

5669

RECEIVED  
LEGISLATIVE AUDITOR

04 SEP 20 AM 11:18

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2004 AND 2003

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.

Release Date 9-29-04

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Statement of Net Assets - June 30, 2004 and 2003	3-4
Statements of Revenues, Expenses, and Changes in Net Assets for the Years Ended June 30, 2004 and 2003	5
Statements of Cash Flows for the Years Ended June 30, 2004 and 2003	6
Notes to Financial Statements	7-15
 <u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Insurance in Force (Unaudited)	16
Schedule of Directors' and Officers' Compensation	17
Schedule of Prior Year Findings for the Year Ended June 30, 2003	18
 <u>RELATED REPORTS</u>	
Report on Compliance and on Internal Control over Financial Reporting Based on a Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	19-20
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2004	21
Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2004	22
Notes to Schedule of Expenditures of Federal Awards	23



**JOHN S. DOWLING & COMPANY**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Russell J. Stelly, CPA  
Chizal S. Fontenot, CPA  
James L. Nicholson, Jr., CPA  
G. Kenneth Pavy, II, CPA  
Darren J. Cart, CPA  
Michael A. Roy, CPA  
Lisa T. Manuel, CPA

John S. Dowling, CPA  
1904-1984

Retired

Harold Dupre, CPA  
1996  
John Newton Stout, CPA  
1998  
Dwight Ledoux, CPA  
1998  
Joel Lanclos, Jr., CPA  
2003

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
St. Landry Waterworks District No. Two Rural  
Sunset, Louisiana

We have audited the accompanying general purpose financial statements of St. Landry Waterworks District No. Two Rural, a component unit of the St. Landry Parish Police Jury as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of St. Landry Waterworks District No. Two Rural's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. 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. We believe that our audits provide 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. Two Rural, as of June 30, 2004 and 2003, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the general purpose financial statements, Waterworks District No. Two Rural adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2004. This results in a change in the format and content of the general purpose financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2004 on our consideration of St. Landry Waterworks District No. Two Rural's internal control over financial reporting and on our 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 our audits.

To the Board of Directors  
St. Landry Waterworks District No. Two Rural  
Page 2

Other required supplementary information on pages 16 through 18 are not a required part of the general purpose financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consistent principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

St. Landry Waterworks District No. Two Rural 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 general purpose financial statements.

Our audits were performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The information listed as "Supplemental Information" in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the 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.

*John S. Dowling & Company*

Opelousas, Louisiana  
July 22, 2004

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
STATEMENT OF NET ASSETS  
JUNE 30, 2004 AND 2003

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PROPRIETARY FUND</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Petty cash	\$60	\$60
General Account - checking	87,965	64,407
Construction Account - checking	100	100
Revenue account - certificate of deposit	1,168	1,153
Revenue account - savings	2,553	2,260
LAMP investment	5,041	
Accounts receivable	32,680	30,741
Less: Allowance for doubtful accounts	(4,433)	(4,727)
Other receivables	32	80
Due from restricted assets	<u>12,816</u>	<u>3,757</u>
<u>Total current assets</u>	<u>137,982</u>	<u>97,831</u>
<u>RESTRICTED ASSETS</u>		
Depreciation fund		
Savings	4,489	3,669
Certificates of deposit	12,256	12,106
Reserve note fund		
Savings	20,541	15,917
Certificates of deposit	25,099	24,791
Customers' deposits	<u>32,466</u>	<u>20,657</u>
<u>Total restricted assets</u>	<u>94,851</u>	<u>77,140</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water system	2,105,345	2,105,345
Equipment	22,307	22,108
Autos	5,000	5,000
Buildings/improvements	45,194	33,291
Furniture	6,418	5,989
Software	4,034	4,034
Land improvements	<u>2,650</u>	<u>2,650</u>
	2,190,948	2,178,417
Less: Allowance for depreciation	<u>523,531</u>	<u>429,760</u>
	1,667,417	1,748,657
Land	<u>17,500</u>	<u>17,500</u>
<u>Total property, plant, and equipment</u>	<u>1,684,917</u>	<u>1,766,157</u>
<u>OTHER ASSETS</u>		
Bond issue costs, net	<u>20,046</u>	<u>20,693</u>
<u>Total other assets</u>	<u>20,046</u>	<u>20,693</u>
<u>Total assets</u>	<u>1,937,796</u>	<u>1,961,821</u>

Continued on next page.

See accompanying notes and accountant's report.

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
STATEMENT OF NET ASSETS (CONTINUED)  
JUNE 30, 2004 AND 2003

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PROPRIETARY FUND</u>	
	<u>2004</u>	<u>2003</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES (from current assets)</u>		
Accounts payable	\$15,238	\$8,012
Sales tax payable	31	345
Payroll tax withheld and payable	<u>1,419</u>	<u>1,278</u>
<u>Total current liabilities</u>	<u>16,688</u>	<u>9,635</u>
<u>CURRENT LIABILITIES (from restricted assets)</u>		
Accrued interest payable	1,296	1,310
Current portion of long-term debt	16,135	15,426
Customers' deposits	19,650	16,900
Due to General Account	<u>12,816</u>	<u>3,757</u>
<u>Total restricted liabilities</u>	<u>49,897</u>	<u>37,393</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds	921,998	935,628
Less: Current portion of long-term debt	<u>(16,135)</u>	<u>(15,426)</u>
<u>Total long-term liabilities</u>	<u>905,863</u>	<u>920,202</u>
<u>Total liabilities</u>	<u>972,448</u>	<u>967,230</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	807,263	869,927
Restricted for:		
Depreciation fund	16,745	15,775
Unrestricted	<u>141,340</u>	<u>108,889</u>
<u>Total net assets</u>	<u>965,348</u>	<u>994,591</u>

See accompanying notes and accountant's report.

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PROPRIETARY FUND</u>	
	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUES</u>		
Water sales	\$212,450	\$207,054
Connection fees	25,210	17,363
Late fees	2,030	842
Disconnect notice fees	10,850	10,177
Safe Drinking Water fee revenue		528
Other revenue	<u>1,193</u>	<u>155</u>
<u>Total operating revenues</u>	<u>251,733</u>	<u>236,119</u>
<u>OPERATING EXPENSES</u>		
Current		
Supplies		
Office supplies	6,054	4,738
Water supplies	12,296	10,542
Other		
Payroll taxes	5,027	1,822
Repairs and maintenance	22,055	12,531
Insurance	15,311	5,595
Contract fees		38,370
Dues and subscriptions	456	380
Conventions and seminars	639	1,442
Salaries	39,316	16,072
Postage	2,618	1,207
Auto and truck	2,452	1,336
Advertising and promotion	716	318
Professional fees	3,000	6,548
Telephone	4,413	3,131
Utilities	9,975	11,362
Per diem and travel allowances	8,580	8,940
Janitorial	351	702
Miscellaneous	29	513
Meter connection contract fees	16,362	18,778
Louisiana One Call	403	
Depreciation	<u>93,772</u>	<u>88,970</u>
<u>Total operating expenses</u>	<u>243,825</u>	<u>233,297</u>
<u>EXCESS</u>	<u>7,908</u>	<u>2,822</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
USDA grant	4,110	
Interest revenue	1,213	2,076
Interest expense	(41,827)	(42,425)
Amortization of bond issue costs	<u>(647)</u>	<u>(647)</u>
<u>Total non-operating revenues</u>		
<u>(expenses)</u>	<u>(37,151)</u>	<u>(40,996)</u>
<u>DECREASE IN NET ASSETS</u>	(29,243)	(38,174)
<u>NET ASSETS, beginning of year, previously stated</u>	<u>994,591</u>	<u>1,032,765</u>
<u>NET ASSETS, end of year</u>	<u>965,348</u>	<u>994,591</u>

See accompanying notes and accountant's report.



ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PROPRIETARY FUND</u>	
	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$251,983	\$242,164
Cash paid to suppliers	(98,484)	(123,918)
Cash paid to employees	<u>(44,202)</u>	<u>(16,864)</u>
<u>Net cash provided by operating activities</u>	<u>109,297</u>	<u>101,382</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of property, plant, and equipment	(12,531)	(77,098)
Principal paid on bonds	(13,630)	(13,032)
Interest paid on bonds	(41,841)	(42,447)
Capital contributions	<u>4,111</u>	<u>14,279</u>
<u>Net cash used by capital and related financing activities</u>	<u>(63,891)</u>	<u>(118,298)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments and savings	1,212	2,075
Interest reinvested in certificates of deposit	<u>(473)</u>	<u>(1,141)</u>
<u>Net cash provided by investing activities</u>	<u>739</u>	<u>934</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	46,145	(15,982)
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>107,070</u>	<u>123,052</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>153,215</u>	<u>107,070</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income	\$7,908	\$2,822
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	93,772	88,970
Changes in assets and liabilities		
(Increase) decrease in accounts receivable, net	(2,234)	5,884
(Increase) decrease in other receivable	48	9
Increase (decrease) in accounts payable	7,226	2,515
Increase (decrease) in sales tax payable	(314)	(448)
Increase (decrease) in customers' deposits	2,750	600
Increase (decrease) in payroll tax payable	<u>141</u>	<u>1,030</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>109,297</u>	<u>101,382</u>

See accompanying notes and accountant's report.



ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SCOPE OF ENTITY

St. Landry Waterworks District No. Two Rural, 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.

As the governing authority of the parish, for reporting purposes, the St. Landry Parish Police Jury is the financial reporting entity for St. Landry 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 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 St. Landry Parish Police Jury for financial reporting purposes. The basic criterion 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.

Because the police jury appoints a voting majority of the Water District's governing body and the police jury has the ability to impose its will on the Water District, the Water District was determined to be a component unit of the St. Landry Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Water 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.

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Assets displays information on all of the non-fiduciary activities of St. Landry Waterworks District No. Two Rural, as a whole. It includes the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

C. FUND ACCOUNTING

The accounts of St. Landry Waterworks District No. Two Rural are organized in one fund, which is considered a separate accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statements is described as follows:

Proprietary Fund

Proprietary funds are used to account for operations that are financed and operated in a manner 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.

D. MEASUREMENT FOCUS AND 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.

Measurement Focus

On the Statement of Net Assets business-like activities are presented using the economic resources measurement focus.

The proprietary fund 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.

Basis of Accounting

In the Statement of Net Assets business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled and billed utility receivables are recorded at year-end. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting - Continued

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

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. For the fiscal year ended June 30, 2004, St. Landry Waterworks District No. Two Rural implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result an entirely new financial presentation format has been implemented.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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.

E. INVESTMENTS

Investments are recorded at cost, which approximates market.

Louisiana statutes authorize St. Landry Waterworks District No. Two Rural to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, the Louisiana Asset Management Pool, or any other federally insured investment.

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. CAPITAL ASSETS

Capital assets (including infrastructure assets), which constitute assets of the Proprietary Fund, are recorded at cost and depreciation is computed under the straight-line method and the modified accelerated cost recovery method. The service lives by type of asset are as follows:

Water system	25 years
Equipment	5-7 years
Buildings/improvements	15-30 years
Furniture	7 years
Land improvements	15 years
Autos	5 years
Software	5 years

Interest costs during construction are not capitalized.

G. BUDGET ACCOUNTING

St. Landry Waterworks District No. Two Rural is not required to adopt a budget for its Proprietary Fund.

H. STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

I. ENCUMBRANCES

St. Landry Waterworks District No. Two Rural does not employ the encumbrance system of accounting.

J. VACATION AND SICK LEAVE

St. Landry Waterworks District No. Two Rural has two employees. Employees earn one week of vacation after one year of service. They earn two weeks of vacation after five years of service. Vacation may not be accumulated. Employees are compensated at their hourly rate when sick.

K. BAD DEBTS

St. Landry Waterworks District No. Two Rural has a policy of recognizing uncollectible amounts of water billings at the time information becomes available which would indicate the uncollectibility of the receivable.

NOTE (2) - CASH

The bank balance of cash, including investments, was \$192,993 and \$145,032 at June 30, 2004 and 2003, respectively and the carrying amount of cash and investments was \$191,678 and \$145,060 at June 30, 2004 and 2003, respectively. Approximately \$3,487 of bank balance deposits were under-collateralized at June 30, 2004. Cash on hand was \$60 at June 30, 2004 and 2003, respectively. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP).

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (2) - CASH - Continued

Investments in certificates of deposit were \$38,523 and \$38,050 at June 30, 2004 and 2003, respectively. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer's Office. With investment advice provided by professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investment in LAMP was \$5,041 and \$0 at June 30, 2004 and 2003, respectively.

NOTE (3) - ACCOUNTS RECEIVABLE

St. Landry Waterworks District No. Two Rural's accounts receivable consist of uncollected billed and unbilled utility services. An accounts receivable aging schedule is as follows:

<u>Days</u>	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>Amounts</u>	<u>Number of Accounts</u>	<u>Amounts</u>	<u>Number of Accounts</u>
0-90	\$8,126	721	\$8,548	373
91 and older	4,433	394	4,725	206
Unbilled receivables	<u>20,121</u>	899	<u>17,468</u>	873
<u>Total</u>	<u>32,680</u>		<u>30,741</u>	
Breakdown of customers:				
Residential	\$888		\$866	
Commercial	<u>11</u>		<u>7</u>	
<u>Total</u>	<u>899</u>		<u>873</u>	

The present water rates are as follows:

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



ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (4) - RESTRICTED ASSETS

Under the terms of the Loan Resolution Security Agreements with the United States Department of Agriculture, Farmers Home Administration, which is now called Rural Development, all funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Account. The General Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Account there shall be set aside into an account designated as the Reserve Account the sum of \$464 each month until there is accumulated in that account the sum of \$55,080 after which deposits may be suspended, except to replace withdrawals.

The proceeds from loans with Rural Development shall be deposited in the Construction Account which shall be established as required by Rural Development. Withdrawals from the Construction Account shall be made only on checks signed by the president of St. Landry Waterworks District No. Two Rural as authorized by the Board and with prior concurrence of Rural Development. St. Landry Waterworks District No. Two Rural's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by Rural Development and the Construction Account shall be closed.

The total funds held in such aforementioned accounts as of June 30, 2004 and 2003 are \$96,827 and \$67,920, respectively, in the General Account and \$45,640 and \$40,708, respectively, in the Reserve Account.

The customers' deposits account represents refundable fifty dollar deposits collected from homeowners and one hundred dollar deposits collected from renters requesting service connection. Customers' deposits are deposited in a separate cash account and totaled \$32,466 and \$20,657 at June 30, 2004 and 2003. There is an amount due the General Account from the customers' deposit account in the amount of \$12,816 at June 30, 2004. There was an amount due the General Account from the customers' deposit account in the amount of \$3,757 at June 30, 2003.

NOTE (5) - INTERGOVERNMENTAL AGREEMENTS

The Waterworks District entered into an agreement with the Village of Cankton whereby the Village was to provide the services of all personnel required to operate the water system. The Waterworks District paid the Village of Cankton \$5.75 for each customer billed on a monthly basis and paid them \$5.00 for each disconnect fee billed and \$10.00 for each reconnection fee billed. The Waterworks District terminated the agreement in February 2004 and opened a business office and hired two employees.

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (6) - CAPITAL ASSETS

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2004:

<u>Description of Property</u>	<u>Life in Years</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Water system	25 years	\$2,105,345	\$505,974	\$1,599,371	\$84,213
Equipment	5 years	22,307	9,773	12,534	4,134
Land		17,500		17,500	
Buildings/ improvements	15-30 years	45,194	3,358	41,836	2,556
Furniture	7 years	6,418	1,272	5,146	885
Land improvements	15 years	2,650	221	2,429	177
Autos	5 years	5,000	1,500	3,500	1,000
Software	5 years	4,034	1,433	2,601	807
<u>Totals</u>		<u>2,208,448</u>	<u>523,531</u>	<u>1,684,917</u>	<u>93,772</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2003:

<u>Description of Property</u>	<u>Life in Years</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Water system	25 years	\$2,105,345	\$421,760	\$1,683,585	\$84,130
Equipment	5 years	22,108	5,639	16,469	2,479
Land		17,500		17,500	
Buildings/ improvements	15-30 years	33,291	802	32,489	802
Furniture	7 years	5,989	388	5,601	388
Land improvements	15 years	2,650	44	2,606	44
Autos	5 years	5,000	500	4,500	500
Software	5 years	4,034	627	3,407	627
<u>Totals</u>		<u>2,195,917</u>	<u>429,760</u>	<u>1,766,157</u>	<u>88,970</u>

NOTE (7) - LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions:

	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Total</u>
Balance, June 30, 2003	\$766,179	\$45,151	\$124,298	\$935,628
Reductions in principal	<u>(10,691)</u>	<u>(632)</u>	<u>(2,307)</u>	<u>(13,630)</u>
Balance, June 30, 2004	<u>755,488</u>	<u>44,519</u>	<u>121,991</u>	<u>921,998</u>



ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (7) - LONG-TERM OBLIGATIONS - Continued

	<u>2004</u>	<u>2003</u>
(1) \$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.	\$755,488	\$766,179
(2) \$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.	44,519	45,151
(3) \$136,000 Water Revenue Bonds Series A, due in monthly installments of \$654 through July 19, 2036; at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	<u>121,991</u>	<u>124,298</u>
<u>Total bonds payable</u>	<u>921,998</u>	<u>935,628</u>

The annual requirements to amortize revenue bonds are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Total</u>
2005	\$44,952	\$2,652	\$7,853	\$55,457
2006	44,952	2,652	7,853	55,457
2007	44,952	2,652	7,853	55,457
2008	44,952	2,652	7,853	55,457
2009	44,952	2,652	7,853	55,457
2010-2014	244,760	13,260	39,267	297,287
2015-2019	244,760	13,260	39,267	297,287
2020-2024	244,760	13,260	39,267	297,287
2025-2029	244,760	13,260	39,267	297,287
Thereafter	<u>273,458</u>	<u>16,133</u>	<u>47,776</u>	<u>337,367</u>
Total principal and interest	1,477,258	82,433	244,109	1,803,800
Less: interest	<u>(721,770)</u>	<u>(37,914)</u>	<u>(122,118)</u>	<u>(881,802)</u>
Balance at June 30, 2004	<u>755,488</u>	<u>44,519</u>	<u>121,991</u>	<u>921,998</u>

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

NOTE (8) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following accounts:

	<u>2004</u>	<u>2003</u>
Petty cash	\$60	\$60
General Account - checking	87,965	64,407
Revenue account - savings	2,553	2,260
LAMP investment	5,041	
Construction Account - checking	100	100
Depreciation fund - savings	4,489	3,669
Reserve note fund - savings	20,541	15,917
Customers' deposits - checking	<u>32,466</u>	<u>20,657</u>
	<u>153,215</u>	<u>107,070</u>

SUPPLEMENTAL INFORMATION

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)  
JUNE 30, 2004 AND 2003

<u>Insurer</u>	<u>Coverage</u>	<u>Coverage Limits</u>	<u>Policy Period</u>	
			<u>From</u>	<u>To</u>
American Alternative Insurance Co. (Dupre Carrier Godchaux)	Commercial General Liability	\$3,000,000	2/8/04	2/8/05
American Alternative Insurance Co. (Dupre Carrier Godchaux)	Commercial property	Various	2/8/04	2/8/05
American Alternative Insurance Co. (Dupre Carrier Godchaux)	Boiler and machinery	500,000	2/8/04	2/8/05
American Alternative Insurance Co. (Dupre Carrier Godchaux)	Automobile (hired and not-owned vehicles)	1,000,000	2/8/04	2/8/05
Employers Mutual Casualty Company (Dupre Carrier Godchaux)	Surety bond - Robyn Cormier	75,000	2/8/04	2/8/05
Employers Mutual Casualty Company (Dupre Carrier Godchaux)	Surety bond - Tommy Faul	75,000	2/8/04	2/8/05
Employers Mutual Casualty Company (Dupre Carrier Godchaux)	Surety bond - Ricky Theriot	75,000	2/8/04	2/8/05
LEMIC Insurance Company (Dupre Carrier Godchaux)	Worker's Comp	500,000	5/29/04	5/29/05
Farm Bureau Insurance	Commercial General Liability	300,000	9/20/03	9/20/04
Farm Bureau Insurance	Automobile (water truck)	300,000	1/3/04	7/3/04
ICT Insurance - Columbia Casualty Co.	Professional liability Policy on board members	1,000,000	10/16/03	10/16/04

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
SCHEDULE OF DIRECTORS' AND OFFICERS' COMPENSATION  
AS OF JUNE 30, 2004 AND 2003

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>	
Ricky Theriot	1/06	President	960 Hwy. 754 Sunset, LA 70584 (337) 684-6748	\$1,440
Bobby Richard	1/07	Vice-President	1321 Hwy. 754 Sunset, LA 70584 (337) 684-2294	1,440
Edward Briscoe	1/05	Secretary	807 Superior Road Church Point, LA 70525 (337) 668-4683	1,440
Kenneth Burleigh	1/08	Board Member	832 Jessie Richard Road Sunset, LA 70584 (337) 684-2525	1,380
Linic Richard	1/07	Board Member	1056 Hwy. 356 Sunset, LA 70584 (337) 668-4276	1,440

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003

Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2003-1 Segregation of Duties

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.

Section II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.

Section III - MANAGEMENT LETTER

No prior year findings.

RELATED REPORTS





**JOHN S. DOWLING & COMPANY**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Russell J. Stelly, CPA  
Chizal S. Fontenot, CPA  
James L. Nicholson, Jr., CPA  
G. Kenneth Pavy, II, CPA  
Darren J. Cart, CPA  
Michael A. Roy, CPA  
Lisa T. Manuel, CPA

John S. Dowling, CPA  
1904-1984

Retired

Harold Dupre, CPA  
1996  
John Newton Stout, CPA  
1998  
Dwight Ledoux, CPA  
1998  
Joel Lanclos, Jr., CPA  
2003

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 Directors  
St. Landry Waterworks District No. Two Rural  
Sunset, Louisiana

We have audited the general purpose financial statements of St. Landry Waterworks District No. Two Rural, as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated July 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. Landry Waterworks District No. Two Rural's general purpose 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. However, we noted an immaterial instance of noncompliance that we have reported to management of St. Landry Waterworks District No. Two Rural in a separate letter dated July 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Landry Waterworks District No. Two Rural's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter 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 St. Landry Waterworks District No. Two Rural's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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 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.

To the Board of Directors  
St. Landry Waterworks District No. Two Rural  
Page 2

Our 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, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Waterworks District's management and the appropriate regulatory agencies. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

*John S. Dowling & Company*

Opelousas, Louisiana  
July 22, 2004

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

Section I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of St. Landry Waterworks District No. Two Rural.
2. One reportable condition relating to the audit of the financial statements was reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There was no single audit required under OMB Circular A-133.

Section II - 2004 FINDINGS - FINANCIAL STATEMENT AUDIT

Internal Control

2004-1. Inadequate Segregation of Duties Within Accounting Functions

Condition

St. Landry Waterworks District No. Two Rural does not have adequate segregation of duties over receipts.

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control.

Cause

Only one person performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting functions.

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system.

Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD TYPE</u>	<u>EXPENDITURES</u>
None			

St. Landry Waterworks District No. Two Rural has three revenue bonds outstanding with USDA Rural Development at June 30, 2004 as follows:

<u>Revenue Bonds</u>	<u>Outstanding Balance</u>
Series R-1	\$755,488
Series R-2	44,519
Series A	121,991
	<u>921,998</u>

ST. LANDRY WATERWORKS DISTRICT NO. TWO RURAL  
SUNSET, LOUISIANA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2004

NOTE (1) - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of St. Landry Waterworks District No. Two Rural. The Waterworks District's reporting entity is defined in Note 1 to St. Landry Waterworks District No. Two Rural's financial statements.

NOTE (2) - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to St. Landry Waterworks District No. Two Rural's financial statements.

NOTE (3) - RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in St. Landry Waterworks District No. Two Rural's financial statements as a liability.

Russell J. Stelly, CPA  
Chizal S. Fontenot, CPA  
James L. Nicholson, Jr., CPA  
G. Kenneth Pavy, II, CPA  
Darren J. Cart, CPA  
Michael A. Roy, CPA  
Lisa T. Manuel, CPA



**JOHN S. DOWLING & COMPANY**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED  
LEGISLATIVE AUDITOR

04 SEP 20 AM 11:18

John S. Dowling, CPA  
1904-1984

Retired

Harold Dupre, CPA  
1996  
John Newton Stout, CPA  
1998  
Dwight Ledoux, CPA  
1998  
Joel Lanclos, Jr., CPA  
2003

To the Board of Directors  
St. Landry Waterworks District No. Two Rural  
Sunset, Louisiana

We have audited the financial statements of the St. Landry Waterworks District No. Two Rural, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 22, 2004. We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States.

As a part of our examination, we have issued our report on the financial statements, dated July 22, 2004, and our report on internal control and compliance with laws, regulations and contracts, dated July 22, 2004.

During the course of our examination, we became aware of the following matter which represents an immaterial deviation of compliance.

Immaterial Deviation of Compliance

2004-1. Deposits Not Fully Collateralized

Condition: Bank balances of deposits were under collateralized by \$3,487 as of June 30, 2004.

Criteria: LA R.S. 39:1225 states that the amount of the security shall at all times be equal to 100 percent of the amount of collected funds on deposit.

Effect: The St. Landry Waterworks District No. Two Rural's deposits were not fully collateralized.

Cause: The depository bank failed to pledge additional collateral to cover deposits.

Management contacted the depository bank, resulting in a pledge of collateral by bank, beginning July 30, 2004, to cover deposits.

*John S. Dowling & Company*

Opelousas, Louisiana  
July 22, 2004