

TANNEHILL WATER SYSTEM, INC.

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010**

Tamehill Water System, Inc.

Financial Report
December 31, 2010

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Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation

Roger M. Cunningham, CPA - A Professional Corporation

Jessica H. Broadway, CPA - A Professional Corporation

Ryan E. Todtenbier, CPA - A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Mr. Jimmy Atherton, President
and Members of the Board of Directors
Tannehill Water System, Inc.
P. O. Box 1029
Winnfield, Louisiana 71483

We have reviewed the accompanying statement of net assets of the Tannehill Water System, Inc., (a nonprofit corporation) as of December 31, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Tannehill Water System, Inc.'s management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated July 25, 2012, on the results of our agreed-upon procedures on page 11 through 13. Pages 14 through 15 present the Louisiana Attestation Questionnaire, pages 16 and 17 present the Management Letter and Management's Response, and page 18 presents the Status of Prior Year Findings.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

Natchitoches, Louisiana
July 25, 2012

Tannehill Water System, Inc.
Statement of Net Assets
Proprietary Fund
December 31, 2010

ASSETS:

Current Assets-	
Cash & Cash Equivalents	\$ 92,379
Accounts Receivable	<u>8,081</u>
Total Current Assets	\$ <u>100,460</u>
Capital Assets-	
Equipment	\$ 139,759
Water System	868,525
Construction in Progress	18,674
Land	1,600
Accumulated Depreciation	<u>(666,785)</u>
Total Capital Assets	\$ <u>361,773</u>
Total Assets	\$ <u>462,233</u>
LIABILITIES & FUND EQUITY:	
Current Liabilities-	
Accounts Payable	\$ 8,721
Payroll Related Payables	1,634
Current Portion of LTD	<u>18,841</u>
Total Current Liabilities	\$ 29,196
Non-Current Liabilities-	
Long-Term Debt	<u>143,271</u>
Total Liabilities	\$ <u>172,467</u>
Net Assets-	
Invested in Capital Assets, Net of Related Debt	\$ 199,661
Unrestricted	<u>90,105</u>
Total Net Assets	\$ <u>289,766</u>
Total Liabilities & Net Assets	\$ <u>462,233</u>

See accompanying notes and independent accountant's review report.

Tannehill Water System, Inc.
Statement of Revenues, Expenses and Changes in Net Assets-
Proprietary Fund
For the Year Ended December 31, 2010

OPERATING REVENUES:	
Water Sales	<u>\$263,560</u>
OPERATING EXPENSES:	
Salaries	\$ 41,408
Insurance	6,806
Maintenance & Repairs	78,238
Office Administration	11,131
Taxes	3,883
Utilities	30,320
Other Operating Expenses	23,028
Depreciation	<u>37,336</u>
Total Operating Expenses	<u>\$232,150</u>
Operating Income	<u>\$ 31,410</u>
NON-OPERATING REVENUES (EXPENSES):	
State Grant	\$ 38,674
Interest Income	299
State Project Expenses	(7,114)
Interest Expense	<u>(8,595)</u>
Total Non-operating Revenues (Expenses)	<u>\$ 23,264</u>
Change in Net Assets	<u>\$ 54,674</u>
Net Assets-Beginning of Year	<u>235,092</u>
Net Assets-End of Year	<u>\$289,766</u>

See accompanying notes and independent accountant's review report.

Tannehill Water System, Inc.
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 265,458
Cash Payments to Suppliers for Goods and Services	(180,853)
Cash Payments to Employees	(41,408)
Non-operating Revenue	<u>72,783</u>
Net Cash Provided (used) by Operating Activities	\$ <u>115,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Paid	\$ (17,937)
Interest Paid	(8,595)
Grant Expenses	(7,114)
Purchase of Capital Assets	<u>(39,504)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	\$ <u>(73,150)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	\$ <u>299</u>
Net Increase in Cash and Cash Equivalents	\$ 43,129
Cash and Cash Equivalents-Beginning of Year	<u>49,250</u>
Cash and Cash Equivalents-End of Year	\$ <u>92,379</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income	\$ 31,410
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities-	
Depreciation	37,336
Non-operating Revenue	38,675
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	36,007
Increase (Decrease) in Accounts Payable	(28,891)
Increase (Decrease) in Payroll Payables	<u>1,443</u>
Net Cash Provided (used) by Operating Activities	\$ <u>115,980</u>

See accompanying notes and independent accountant's review report.

NOTES TO FINANCIAL STATEMENTS

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2010

INTRODUCTION

The Tannehill Water System, Inc. was formed as a non-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-209, of the Louisiana Revised Statutes in 1977. The Corporation was formed for the mutual benefit of its members to construct, maintain, and operate a private water system providing a supply of water to its membership. Persons who are owners or part owners, or have a substantial possessory interest in property desired to be served by the corporation's water system shall be admitted as members. The voting power and property rights and interest of each member whose fees are fully paid and who is in good standing shall be equal and each member shall be entitled to one vote only regardless of the number of membership certificates held.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of the Tannehill Water System, Inc. conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

A. Financial Statement Presentation-

The Water System uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Tannehill Water System, Inc., uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a proprietary activity, the Water System applies all applicable pronouncements by the Governmental Accounting Standards Board (GASB), as well as those pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board, and the Committee on Accounting Procedure issued prior to November 30, 1989. The Water System also applied all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with, or contradict, GASB pronouncements, that are developed for business enterprises.

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2010

B. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are 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 all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

C. Budgets and Budgetary Accounting-

The Tannehill Water System, Inc. is not required to adopt a budget. Accordingly, no budget comparisons have been presented.

D. Capital Assets-

The capital assets of the Tannehill Water System, Inc. enterprise fund are included on the Statement of Net Assets. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is 5 to 10 years for furniture and equipment and 50 years for water systems.

E. Cash Equivalents-

For purposes of cash flows, cash equivalents include all highly liquid deposits and debt instruments acquired with maturities of three months or less.

F. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents:

At December 31, 2010, the Tannehill Water System had cash and cash equivalents (collected bank balances) totaling \$94,145. These deposits were fully secured by FDIC Insurance.

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2010

3. Income Taxes:

The Tannehill Water System is exempt from federal income taxes. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

4. Receivables:

The Tannehill Water System has receivables reported on the statement of net assets at December 31, 2010 of \$8,081 and represents receivables due from water customers. The System considers all receivables to be collectible, therefore no allowance for doubtful accounts is calculated.

5. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets - Not Depreciated-				
Construction in Progress	\$ 0	\$18,674	\$0	\$ 18,674
Land	1,600	0	0	1,600
Capital Assets - Depreciated-				
Water System	868,525	0	0	868,525
Equipment	<u>118,929</u>	<u>20,830</u>	<u>0</u>	<u>139,759</u>
Total Assets	<u>\$989,054</u>	<u>\$39,504</u>	<u>\$0</u>	<u>\$1,028,558</u>
Accumulated Depreciation-				
Equipment	\$ 73,593	\$19,966	\$0	\$ 93,559
Water System	<u>555,856</u>	<u>17,370</u>	<u>0</u>	<u>573,226</u>
Total Accumulated Depr.	<u>\$629,449</u>	<u>\$37,336</u>	<u>\$0</u>	<u>\$ 666,785</u>
Total Net Assets	<u>\$359,605</u>	<u>\$ 2,168</u>	<u>\$0</u>	<u>\$ 361,773</u>

Depreciation expense of \$37,336 was included in operating expenses.

6. Lease Commitments:

There were no leases in effect at December 31, 2010.

7. Compensation of Board Directors:

The members of the Board of Directors of the Water System receive the free usage of water for their services.

Tannehill Water System, Inc.
Notes to Financial Statements
December 31, 2010

8. Litigation and Claims:

The Water System is not aware of any litigation or claims at December 31, 2010.

9. Grants:

The Tannehill Water System received \$38,674 in grants from the State of Louisiana in the current fiscal year for the LA 501 extension.

10. Accounts Payable:

The Tannehill Water System has accounts payables reported on the statement of net assets at December 31, 2010 of \$8,721. This balance represents amounts owed to vendors.

11. Notes Payable:

In September 1978, the Tannehill Water System, Inc. finalized a loan for the construction and origination of the water system. The terms of the loan are monthly principal and interest payments for 480 months at 5% interest. The annual debt requirements to maturity for this loan are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 18,841	\$ 7,691	\$ 26,532
2012	19,787	6,745	26,532
2013	20,821	5,711	26,532
2014	21,889	4,643	26,532
2015	23,011	3,521	26,532
Thereafter	<u>57,763</u>	<u>3,526</u>	<u>61,289</u>
Total	<u>\$162,112</u>	<u>\$31,837</u>	<u>\$193,949</u>

12. Subsequent Events:

Management has evaluated subsequent events through July 25, 2012, which is the date of the financial statements.

Johnson, Thomas & Cunningham

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Natchitoches, Louisiana 71457
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Jimmy Atherton, President
and Members of the Board of Directors
Tannehill Water System, Inc.
P. O. Box 1029
Winnfield, LA 71483

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Tannehill Water System, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Tannehill Water System's compliance with certain laws and regulations during the year ended December, 31, 2010, 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, we 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.

Federal, State, and Local Awards

1. Determine the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

<u>Federal, State or Local Grant Name</u>	<u>Grant Year</u>	<u>Amount</u>
Louisiana FP&C Project No. 50-NQC-09-01	2010	\$18,674

2. For each federal, state, and local award:

- Randomly select six disbursements from each award administered during the period under examination, provided that no more than 30 disbursements in total will be selected.

For the year ended December 31, 2010, there were only two payments made from the state grant.

- Trace the two disbursements to supporting documentation as to proper amount and payee.

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

- Determine if the two disbursements were properly coded to the correct fund and general ledger account.

All payments were properly coded to the correct fund and general ledger account.

- Determine whether the two disbursements received approval from proper authorities.

Inspection of documentation supporting each of the two selected disbursements indicated approvals from the secretary and the president of the board.

- For state and local awards, determine whether the disbursements comply with the grant agreement, relating to:

- Activities allowed or unallowed

We reviewed the selected disbursements for types of services allowed or not allowed and all selected disbursements met the goals of the grant.

- Eligibility

We reviewed the selected disbursements for eligibility requirements and all selected disbursements met the eligibility requirements of the grant.

- Reporting

We reviewed the selected disbursements for reporting requirements. All selected disbursements were traced to requests for reimbursements and reimbursements were traced to bank statements.

3. For the programs selected for testing in item (2) that have been closed out during the period under review, compare the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

N/A

Open Meetings

1. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:1 through 42:13 (the open meetings law).

Tannehill Water System, Inc. advertises a notice of their annual meeting.

Budget

2. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agencies was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Tannehill Water System, Inc. provided a budget to the applicable state grantor agency for the grant received. This budget specified the anticipated use of the grant funds, estimates of the duration of the projects, and plans showing specific goals and objectives and measures of performance.

Prior Comments and Recommendations

3. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

Our prior year report dated August 11, 2010, contained no comments or other matters.

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

This report is intended solely for the use of management of the Tannehill Water System, Inc. 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.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

Natchitoches, Louisiana
July 25, 2012

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

Johnson, Thomas & Cunningham, CPA's

321 Bienville Street

Natchitoches, LA 71457

In connection with your review of our financial statements as of December 31, 2010 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation 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 June 22, 2011.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:1 through 42:13 (the open meetings law).

Yes [] No []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [] No []

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

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 federal, state, and local grants, to include the applicable 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 will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Date 6-22-11 Secretary Linda Bamber

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July 25, 2012

Mr. Jimmy Atherton, President
and Members of the Board of Directors
Tannehill Water System, Inc.
P. O. Box 1029
Winnfield, Louisiana 71483

RE: Review Report – December 31, 2010

We have reviewed the financial statements of the Tannehill Water System, Inc. for the year ended December 31, 2010, and have the following information to report to you.

Louisiana Statutes require the review of the financial statements to be filed six months after the year end. The Tannehill Water System review report was due on June 30, 2011, but was not submitted timely. We recommend that management institute procedures to ensure that the books are available for the auditor within 45 days after the end of the fiscal year.

Sincerely,

Johnson, Thomas & Cunningham, CPA's

Johnson, Thomas & Cunningham



Tannehill Water System, Inc.

P.O. BOX 1029, 359 KVCL Road, WINNFIELD, LA 71483
Phone (318) 628-2140
FAX (318) 628-7440

July 25, 2012

Johnson, Thomas & Cunningham
Certified Public Accountants
321 Bienville Street
Natchitoches, Louisiana 71457

Re: Review Report – December 31, 2010

We have received your letter concerning our untimely reporting to you our financial reports ending December 31, 2010. Our previous accountant had difficulty completing our reports and in August of 2011 we engaged Lawrence White, CPA. Since he agreed to work on our reports, we had to abide by his schedule.

Mr. Lawrence White, CPA, is now our only accountant and is working to get our financial reports completed in a timely manner.

Sincerely,


Linda Bamberg
Secretary/Treasurer

Tannehill Water System
Status of Prior Year Finding
December 31, 2010

Finding - Late submission of annual report to Legislative Auditor, December 31, 2009.

Status - At December 31, 2010, this condition still existed.