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TE MAMOU WATER DISTRICT
FINANCIAL REPORT
June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

J. L. SONNIER
Certified Public Accountant
Lafayette, Louisiana

Release Date 11-10-04

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the business-type activity of Te Mamou Water District, a component unit of the Evangeline Parish Police Jury, as of and for the year ended June 30, 2004, which comprise the basic financial statements of the District as listed in the table of contents. These financial statements are the responsibility of Te Mamou Water District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Te Mamou Water District, a component unit of the Evangeline Parish Police Jury, as of June 30, 2004, 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.

Te Mamou Water District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004. The adoption results in a change in the format and content of the basic financial statements.

In accordance, with *Government Auditing Standards*, I have also issued my report dated October 22, 2004, on my consideration of Te Mamou Water District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Te Mamou Water District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in cursive script, appearing to read "J. J. Soumier".

October 22, 2004

TE MAMOU WATER DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS

Current Assets

Cash on hand and in bank	62,627
Water sales receivable	30,605
Prepaid insurance	12,566
Total current assets	<u>105,798</u>

Noncurrent assets

Capital assets at cost net of accumulated depreciation of 617,465	<u>799,581</u>
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Total assets	<u>905,379</u>
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LIABILITIES

Current Liabilities

Accounts payable and accrued expense	3,877
Customer meter deposits	34,995
Certificates of indebtedness	29,780
Total current liabilities	<u>68,652</u>

Noncurrent Liabilities

Certificates of indebtedness	<u>98,509</u>
Total liabilities	<u>167,161</u>

NET ASSETS

Invested in capital assets, net of related debt	671,291
Unrestricted	66,927
Total net assets	<u><u>738,218</u></u>

See Notes to Financial Statements.

TE MAMOU WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Year Ended June 30, 2004

OPERATING REVENUES

Charges for services –	
Water sales	218,651
Installations and service charges	6,886
Miscellaneous	2,957
Total operating revenues	<u>228,494</u>

OPERATING EXPENSES

Salaries	21,009
Contract labor	12,125
Payroll taxes	3,437
Directors' compensation	32,410
Depreciation	42,776
Utilities	22,615
Insurance	10,579
Vehicle expense	1,007
Repairs and maintenance	18,876
Legal and accounting	4,025
Office expense	2,892
Miscellaneous	2,539
Total operating expenses	<u>174,290</u>
Operating income (loss)	<u>54,204</u>

NONOPERATING REVENUES (EXPENSES)

Interest on investments	614
Interest on debt	(7,509)
Total nonoperating revenue (expenses)	<u>(6,895)</u>

Change in net assets 47,309

Net assets, beginning 690,909

Net assets, ending 738,218

See Notes to Financial Statements.

TE MAMOU WATER DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	226,317
Payments to suppliers	(64,288)
Payments to employees	(68,982)
Other receipts (payments)	(5,297)
Net cash provided (used) by operating activities	<u>87,750</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(52,349)
Interest paid on capital debt	(7,509)
Principal paid on capital debt	(31,063)
Net cash provided (used) by financing activities	<u>(90,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	614
Net cash provided (used) by investing activities	<u>614</u>
NET INCREASE (DECREASE) IN CASH	<u>(2,557)</u>
Cash at beginning of year	65,184
Cash at end of year	<u><u>62,627</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	54,204
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	42,776
Change in assets and liabilities:	
Receivables	(9,207)
Prepaid expense	(2,975)
Customer deposits	1,690
Accounts and other payables	1,262
Net cash provided by operating activities	<u><u>87,750</u></u>

See Notes to Financial Statements.

TE MAMOU WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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:

Nature of Operations. The District provides water to approximately 700 customers.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the 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 District are organized into one proprietary (enterprise) fund. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are derived from charges for services. All other revenues are reported as nonoperating.

Measurement Focus/Basis of Accounting. Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The District utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The accrual basis of accounting is utilized. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

NOTES TO FINANCIAL STATEMENTS (continued)

Fixed Assets and Long-Term Liabilities. 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	8-50 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 is not capitalized.

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.

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.

Deposits and Investments. Investments are stated at cost. The District currently invests only in certificates of deposit. As of June 30, 2004 all of the District's bank deposits were insured by the FDIC.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

2. Capital Assets

	<u>Beginning Cost</u>	<u>Ending Cost</u>	<u>Accumulated Depreciation</u>	<u>Depreciation This Year</u>
Distribution and treatment system	1,311,221	1,363,570	590,486	41,620
Office building	18,041	18,041	8,475	581
Office equipment	19,326	19,326	18,504	575
Land	<u>16,109</u>	<u>16,109</u>	<u>-</u>	<u>-</u>
	<u>1,364,697</u>	<u>1,417,046</u>	<u>617,465</u>	<u>42,776</u>

Additions to the distribution and treatment system totaled 52,349 in 2004. There were no sales or dispositions of capital assets during 2004.

3. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of Te Mamou Water District for the year ended June 30, 2004:

Long-term debt at July 1, 2003	159,352
Bonds issued	-
Debt retired	<u>31,063</u>
Long-term debt at June 30, 2004	<u>128,289</u>

General obligation debt:

300,000 Certificate of Indebtedness Series 1998 dated 6/1/98, due in annual installments of 25,000 to 36,000 through February 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.

128,289

NOTES TO FINANCIAL STATEMENTS (continued)

The annual requirement to amortize debt outstanding as of June 30, 2004, follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	29,781	5,577
2006	34,176	4,395
2007	36,031	2,541
2008	<u>28,301</u>	<u>629</u>
Total	<u>128,289</u>	<u>13,142</u>

4. Retirement System

The District maintains no retirement system.

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 32,410 during 2004.

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, 2004.

8. Use of Estimates

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

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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 business-type financial statements of Te Mamou Water District, a component unit of Evangeline Parish Police Jury, as of and for the year ended June 30, 2004 which comprise the District's basic financial statements and have issued my report thereon dated October 22, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Te Mamou Water District's 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 financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. 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 financial statements. The reportable condition noted is described in the accompanying schedule of audit findings as item 04-1.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL (continued)

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 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 04-1 is a material weakness.

Under Louisiana law, this report is a matter of public record.

This report is intended solely for the information and use of management, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J. J. Soule".

October 22, 2004

TE MAMOU WATER DISTRICT

Schedule of Prior and Current Audit Findings and Management's Corrective Action Plan Year Ended June 30, 2004

I. Prior Year Findings:

Compliance

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

Internal Control Over Financial Reporting

Item 03-1 - 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.

Status:

Unresolved. See item 04-1.

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 04-1 - 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.