b>168,284</b>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>29,424</u>	<u>29,424</u>	<u>-</u>	<u>(29,424)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 29,663</u>	<u>\$ 22,228</u>	<u>\$ 161,088</u>	<u>\$ 138,860</u>

Funds available at December 31, 2009 is computed as follows:

Current assets	\$ 169,483
Current liabilities	(15,290)
Current portion of long-term debt	6,895
	<u>\$ 161,088</u>

**LOUVIERS WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
Year Ended December 31, 2009**

Revenue (budgetary basis)	\$	894,758
Bond proceeds		(680,000)
Contribution from LMSC - current assets and liabilities		(193,978)
Contribution from LMSC - operating and capital		551,815
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets		572,595
Expenditures (budgetary basis)		733,670
Depreciation		5,518
Amortization of bond issue costs		268
LMSC infrastructure reimbursement		(672,841)
Bond issue costs		(10,993)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets		55,622
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	\$	516,973

**Single Audit Reports and Schedules  
December 31, 2009**

# David B. Green • CPA • LLC

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Louviers Water and Sanitation District

### Compliance

We have audited the compliance of Louviers Water and Sanitation District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Louviers Water and Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Louviers Water and Sanitation District's management. Our responsibility is to express an opinion on Louviers Water and Sanitation District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louviers Water and Sanitation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Louviers Water and Sanitation District's compliance with those requirements.

In our opinion, Louviers Water and Sanitation District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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### Internal Control Over Compliance

Management of Louviers Water and Sanitation District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Louviers Water and Sanitation District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louviers Water and Sanitation District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.



Brighton, CO  
August 24, 2010

# David B. Green • CPA • LLC

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Louviers Water and Sanitation District

We have audited the financial statements of the business-type activities of Louviers Water and Sanitation District, as of and for the year ended December 31, 2009, which collectively comprise the Louviers Water and Sanitation District's basic financial statements and have issued our report thereon dated August 24, 2010. 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 Louviers Water and Sanitation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louviers Water and Sanitation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louviers Water and Sanitation District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 weaknesses, as defined above.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louviers Water and Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.

A handwritten signature in black ink that reads "David B. Shan CPA LLC". The signature is written in a cursive, flowing style.

Brighton, CO  
August 24, 2010

**Louviers Water and Sanitation District  
Schedule of Findings and Questioned Costs  
December 31, 2009**

**Section I: Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Are any material weaknesses identified?	___ Yes	__xx_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	__xx_ No
Is any noncompliance material to financial statements noted?	___ Yes	__xx_ No

***Federal Awards***

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major program compliance:

Are any material weaknesses identified?	___ Yes	__xx_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	__xx_ No
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	___ Yes	__xx_ No

Identification of major programs:

CFDA Number(s)      and Name of Federal Program or Cluster

10.760	Water and Waste Disposal Systems for Rural Communities
--------	--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes      xx No

**Section II: Financial Statement Findings**

None

**Louviers Water and Sanitation District  
Schedule of Expenditures of Federal Awards and Notes  
December 31, 2009**

**Federal Grantor Program Title**

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 680,000

**Note A Basis of Presentation**

The foregoing schedule of expenditures of federal awards includes the activity of Louviers Water and Sanitation District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.