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SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA,
A COMPONENT UNIT OF THE VERMILION PARISH
POLICE JURY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

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 MAR 22 2000

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR
ENDED DECEMBER 31, 1999**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
FINANCIAL STATEMENTS:	
Balance Sheets	2 - 3
Statements of Revenues, Expenses, and Changes in Retained Earnings	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 11
SUPPLEMENTAL SCHEDULES:	
Schedule of Expenses	12
Schedule of Expenditures of Federal Awards	13
Schedule of Findings and Questioned Costs	14
OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	15
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	16 - 17

LANGLINAIS
&
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(A Corporation of Certified Public Accountants)

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Chris Kohlenberg, C.P.A., M.B.A.

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Southeast Waterworks District Number 2,
of the Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

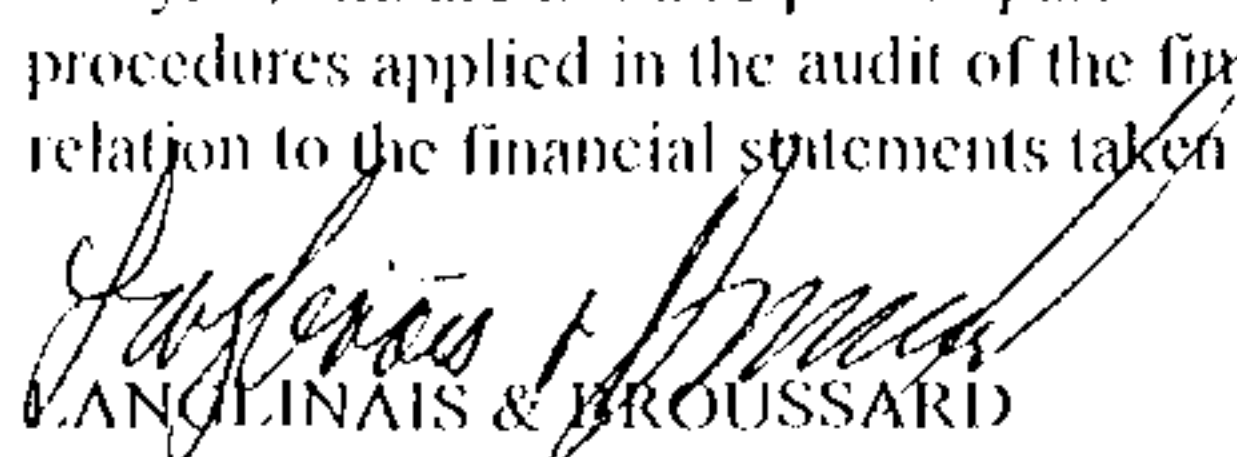
We have audited the accompanying component unit financial statements of the Southeast Waterworks District Number 2, of the Parish of Vermilion (the District), State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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. 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 financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 1999 and 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2000, on our consideration of the District's internal control over financial reporting and 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 financial statements of the District taken as a whole. The accompanying schedules of expenses and expenditures of federal awards are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


LANGLINAIS & BROUSSARD
Certified Public Accountants

January 14, 2000

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND**

BALANCE SHEETS

DECEMBER 31,

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS:		
Cash and Equivalents	\$ 33,098	\$ 59,214
Investments	200,410	81,936
Accounts Receivable	31,118	29,628
Grants Receivable	-	18,195
Total Current Assets	<u>264,626</u>	<u>188,973</u>
RESTRICTED ASSETS:		
Revenue Bond Sinking Fund Cash	10,099	9,650
Waterworks Reserve Fund Cash	8,257	5,846
Waterworks Contingency Fund Cash	9,475	6,709
Customer Security Deposits Cash	6,681	5,261
Total Restricted Assets	<u>34,512</u>	<u>27,466</u>
FIXED ASSETS:		
Land	17,477	17,477
Buildings	160,000	160,000
Property, Plant, and Equipment	2,866,666	2,821,458
	<u>3,044,143</u>	<u>2,998,935</u>
Less: Accumulated Depreciation	233,297	164,411
Total Fixed Assets	<u>2,810,846</u>	<u>2,834,524</u>
OTHER ASSETS:		
Bond Issue Costs	22,766	23,389
Organization Costs	625	1,125
Total Other Assets	<u>23,391</u>	<u>24,514</u>
TOTAL ASSETS	<u><u>\$ 3,133,375</u></u>	<u><u>\$ 3,075,477</u></u>

See accountants' report and notes to the financial statements.

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND**

BALANCE SHEETS

DECEMBER 31,

	1999	1998
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts Payable	\$ 6,691	\$ 3,018
Retainage Payable	-	18,195
Sales Tax Payable	665	651
Payroll Liabilities	1,396	1,190
Current Portion of Long-term Debt	10,415	10,902
Total Current Liabilities	19,167	33,956
CURRENT LIABILITIES PAYABLE WITH RESTRICTED ASSETS:		
Accrued Interest Payable	2,631	9,676
Customer Security Deposits Liability	4,385	3,179
Total Current Liabilities Payable with Restricted Assets	7,016	12,855
LONG-TERM LIABILITIES:		
Revenue Bonds Payable	1,085,600	1,095,085
Total Long-term Liabilities	1,085,600	1,095,085
TOTAL LIABILITIES	1,111,783	1,141,896
FUND EQUITY:		
Contributed Capital - Customers	57,316	49,826
Contributed Capital - Federal Grants	1,803,000	1,807,872
Retained Earnings - Unreserved	161,276	75,883
TOTAL FUND EQUITY	2,021,592	1,933,581
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,133,375	\$ 3,075,477

See accountants' report and notes to the financial statements.

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND**

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

**FOR THE YEARS ENDED
DECEMBER 31,**

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES:		
Water Sales	\$ 289,638	\$ 254,308
Water - Penalties	7,063	1,342
Total Operating Revenues	<u>296,701</u>	<u>255,650</u>
 OPERATING EXPENSES:		
Water Expenses	108,995	88,415
General and Administrative Expenses	109,155	109,599
Total Operating Expenses	<u>218,150</u>	<u>198,014</u>
OPERATING INCOME:	<u>78,551</u>	<u>57,636</u>
 NONOPERATING INCOME (EXPENSES):		
Interest Income	5,854	2,701
Miscellaneous Income	2,687	7,504
Interest Expense	(40,699)	(41,701)
TOTAL NONOPERATING INCOME (EXPENSES)	<u>(32,158)</u>	<u>(31,496)</u>
NET INCOME	46,393	26,140
Add: Depreciation on Fixed Assets Acquired by Capital Grants	39,000	36,000
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>85,393</u>	<u>62,140</u>
RETAINED EARNINGS, BEGINNING	<u>75,883</u>	<u>13,743</u>
RETAINED EARNINGS, ENDING	<u>\$ 161,276</u>	<u>\$ 75,883</u>

See accountants' report and notes to financial statements.

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND**

**FOR THE YEARS ENDED
DECEMBER 31,**

STATEMENTS OF CASH FLOWS

	1999	1998
CASH FLOWS FROM OPERATING INCOME:		
Operating Income	\$ 78,551	\$ 57,636
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	68,885	58,047
Amortization	1,123	1,048
Increase in Accounts Receivable	(1,490)	(3,456)
Increase in Accounts Payable	3,673	304
Increase in Other Accrued Liabilities	220	548
Increase in Customer Security Deposits	1,206	2,000
Total Adjustments	73,617	58,491
Net Cash Provided by Operating Activities	152,168	116,127
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Miscellaneous Income	2,687	7,504
Net Cash Provided by Non-capital Financing Activities	2,687	7,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Fixed Assets	(53,328)	(415,531)
Proceeds from Revenue Bonds	-	325,000
Payments of Bond Issue Costs	-	(10,167)
Principal Payments - Revenue Bonds	(9,972)	(9,858)
Interest Paid	(57,818)	(33,874)
Contributed Capital	59,813	105,127
Net Cash Used by Capital and Related Financing Activities	(61,305)	(39,303)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(226,536)	(61,936)
Maturities of Investments	108,062	-
Interest Received	5,854	2,701
Net Cash Used by Investing Activities	(112,620)	(59,235)
Net Increase (Decrease) in Cash and Equivalents	(19,070)	25,093
Cash and Equivalents, Beginning of Year	86,680	61,587
(Including Restricted Cash of \$27,466 and \$20,037 for 1999 and 1998 respectively)		
Cash and Equivalents, End of Year	\$ 67,610	\$ 86,680
(Including Restricted Cash of \$34,512 and \$27,466 for 1999 and 1998 respectively)		

See accountants' report and notes to financial statements.

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeast Waterworks District Number 2, of the Parish of Vermilion, State of Louisiana (the District), which is a component unit of the Vermilion Parish Police Jury, was created under the provisions of Louisiana Revised Statutes (LRS) 33:3811, for the purpose of providing water to the rural areas of Vermilion Parish. The District is governed by a board of commissioners composed of five members appointed by the Vermilion Parish Police Jury. The Vermilion Parish Police Jury exercises oversight responsibility with the District; however, the Police Jury does not exercise any control over specific expenditures of the District.

All activities over which the District exercises oversight responsibility have been incorporated to form the District's reporting entity. Oversight responsibility is determined by financial interdependency, selection of governing board, designation of management, accountability for financial matters, and an ability to significantly influence operations.

A. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of individual funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into a single fund as follows:

PROPRIETARY FUNDS

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District will not apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

B. DEPOSITS AND INVESTMENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorized the District to invest in obligations of the U. S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

Investments are stated at cost.

C. RECEIVABLES AND CUSTOMERS

The District accounts for bad debts using the direct write-off method. Expense is recognized during the period in which a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

At December 31, 1999, the District had 1,006 customers connected for service. Of that total 969 were residential customers and 37 were commercial customers.

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following represents the aged receivable balances at December 31, 1999:

0 - 30 days	\$ 25,891
31 - 60 days	3,328
61 - 90 days	989
Over 90 day	910
 Total Receivables	 <u>\$ 31,118</u>

D. RESTRICTED ASSETS

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. The "Revenue Bond Sinking Fund" is used to accumulate resources necessary to meet annual debt service requirements. The "Waterworks Reserve Fund" is used to segregate from funds available for operations, funds equal to five percent of the original bond issuance. These funds serve to prevent the District from defaulting on debt service payments in the event of deficiencies in utility operations. The "Waterworks Contingency Fund" is used to accumulate resources to meet any unexpected contingencies or to fund significant asset replacements or repairs. The "Customer Security Deposits" represents advance deposits received from water customers which shall be either refunded upon termination of services or applied toward billings in arrears.

E. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Property, plant, and equipment in the Proprietary Fund of the District are recorded at cost. Property, plant, and equipment donated to these Proprietary Fund operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The amount of capitalized interest included in Property, Plant, and Equipment on the Balance Sheet for the year ended December 31, 1999, was \$10,074.

Property, plant, and equipment are depreciated in the Proprietary Fund using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Utility System Improvements	25-50
Equipment	5

Long-term debt and other obligations of the Proprietary Fund of the District are reported as liabilities. For the Proprietary Fund, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

F. FUND EQUITY

The Proprietary Fund's contributed capital represents equity acquired through capital grants and capital contributed from developers or customers.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. USE OF ESTIMATES

The preparation of financial statements in accordance 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, as well as revenues and expenses reported for the periods presented. The District regularly assesses these estimates and, while actual results may differ, management believes that the estimates are reasonable.

H. VACATION AND SICK LEAVE

Employees of the District are entitled to a one week vacation. The earned days do not vest; therefore, no liability has been recorded for compensated absences in the financial statements.

I. COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE 2: CASH AND INVESTMENTS

At year end, the District's carrying amount of deposits was \$67,610 and the bank balance was \$68,421. The entire bank balance was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

At year end, the District's investment balances were as follows:

Certificates of Deposit	<u>\$200,410</u>
-------------------------	------------------

The entire balance was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

NOTE 3: LONG-TERM DEBT

The District issues revenue bonds which it pledges income derived from the water system to pay the debt. Revenue bonds outstanding at year end are as follows:

Utility Revenue Bonds dated May 12, 1997; payable in monthly installments of \$3,644 through May 12, 2035; including interest at 4.50%	772,216
Utility Revenue Bonds dated March 16, 1998; payable in monthly installments of \$1,554 through March 12, 2038; including interest at 4.875%	<u>323,799</u>
	1,096,015
Less: Current Portion	<u>(10,415)</u>
Total Long-term Debt	<u>\$ 1,085,600</u>

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 3: LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of \$1,169,045, are as follows:

Year Ended December 31	
2000	\$ 62,376
2001	62,376
2002	62,376
2003	62,376
2004	62,376
Thereafter	<u>1,953,180</u>
 Total	 <u>\$ 2,265,060</u>

NOTE 4: FLOW OF FUNDS - RESTRICTIONS ON USE OF UTILITY REVENUES

Under the terms of the bond indenture on the \$794,000 Water Utility Revenue Bonds dated May 12, 1997, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds.

Beginning in June, 1997, the District was required to set aside, into a "Waterworks Revenue Bond and Interest Sinking Fund", an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such purposes.

There is also to be set aside \$260 monthly, into a "Waterworks Reserve Fund", beginning June, 1997, until the sum of \$62,376 has been accumulated.

Funds also required to be set aside into a "Waterworks Depreciation and Contingency Fund" in the amount of \$262 per month beginning June, 1997. Monies in this fund shall be used to pay for major repairs due to damage caused by unforeseen catastrophes and for replacements made necessary by the depreciation of the system.

All revenues received in any year, and not required to be paid into any of the afore mentioned funds, are regarded as surplus and may be used for any lawful purposes.

NOTE 5: CONTRIBUTED CAPITAL

The changes in the District's contributed capital accounts for the year ended December 31, 1998, were as follows:

	FEDERAL GRANTS	CUSTOMERS
Beginning Balances	\$ 1,807,872	\$ 49,826
Depreciation Closed to Contributed Capital	(39,000)	-
Federal Capital Grants	34,128	-
Customers	<u> </u>	<u>7,490</u>
Ending Balances	<u>\$ 1,803,000</u>	<u>\$ 57,316</u>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 6: DIRECTORS' FEES

The following is a schedule of directors' fees paid by the District for the year ended December 31, 1999:

David Greco	\$ 900
Nally Simon	840
Marty Benoit	840
Curnal Cessac	720
J. Gerald Menard	<u>960</u>
 Total	 <u>\$ 4,260</u>

NOTE 7: INSURANCE IN FORCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The following is a schedule of insurance in force at December 31, 1999:

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Workmens' Compensation	Statutory
Surety Bonds -	
Board President	\$65,000
Vice-President	\$65,000
Secretary	\$65,000
Office Manager	\$65,000
Plant Manager	\$65,000
Office Secretary	\$65,000
Automobile Liability	\$500,000
Product and Completed Operations - Aggregate Limit	\$500,000
General Premises Liability	\$500,000
Blanket Building and Contents	\$754,500

NOTE 8: WATER RATES

The following represents water rates in force at December 31, 1999:

<u>Residential</u>	
First 2,000 Gallons	\$12.50
All Over 2,000 Gallons Per 1,000 Gallons	\$2.20
<u>Commercial</u>	
First 2,000 Gallons	\$15.00
All Over 2,000 Gallons Per 1,000 Gallons	\$2.20
<u>Penalty</u>	
10% of Water Charge Paid After Due Date	

NOTE 9: YEAR 2000 DISCLOSURES

The District has identified the systems and individual components it feels that must be changed to make the District year 2000 compliant. To accomplish this, the District upgraded its various computers and software. The systems were tested during their use for the period up to December 31, 1999. The completion of this process is not a guarantee that the systems and equipment purchased and tested will be year 2000 compliant. The District expended \$5,968 on new computer hardware and software during the 1999 fiscal year to perform this upgrade.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 10: DEFINED CONTRIBUTION RETIREMENT PLAN

All full-time employees participate in a defined contribution plan after one year of service. The District contributes 7.50 percent (7.50%) of each participant's gross pay. All amounts are vested immediately. The plan was not set-up to allow employee contributions to the plan.

The covered payroll for the plan was \$23,000. The District's total payroll for the same period was \$49,419. Total contributions for the year ended December 31, 1999, were \$1,735 or 7.50 percent (7.50%) of covered payroll.

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND**

**FOR THE YEARS ENDED
DECEMBER 31,**

SCHEDULE OF EXPENSES

	<u>1999</u>	<u>1998</u>
WATER EXPENSES:		
Chemicals	\$ 9,370	\$ 14,946
Meter Installation	-	780
Engineering Fees	10,576	-
Depreciation	68,885	58,047
Supplies	4,275	1,631
Utilities	15,889	13,011
TOTAL WATER EXPENSES	<u>\$ 108,995</u>	<u>\$ 88,415</u>
 GENERAL AND ADMINISTRATIVE EXPENSES:		
Advertising	\$ 811	\$ 185
Amortization	1,122	1,048
Auto and Truck Expenses	2,439	1,681
Bank Charges	23	15
Directors' Fees	4,260	5,280
Consulting Services	-	315
Insurance	11,060	12,997
Legal and Accounting	7,225	12,600
Office	6,904	3,679
Operations	3,991	17,365
Outside Labor	-	373
Postage	2,418	2,115
Repairs and Maintenance	9,765	963
Retirement	1,735	-
Salaries	49,419	45,148
Taxes - Payroll	5,171	3,565
Telephone	2,812	2,270
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 109,155</u>	<u>\$ 109,599</u>

**SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

**FOR THE YEAR ENDED
DECEMBER 31, 1999**

<u>FEDERAL GRANTOR / PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
 <u>GRANTS:</u>		
U.S. Department of Agriculture / Water and Waste Loan and Grant Program	10.760	\$ 34,128 <small>and more programs</small>
 <u>DIRECT LOANS:</u>		
U.S. Department of Agriculture / Water and Waste Loan and Grant Program	10.760	\$ 1,096,015 <small>and more programs</small>

BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards is presented in accordance with generally accepted accounting principles. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

SOUTHEAST WATERWORKS DISTRICT NUMBER 2,
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
PROPRIETARY FUND

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**FOR THE YEAR ENDED
DECEMBER 31, 1999**

FINANCIAL STATEMENTS:

Type of Auditors' Report Issued:	Unqualified
Internal Control Over Financial Reporting:	
Material Weaknesses Identified:	None
Reportable Conditions Identified:	None
Noncompliance material to Financial Statements Noted:	None

FEDERAL AWARDS:

Internal Control Over Major Awards:	
Material Weaknesses Identified:	None
Reportable Conditions Identified:	None
Type of Auditors' Report Issued on Compliance for Major Programs:	Unqualified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of Circular A-133:	None

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Loan and Grant Program

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	<u>\$34,128</u>
Auditee Qualified as Low Risk Auditee:	Yes

LANGLINAIS

&

BROUSSARD

(A Corporation of Certified Public Accountants)

Glen P. Langlais, C.P.A.
Michael P. Broussard, C.P.A.

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

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Board of Commissioners
Southeast Waterworks District Number 2,
of the Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

We have audited the component financial statements of the Southeast Waterworks District Number 2, of the Parish of Vermilion, State of Louisiana (the District), a component unit of the Vermilion Parish Police Jury as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated January 14, 2000. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

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 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. We noted no matters involving the internal controls and their operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the District, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and passthrough entities.


LANGLINAIS & BROUSSARD
Certified Public Accountants

January 14, 2000

LANGLINAIS
&
BROUSSARD

(A Corporation of Certified Public Accountants)

Glen P. Langlinais, C.P.A.
Michael P. Broussard, C.P.A.

Gayla Falcon, C.P.A.

Patrick M. Guidry, C.P.A.

Holly M. Robalais, C.P.A.

Chip Contrell, C.P.A.

Ben Bonin, C.P.A., M.B.A.

Chris Kohlenberg, C.P.A., M.B.A.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners
Southeast Waterworks District Number 2,
of the Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

COMPLIANCE

We have audited the compliance of the Southeast Waterworks District Number 2, of the Parish of Vermilion, State of Louisiana (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 and the types of compliance requirements described in the U.S. Department of Agriculture, Office of Inspector General (USDA-OIG) Rural Utilities Service Bulletin 1780-30, Water Programs Audit Guide and Compliance Supplement, that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based upon our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and USDA-OIG Rural Utilities Service Bulletin 1780-30. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the District's management and Board of Commissioners, the State of Louisiana Legislative Auditor, and the USDA office of Rural Development.


LANGLOIS & BROUSSARD
Certified Public Accountants

January 14, 2000