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NOV 24 1999

ST. LANDRY WATERWORKS DISTRICT NO. 2

FINANCIAL REPORT

JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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.

Release Date **NOV 24 1999**

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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. Landry Waterworks District No. 2
Cankton, Louisiana

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Opelousas, LA
(318) 942-5217

Abbeville, LA
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New Iberia, LA
(318) 364-4554

Church Point, LA
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Eunice, LA
(318) 457-0071

We have audited the accompanying general-purpose financial statements of St. Landry Waterworks District No. 2, a component unit of the St. Landry Parish Police Jury, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Seilean, CPA*
Patrick D. McConthy, CPA*
Martha B. Wyatt, CPA*

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Landry Waterworks District No. 2 as of June 30, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche, CPA 1984
James H. Breaux, CPA 1987
Erna R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996

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To the Board of Commissioners
St. Landry Waterworks District No. 2

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 1999, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of St. Landry Waterworks District No. 2 taken as a whole. The accompanying supplementary financial information listed as "Schedules" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Broussard, Poché, Lewis & Breaux LLP

Crowley, Louisiana
August 24, 1999

ST. LANDRY WATERWORKS DISTRICT NO. 2
ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS
June 30, 1999 and 1998

ASSETS	<u>1999</u>	<u>1998</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,365	\$ 25,148
Accounts receivable, net of allowance for uncollectible accounts of \$850 for 1999	7,806	-
Grant receivable	-	11,065
Unbilled service receivable	14,559	12,660
Other receivables	<u>521</u>	<u>-</u>
Total current assets	<u>\$ 50,251</u>	<u>\$ 48,873</u>
RESTRICTED ASSETS		
Cash and cash equivalents:		
Reserve fund	\$ 14,347	\$ 13,606
Depreciation fund	3,521	8,463
Reserve note fund	1,751	8,029
Customers' deposits	2,850	550
Certificates of deposit:		
Reserve fund	7,325	-
Depreciation fund	<u>7,325</u>	<u>-</u>
Total restricted assets	<u>\$ 37,119</u>	<u>\$ 30,648</u>
NONCURRENT ASSETS		
Bond issue costs	<u>\$ 23,279</u>	<u>\$ 23,926</u>
PROPERTY, PLANT, AND EQUIPMENT, net of accumulated depreciation of \$83,608 for 1999		
	<u>\$2,021,084</u>	<u>\$2,099,559</u>
Total assets	<u>\$2,131,733</u>	<u>\$2,203,006</u>

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ -	\$ 11,065
Other payables	8,322	13,313
Due to other governmental agencies	-	1,778
Current portion of long-term debt	<u>11,391</u>	<u>14,837</u>
Total current liabilities (payable from current assets)	<u>\$ 19,713</u>	<u>\$ 40,993</u>
CURRENT LIABILITIES (payable from restricted assets)		
Customer deposits	\$ 2,850	\$ 550
Accrued interest payable	<u>1,386</u>	<u>4,244</u>
Total current liabilities (payable from restricted assets)	<u>\$ 4,236</u>	<u>\$ 4,794</u>
Total current liabilities	<u>\$ 23,949</u>	<u>\$ 45,787</u>
LONG-TERM LIABILITIES		
Revenue bonds payable	<u>\$ 973,031</u>	<u>\$ 983,562</u>
Total liabilities	<u>\$ 996,980</u>	<u>\$1,029,349</u>
FUND EQUITY		
Contributed capital:		
Federal government	\$1,093,833	\$1,093,833
Local	<u>33,164</u>	<u>33,164</u>
Total contributed capital	\$1,126,997	\$1,126,997
Retained earnings:		
Unreserved	<u>7,756</u>	<u>46,660</u>
Total fund equity	<u>\$1,134,753</u>	<u>\$1,173,657</u>
Total liabilities and fund equity	<u>\$2,131,733</u>	<u>\$2,203,006</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2
ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services	\$ 191,520	\$ 141,458
Miscellaneous	<u>388</u>	<u>-</u>
Total operating revenues	<u>\$ 191,908</u>	<u>\$ 141,458</u>
 Operating expenses:		
Equipment and supplies	\$ 6,911	\$ 5,284
Telephone and utilities	8,461	7,153
Meter connection	12,886	13,411
Board per diem	6,840	6,840
Insurance	3,459	4,180
Contract fees	53,110	41,838
Professional fees	1,815	1,500
Dues and subscriptions	150	-
Miscellaneous	1,239	1,176
Depreciation	83,608	-
Bad debt expense	600	-
Repairs and maintenance	<u>2,771</u>	<u>1,349</u>
Total operating expenses	<u>\$ 181,850</u>	<u>\$ 82,731</u>
Operating income	<u>\$ 10,058</u>	<u>\$ 58,727</u>
 Nonoperating revenues/(expenses):		
Interest income	\$ 1,099	\$ 881
Interest expense	(49,414)	-
Bond issuance expense	<u>(647)</u>	<u>-</u>
Total nonoperating revenues/(expenses)	<u>\$ (48,962)</u>	<u>\$ 881</u>
Net income (loss)	\$ (38,904)	\$ 59,608
 Retained earnings (deficit), beginning	<u>46,660</u>	<u>(12,948)</u>
Retained earnings, ending	<u>\$ 7,756</u>	<u>\$ 46,660</u>

See Notes to Financial Statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2
ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 10,058	\$ 58,727
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	83,608	-
Allowance for uncollectible accounts	600	-
Change in assets and liabilities -		
Increase in accounts receivable	(8,656)	(12,384)
(Increase) decrease in unbilled services receivable	(1,649)	1,355
Decrease in grant receivable	11,065	181,436
(Increase) decrease in other receivables	(521)	2,489
Decrease accounts payable	(11,065)	(65,758)
Decrease retainage payable	-	(115,790)
Increase (decrease) in other payables	(6,769)	1,936
Increase in customer deposits	2,300	450
Decrease in accrued interest payable	<u>(2,858)</u>	<u>(24,598)</u>
 Net cash provided by operating activities	 <u>\$ 76,113</u>	 <u>\$ 27,863</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	\$ (5,136)	\$ (318,494)
Proceeds from bond issuance	-	129,000
Bond issuance cost	(647)	2,308
Proceeds from federal grant	-	186,944
Interest paid on bonds	(49,414)	-
Retirement of bonds	<u>(13,977)</u>	<u>(1,601)</u>
 Net cash used by capital and related financing activities	 <u>\$ (69,174)</u>	 <u>\$ (1,843)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	\$ 1,099	\$ 881
Purchase of investment securities	(14,000)	-
Proceeds from sales and maturities of investment securities	<u>-</u>	<u>25,244</u>
 Net cash provided (used) by investing activities	 <u>\$ (12,901)</u>	 <u>\$ 26,125</u>
 Net increase (decrease) in cash and cash equivalents	 \$ (5,962)	 \$ 52,145
 Cash and cash equivalents, beginning	 <u>55,796</u>	 <u>3,651</u>
 Cash and cash equivalents, ending	 <u>\$ 49,834</u>	 <u>\$ 55,796</u>

See Notes to Financial Statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

St. Landry Waterworks District No. 2, a component unit of the St. Landry Parish Police Jury, was created by the St. Landry Parish Police Jury as authorized by Louisiana Revised Statute 33:3814. The ordinance creating this waterworks district was dated August 14, 1989. The District is governed by a five-member Board of Commissioners, appointed by the Police Jury, who are authorized to construct, maintain, and improve the waterworks system within the district.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. All GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury appoints the governing board and can influence the scope of public service, the District was determined to be a component unit of the St. Landry Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying general-purpose financial statements present information only on the funds maintained by the District and do not present information on the St. Landry Parish Police Jury, the general government services provided by the governmental unit, or the other governmental units that comprise the governmental reporting entity.

Basis of presentation - fund accounting:

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The District's accounts are organized on the basis of a proprietary fund (enterprise fund). The operations of the enterprise fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenses. The enterprise fund is the general operating fund of the District and accounts for all of its activities.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operations of the fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Proprietary funds are reported in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

Basis of accounting - measurement focus:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements; measurement focus refers to what is being measured. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by the enterprise fund. Under this basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued, and expenses are recognized when the related liability is incurred.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Services for water are recorded as revenue when billed to customers on a monthly route reading cycle. At the end of the year, utilities services which have been rendered from the latest date of each route reading cycle to year-end, which are unbilled, are accrued for financial reporting purposes.

Cash and investment securities:

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investment securities with a maturity of three months or less when purchased.

Investments securities are recorded at cost which approximates market value.

Restricted assets:

Certain assets are restricted for construction costs and repayment of long-term debt related to construction. The reserve, depreciation, and reserve note cash and certificate of deposit accounts are all classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Bond issuance costs:

Bond issuance costs for propriety fund types are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

Fixed assets:

Property, plant, and equipment are recorded at historical cost. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds invested that are restricted to the acquisition and construction of capital assets is offset against interest costs in determining the amount to be capitalized. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

Property, plant, and equipment are depreciated in accordance with generally accepted accounting principles using the straight-line method over assets' estimated useful lives. Estimated useful lives are as follows:

Equipment	5 years
Water system	25 years

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Fund equity:

Contributed capital is recorded for capital grants received or contributions from developers and customers. Contributed capital from the federal government resulted from a Department of Agriculture grant while contributed capital from local sources resulted from member contributions. Reserves represent those portions of fund equity not appropriable for expenses or legally segregated for a specific future use.

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 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 and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain reclassifications have been made to the 1998 financial statements to conform with the 1999 financial statement presentation. Such reclassification had no effect on operating income or net income as previously reported.

Note 2. Cash and Investment Securities

Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At June 30, 1999, the carrying amount of the District's deposits (cash and investment securities) totaled \$64,424 and the bank balances totaled \$59,104. The entire bank balance at June 30, 1999, was fully covered by federal depository insurance.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Note 3. Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 1999, is as follows:

	Balance, June 30, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>1999</u>
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Construction in progress:				
Treatment plant	540,639	-	(540,639)	-
Distribution system	1,318,380	-	(1,318,380)	-
Water wells	223,540	-	(223,540)	-
Equipment	-	4,783	-	4,783
Water system	-	<u>2,082,909</u>	-	<u>2,082,909</u>
 Total property, plant, and equipment	 <u>\$2,099,559</u>	 <u>\$2,087,692</u>	 <u>\$(2,082,559)</u>	 \$2,104,692
 Less: accumulated depreciation				 <u>83,608</u>
Net property, plant, and equipment				 <u>\$2,021,084</u>

Depreciation expense for the year ended June 30, 1999, amounted to \$83,608.

Note 4. Long-Term Obligations

The following is a summary of long-term debt transactions of the District for the year ended June 30, 1999:

	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Total</u>
Balance, June 30, 1998	\$816,000	\$ 48,000	\$134,399	\$998,399
Principal retirements	<u>(11,551)</u>	<u>(583)</u>	<u>(1,843)</u>	<u>(13,977)</u>
Balance, June 30, 1999	<u>\$804,449</u>	<u>\$ 47,417</u>	<u>\$132,556</u>	<u>\$984,422</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Long-term obligations at June 30, 1999, consisted of the following:

Bonds payable:

Water Revenue Bonds -

\$816,000 Water Revenue Bonds Series R-1,
due in monthly installments of \$3,746
through July 19, 2036; at an interest
rate of 4.50%. The debt will be retired
from excess annual water revenues. \$804,449

\$48,000 Water Revenue Bonds Series R-2,
due in monthly installments of \$221
through July 19, 2036; at an interest
rate of 4.50%. The debt will be retired
from excess annual water revenues. 47,417

\$136,000 Water Revenue Bonds Series A,
due in monthly installments of \$645
through July 19, 2036; at an interest
rate of 4.50%. The debt will be retired
from excess annual water revenues. 132,556

Total bonds payable \$984,422

Less: current portion of long-term debt (11,391)

Long-term obligations \$973,031

The annual requirements including interest to amortize all long-term obligations outstanding at June 30, 1999, are as follows:

Year Ending <u>June 30,</u>	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Total</u>
2000	\$ 44,952	\$ 2,652	\$ 7,853	\$ 55,457
2001	44,952	2,652	7,853	55,457
2002	44,952	2,652	7,853	55,457
2003	44,952	2,652	7,853	55,457
2004	44,952	2,652	7,853	55,457
Thereafter	<u>1,412,897</u>	<u>83,137</u>	<u>209,932</u>	<u>1,705,966</u>
Total principal and interest	\$1,637,657	\$ 96,397	\$ 249,197	\$1,983,251
Less: interest	<u>(833,208)</u>	<u>(48,980)</u>	<u>(116,641)</u>	<u>(998,829)</u>
Liability as of June 30, 1999	<u>\$ 804,449</u>	<u>\$ 47,417</u>	<u>\$ 132,556</u>	<u>\$ 984,422</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Note 5. Concentration of Credit Risk

The only financial instrument that potentially subjects St. Landry Waterworks District No. 2 to concentrations of credit risk is trade receivables. Concentration of credit risk with respect to trade receivables are limited to the geographical region of which the District services water and the general economy of that region. At June 30, 1999, the District had no significant concentrations of credit risk.

Note 6. Intergovernmental Agreements

The District has entered into an intergovernmental agreement with the Village of Cankton whereby the Village is to provide the services of all personnel required for the efficient and competent operation of the system. These persons shall perform all services required for the ordinary operation and maintenance of the system, keep all books, records, accounts, and files necessary or desirable in the operation of the system, read all meters, make and submit bills, and handle all collections and deposits. The District pays the Village of Cankton \$5.75 for each customer billed on a monthly basis.

Note 7. Year 2000 Issue (Unaudited)

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

In recent years, the District has purchased computer hardware and upgrades of all software currently used which are believed to be "Y2K compliant." Based on this, the District has completed the awareness, assessment, and remediation stages and is now in the validation/testing stage.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 or thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF MISCELLANEOUS STATISTICAL DATA
Year Ended June 30, 1999

Water rates:

Residential monthly billing:

First 2,000 gallons (minimum)	\$10.25
Over 2,000 gallons (per 1,000 gallons)	2.25

Commercial monthly billing:

First 2,000 gallons (minimum)	\$10.25
Over 2,000 gallons (per 1,000 gallons)	2.25

Breakdown of customers:

Residential	694
Commercial	<u>15</u>
Total	<u>709</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF COMPENSATION PAID TO THE BOARD OF COMMISSIONERS
Year Ended June 30, 1999

Joseph C. Lyons, President	\$ 1,440
Linic Richard	1,440
Bobby Richard	1,440
Dewey Leger	1,140
Todd Broussard	<u>1,380</u>
Total	<u>\$ 6,840</u>

The Board of Commissioners consists of five members. Effective August 14, 1989, board members receive \$60 for each meeting they attend at which a quorum is present. The schedule of compensation to board members was prepared in compliance with House Concurrent Resolution No.54 of the 1979 Session of the Legislature.

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF INSURANCE IN FORCE
Year Ended June 30, 1999

<u>Policy Issued By</u>	<u>Policy Number</u>	<u>Policy Period</u> <u>From</u> <u>To</u>	<u>Coverage</u>	<u>Limits</u>	<u>Premium</u>
Commercial Union	MEK490349	2/8/99 2/8/00	Commercial property	\$ 541,900	\$1,696
Commercial Union	MEK490349	2/8/99 2/8/00	Commercial general liability	2,000,000	1,027
Commercial Union	MEK490349	2/8/99 2/8/00	Boiler and machinery	75,000	354
Employers Mutual Casualty Company	26437	2/8/99 2/8/00	Employee bonds	75,000	376

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF AGED ACCOUNTS
June 30, 1999

0-30 days	\$ 4,577
31-60 days	1,545
61-90 days	771
Over 90 days	<u>1,763</u>
Total	<u>\$ 8,656</u>



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P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Balauneaux, CPA*
Peter C. Barretto, CPA*
Michael P. Crochet, CPA*
George J. Trappey III, CPA*
Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Sadeau, CPA*
Patrick D. McCarthy, CPA*
Martha B. Wyatt, CPA*

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche, CPA 1984
James B. Breaux, CPA 1987
Ernie R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996

*Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants*

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

To the Board of Commissioners
St. Landry Waterworks District No. 2
Cankton, Louisiana

We have audited the financial statements of St. Landry Waterworks District No. 2, a component unit of the St. Landry Parish Police Jury, as of and for the year ended June 30, 1999, and have issued our report thereon dated August 24, 1999. We conducted our 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 the District's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our 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 our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter

To the Board of Commissioners
St. Landry Waterworks District No. 2

involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item #1999-1.

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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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, we consider the reportable condition described above to be a material weakness.

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche, Lewis & Beauregard LLP

Crowley, Louisiana
August 24, 1999

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1999

We have audited the financial statements of St. Landry Waterworks District No. 2, a component unit of the St. Landry Parish Police Jury, as of and for the year ended June 30, 1999, and have issued our report thereon dated August 24, 1999. We conducted our 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. Our audit of the financial statements as of June 30, 1999, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Section II. Financial Statement Findings#1999-1 - Segregation of Duties

Finding: In reviewing the internal control structure, we noted inadequate segregation of duties existed in all areas of the financial cycle.

Cause: Inadequate segregation of duties exists due to the limited number of personnel performing the administrative functions. Due to the lack of resources, the District is unable to implement a segregated system of internal control.

Recommendation and response: Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation. We are in agreement with the District that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment.

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 1999

Section III. Federal Award Findings and Questioned Costs

There are no audit findings related to major federal award programs for the year ended June 30, 1999.

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 1999

Section I. Internal Control and Compliance Material to the Financial Statements.

#1998-1 - Segregation of Duties

Finding: There is a lack of segregation of duties in all areas of the financial cycle.

Recommendation and current status: The District is aware of this problem and we are in agreement with them that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment.

This finding is repeated for the year ended June 30, 1999, and is described in #1999-1 in the schedule of findings and questioned costs; however, the District has segregated as much as it can based on available resources.

#1998-2 - State Law Audit

Finding: The District did not file the annual report within six months of year-end as required by state law.

Recommendation and current status: We recommended and the District agreed that accounting records should be made available in a timely manner to allow the report to be filed within six months. The District has taken steps to ensure the timely production of accounting records to facilitate the reporting deadline prescribed by state law.

Section II. Internal Control and Compliance Material to Federal Awards

Department of Agriculture

Water and Waste Disposal Systems for Rural Communities Grant - CFA #10.760

The findings, recommendations, and current status of the reportable conditions described above also apply to this grant.

Section III. Management Letter

There were no findings reported in a separate management letter for the year ended June 30, 1998.



ST. LANDRY WATERWORKS DISTRICT NO. 2

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended June 30, 1999

Section I. Internal Control and Compliance Material to the Financial Statements

#1999-1 - Segregation of Duties

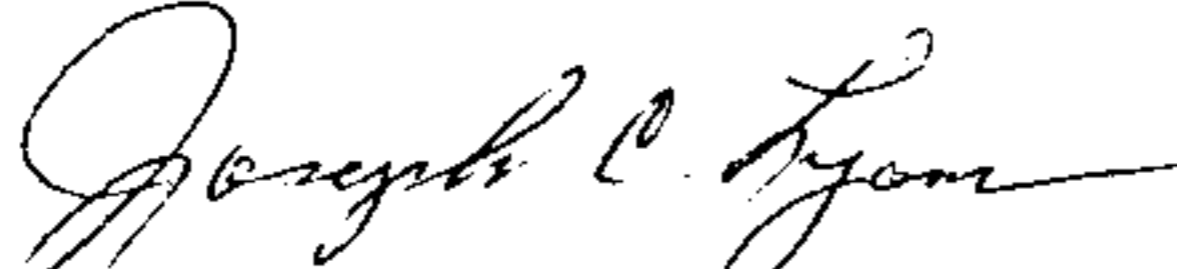
Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved do not justify the additional personnel it would require to establish an adequate segregation. We are in agreement with the District that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment.

Section II. Internal Control and Compliance Material to Federal Awards

There are no audit findings related to major federal award programs for the year ended June 30, 1999.

Section III. Management Letter

There are no findings reported in a separate management letter for the year ended June 30, 1999.



Responsible Party: Joseph C. Lyons, President