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**TE MAMOU WATER DISTRICT**

**FINANCIAL REPORT**

June 30, 1998

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Release Date **DEC 9 1998**

**J. L. SONNIER**  
Certified Public Accountant  
Lafayette, Louisiana

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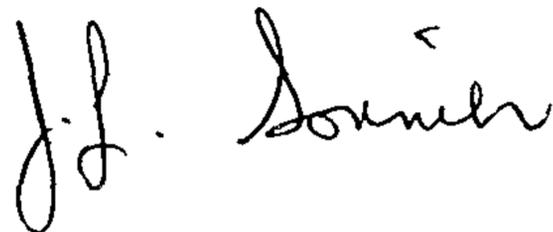
INDEPENDENT AUDITORS' REPORT

Members of the Board  
Te Mamou Water District  
Ville Platte, Louisiana

I have audited the accompanying general purpose financial statements of the Te Mamou Water District, a component unit of the Evangeline Parish Police Jury, as of and for the years ended June 30, 1998, and 1997. These general purpose financial statements are the responsibility of the Te Mamou Water District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Te Mamou Water District, a component unit of the Evangeline Parish Police Jury, as of June 30, 1998, and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



October 16, 1998

**TE MAMOU WATER DISTRICT**

**BALANCE SHEETS**  
June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>ASSETS</b>		
Current Assets		
Cash on hand and in bank	342,440	57,698
Certificates of deposit	-	5,000
Water sales receivable	23,177	22,087
Prepaid insurance	4,235	3,546
Total current assets	<u>369,852</u>	<u>88,331</u>
 Plant and Equipment		
At cost net of accumulated depreciation (392,320 - 1998; 355,305 - 1997)	<u>933,020</u>	<u>822,191</u>
Total assets	<u><u>1,302,872</u></u>	<u><u>910,522</u></u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities		
Current Liabilities		
Accounts payable and accrued expense	146,730	39,659
Customer meter deposits	26,715	26,075
General obligation bonds payable	23,000	-
Total current liabilities	<u>196,445</u>	<u>65,734</u>
 Long Term Debt		
Certificate of indebtedness	<u>277,000</u>	-
Total liabilities	<u>473,445</u>	<u>65,734</u>
 Fund Equity		
Contributed capital, net of accumulated amortization (175,500 - 1998; 164,000 - 1997)	399,483	410,983
Retained earnings - unreserved	429,944	433,805
Total fund equity	<u>829,427</u>	<u>844,788</u>
Total liabilities and fund equity	<u><u>1,302,872</u></u>	<u><u>910,522</u></u>

See Notes to Financial Statements.

**TE MAMOU WATER DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS**

Years Ended June 30, 1998 and 1997

	1998	1997
<b>OPERATING REVENUES</b>		
Charges for services –		
Water sales	151,950	168,359
Installations and services charges	6,694	6,114
Miscellaneous	2,244	2,372
Total operating revenues	160,888	176,845
 <b>OPERATING EXPENSES</b>		
Salaries	22,018	30,022
Contract labor	7,734	11,242
Payroll taxes	3,515	2,387
Directors' compensation	35,647	15,000
Depreciation	37,015	30,289
Utilities	14,468	15,708
Insurance	5,410	5,482
Vehicle expense	1,041	11,786
Repairs and maintenance	31,661	18,716
Bad debts	4,334	–
Legal and accounting	8,200	2,800
Office expense	2,135	2,590
Miscellaneous	3,764	2,680
Total operating expenses	176,942	148,702
 <b>Operating income (loss)</b>	<b>(16,054)</b>	<b>28,143</b>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	1,513	1,697
Interest on debt	(820)	–
 <b>Net income (loss)</b>	<b>(15,361)</b>	<b>29,840</b>
Add back depreciation on assets purchased with contributed capital	11,500	11,500
Retained earnings beginning of year	433,805	392,465
 Retained earnings end of year	429,944	433,805

See Notes to Financial Statements.

**TE MAMOU WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	(16,054)	28,143
Adjustments to reconcile operating income to net cash provided by operations –		
Depreciation	37,015	30,289
(Increase) decrease in:		
Accounts receivable	(1,090)	1,961
Prepaid expenses	(689)	(544)
Increase (decrease) in:		
Accounts payable and accrued expenses	107,071	30,501
Customer meter deposits	640	1,370
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>126,893</u>	<u>91,720</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	1,513	1,697
Purchase of certificates of deposit	–	(5,000)
Certificate of deposit maturities	5,000	5,000
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>6,513</u>	<u>1,697</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bonds proceeds	300,000	–
Purchases of plant and equipment	(147,844)	(118,012)
Interest on bonds	(820)	–
Payments on long-term debt	–	–
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>151,336</u>	<u>(118,012)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	284,742	(24,595)
<b>CASH AT BEGINNING OF YEAR</b>	<u>57,698</u>	<u>82,293</u>
<b>CASH AT END OF YEAR</b>	<u><u>342,440</u></u>	<u><u>57,698</u></u>
<b>OTHER CASH FLOW DISCLOSURE</b>		
Cash Interest payments	–	–

See Notes to Financial Statements.

## TE MAMOU WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 1998 and 1997

#### 1. Summary of Significant Accounting Policies

The financial and reporting policies of the Te Mamou Water District ("the District") conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of States and Local Governmental Units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 are applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The following is a summary of certain significant accounting policies:

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Evangeline Parish Police Jury for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Because the police jury appoints the District's board members and has the ability to impose its will on the District, the District was determined to be a component of the Evangeline Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund Accounting. The accounts of the Board are organized into one enterprise fund. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenses.

Fixed Assets and Long-Term Liabilities. The enterprise fund is accounted for on a cost-of-services, or "capital-maintenance," measurement focus, and all assets and liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations, and accumulated depreciation is reported on its balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Distribution and treatment system	10-50 years
Office building	32 years
Office equipment	7-10 years

The plant assets of the enterprise fund currently in use were acquired over many years at price levels which were lower than current price levels. The portion of the original cost of these assets allocated to depreciation expense each year and used in determining profit was, therefore, substantially lower than if a provision had been made on the basis of current replacement price levels.

All fixed assets are stated at historical cost. Construction period interest, when significant, is capitalized. No interest costs were capitalized in the current year.

Accounts Receivable. The District utilizes the direct write-off method for accounts receivable becoming worthless during the year. No allowance for uncollectible accounts receivable was made due to immateriality.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cash. The District considers only cash on hand and in interest and noninterest-bearing checking accounts to be cash for purposes of the statement of cash flows.

Basis of Accounting. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The enterprise fund is accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned, and expenses are recognized when incurred.

Deposits and Investments. Investments are stated at cost. The District currently invests only in certificates of deposits. As of June 30, 1998, the District had uncollateralized bank deposits in excess of FDIC insurance totaling 243,130.

Under state law, the District may deposit funds in demand or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

The District may invest in bonds, debentures, notes and other evidences of indebtedness backed by the full faith and credit of the U. S. government or are issued or guaranteed by U. S. government instrumentalities which are federally sponsored. Certain collateral mortgage obligation derivatives, inverse floaters, and structured notes are prohibited.

Dollar Signs. All numeric data in the financial statements and accompanying notes are presented in U. S. dollars. Dollar signs have been omitted.

### 2. Summary of Plant and Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Distribution and treatment system	1,291,744	374,664	917,080	35,360
Office building	18,041	4,990	13,051	581
Office equipment	<u>15,555</u>	<u>12,666</u>	<u>2,889</u>	<u>1,074</u>
	<u>1,325,340</u>	<u>392,320</u>	<u>933,020</u>	<u>37,015</u>

During 1998 and 1997, 11,500 of depreciation expense related to assets acquired with contributed capital was charged against the contributed capital account.

Additions to property plant and equipment totaled 147,844 and 118,012 in 1998 and 1997 respectively. There were no dispositions of property, plant and equipment in 1998 and 1997.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Changes in Long-Term Debt**

The following is a summary of long-term debt transactions of the Te Mamou Water District for the year ended June 30, 1998:

Long-term debt at July 1, 1997	-
Bonds issued	300,000
Debt retired	<u>-</u>
Long-term debt at June 30, 1998	<u>300,000</u>

General obligation debt

300,000 Certificate of Indebtedness Series 1998 dated 6/1/98, due in annual installments of 23,000 to 39,000 through June 1, 2008, bearing interest at 5.25 percent. The Certificate is secured by a pledge and dedication of the excess of annual revenue of the District above statutory, necessary and usual charges.

300,000

The annual requirement to amortize debt outstanding as of June 30, 1998, including interest of 94,238 follows:

<u>Year Ending June 30,</u>	
1999	38,750
2000	38,543
2001	38,282
2002	38,970
2003	39,553
2004-2008	<u>200,140</u>
Total	<u>394,238</u>

**4. Retirement System**

The District maintains no retirement system.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Compensated Absences

No accrual has been made for vacation or sick pay due to the insignificance of the amounts involved.

### 6. Board Member Compensation

The board of commissioners is comprised of five members. The members' compensation varies based on the duties and responsibilities of their office. Board member compensation totaled 35,647 and 43,066 during 1998 and 1997 respectively.

### 7. Risk Management

The district is exposed to risks of loss in the areas of general and auto liability, property hazards, and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year. Settlements have not exceeded insurance coverage during the three year period ended June 30, 1998.

**J. L. SONNIER**  
CERTIFIED PUBLIC ACCOUNTANT

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

Members of the Board of Directors  
Te Mamou Water District  
Ville Platte, Louisiana

I have audited the general purpose financial statements of Te Mamou Water District, a component unit of Evangeline Parish Police Jury, as of and for the year ended June 30, 1998 and have issued my report thereon dated October 16, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

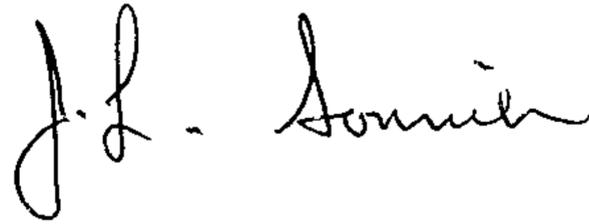
As part of obtaining reasonable assurance about whether Te Mamou Water District's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct 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 not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Te Mamou Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Te Mamou Water District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions noted are described in the accompanying schedule of audit findings as items 98-1 and 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe reportable condition 98-1 is a material weakness.

This report is intended for the information of the Board of Directors, management, the Evangeline Parish Police Jury and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "J. L. Souther". The signature is written in a cursive style with a large initial "J" and "L".

October 16, 1998

**TE MAMOU WATER DISTRICT**

**Schedule of Prior and Current Audit Findings and  
Management's Corrective Action Plan  
Year Ended June 30, 1998**

**I. Prior Year Findings:**

**Compliance**

There are no findings that are required to be reported under the above.

**Internal Control Over Financial Reporting**

**Inadequate Segregation of Accounting Functions**

**Finding:**

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

**Status:**

Unresolved. See item 98-1.

**II. Current Year Findings and Management's Corrective Action Plan:**

**Compliance**

There are no findings that are required to be reported under the above.

**Internal Control Over Financial Reporting**

**Item 98-1 - Inadequate Segregation of Accounting Functions**

**Finding:**

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

**Management's corrective action plan:**

Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

**TE MAMOU WATER DISTRICT**

**Schedule of Prior and Current Audit Findings and  
Management's Corrective Action Plan  
Year Ended June 30, 1998**

**Item 98-2 - Collateralization of Bank Deposits**

**Finding:**

The District does not have a procedure in place to monitor the adequacy of collateralization of bank deposits.

**Management's corrective action plan:**

Management concurs and shall implement a procedure to review the adequacy of collateralization of bank deposits on a monthly basis.