

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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Eugene H. Darnall, CPA 1990

Independent Auditor's Report on Compliance With the General Requirements Applicable to Federal Financial Assistance Programs

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The Board of Commissioners
Vermilion Parish Southeast Waterworks District #2
Abbeville, Louisiana 70510

We have audited the general purpose financial statements of the Vermilion Parish Southeast Waterworks District #2, as of and for the year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We have applied procedures to test the Vermilion Parish Southeast Waterworks District #2's, compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended December 31, 1995:

Political Activity
Civil Rights
Cash Management
Federal Financial Reports
Drug Free Workplace
Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Vermilion Parish Southeast Waterworks District #2's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Vermilion Parish Southeast Waterworks District #2, had not complied, in all material respects, with those requirements.

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VERMILION PARISH SOUTHEAST
WATERWORKS DISTRICT #2

Schedule of Federal Financial Assistance
For the Year Ended December 31, 1995

Federal Grantor/Pass Through Grantor/Program Name	<u>CFDA #</u>	<u>Grant Funds Earned/Expended</u>
United States Department of Agriculture Farmers Home Administration Water and Disposal Systems for Rural Communities Water System	10.418	\$1,800,000 *
Water Revenue Bonds		<u>794,000</u> *
 Total		 \$2,594,000 <hr style="width: 100px; margin-left: auto; margin-right: 0;"/>

* Denotes a major federal financial assistance program.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Abbeville, Louisiana
September 30, 1996

We performed test of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to each of the Vermilion Parish Southeast Waterworks District #2's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Abbeville, Louisiana
September 30, 1996

The management of the Vermilion Parish Southeast Waterworks District #2, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting
Purchases/Disbursements
Property, Plant and Equipment
Reporting

Administrative Controls

General Requirements

Political Activity
Civil Rights
Cash Management
Federal Financial Reports
Drug Free Workplace
Administrative Requirements

Specific Requirements

Types of services allowed or unallowed
Claims for advances and reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, the Vermilion Parish Southeast Waterworks District #2, expended 100% of its total federal financial assistance under major federal financial assistance programs as identified in the accompanying schedule of federal financial assistance

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Independent Auditor's Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs

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The Board of Commissioners
Vermilion Parish Southeast Waterworks District #2
Abbeville, Louisiana

We have audited the general purpose financial statements of the Vermilion Parish Southeast Waterworks District #2, for the year ended December 31, 1995, and have issued our report thereon dated September 30, 1996. We have also audited the compliance of the Vermilion Parish Southeast Waterworks District #2, with requirements applicable to major federal financial assistance programs and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Vermilion Parish Southeast Waterworks District #2, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1995, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the City's financial statements and on the compliance of the Vermilion Parish Southeast Waterworks District #2, with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated September 30, 1996.

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SINGLE AUDIT SECTION

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 1995

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Workmen's compensation -	Statutory
Surety bonds -	
Position bonds:	
Board president	50,000
Vice-President	50,000
Secretary	50,000
General liability -	
Fire and lightning coverage on building	500,000

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana
Enterprise Fund
Utility

Schedule of Number of Utility Customers
(Unaudited)
December 31, 1995

Records maintained by the Vermilion Parish Southeast Waterworks District #2 indicated the following number of customers had been connected for service at December 31, 1995.

Water (metered)

810

OTHER SUPPLEMENTARY INFORMATION

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Independent Auditor's Report on Schedule of Federal Financial Assistance

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The Board of Commissioners
Vermilion Parish Southeast Waterworks District #2
Abbeville, Louisiana 70510

We have audited the general purpose financial statements of the Vermilion Parish Southeast Waterworks District #2, as of and for the year ended December 31, 1995, and have issued our report thereon dated September 30, 1996. These financial statements are the responsibility of the Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Abbeville, Louisiana
September 30, 1996

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VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Notes to Financial Statements (Continued)

H. Capitalization of Interest Expense

It is the policy of the District to capitalize material amounts of interest resulting from borrowings accounted for in the proprietary fund in the course of the construction of fixed assets. At December 31, 1995, \$8,152 capitalized interest expense was recorded in the financial statements.

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1995, the District has cash and interest-bearing deposits (book balances) totaling \$30,116.

Demand deposits	\$30,116
	<u>-----</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 1995 were secured as follows:

Bank balances	\$30,116
	<u>-----</u>

Federal deposit insurance	\$30,116
	<u>-----</u>

(3) Fixed Assets

A summary of proprietary fund type property, plant and equipment at December 31, follows:

Land	\$ 17,477
Buildings	160,000
Furniture, fixtures and equipment	28,082
Construction in progress - water system	<u>2,394,441</u>
Total	<u>\$2,600,000</u>

violation of Louisiana Revised Statute 24:513(A)(5)(a). This statute provides that the Legislative Auditor may, at his discretion, accept audits prepared by licensed certified public accountants provided that, among other requirements, such audits are completed within six months of the close of the entity's fiscal year. The failure to complete the audit was caused in part by the entity's personnel being unfamiliar with the accounting procedures required to properly record the transactions for the year and accounting data being located in different locations. This in turn delayed submission of acceptable data for preparation of financial statements in a manner which would facilitate the audit.

Recommendation:

Personnel responsible for financial recordkeeping should, at a minimum, summarize transactions in the form of financial statements on a monthly basis and that all accounting data be maintained in one central location.

Response:

Staff has been instructed as to the procedures which should be followed in order to institute the above recommendation.

This report is intended for the information of the District's board of Commissioners and the Vermilion Parish Police Jury. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Abbeville, Louisiana
September 30, 1996

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Board of Commissioners
Vermilion Parish Southeast Waterworks District #2
Abbeville, Louisiana

We have audited the general purpose financial statements of Vermilion Parish Southeast Waterworks District #2 (District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards, 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 misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Vermilion Parish Southeast Waterworks District #2 is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance that are required to be reported under Government Auditing Standards:

Finding:

The Vermilion Parish Southeast Waterworks District #2, by failing to complete and deliver to the Louisiana Legislative Auditor in a timely manner an audited financial statement for the year ended December 31, 1995, was found to be in

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We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Inadequate Segregation of Accounting Functions

Finding:

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

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the District's Board of Commissioners and the Vermilion Parish Police Jury. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Abbeville, Louisiana
September 30, 1996

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Board of Commissioners
Vermilion Parish Southeast Waterworks District #2
Abbeville, Louisiana

We have audited the general purpose financial statements of Vermilion Parish Southeast Waterworks District #2 (District), a component unit of the Vermilion Parish Police Jury for the year ended December 31, 1995, and have issued our report thereon dated September 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards, 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 misstatement.

The management of Vermilion Parish Southeast Waterworks District #2 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Vermilion parish Southeast Waterworks District #2 for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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INTERNAL CONTROL

AND

COMPLIANCE

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Notes to Financial Statements (Continued)

(8) Compensation of Board Members

The board members received no compensation during the year ended December 31, 1995.

(9) Construction Contracts Payable

The District has entered into contracts to construct a water system with an estimated completion date of March 1996. Contract cost as of December 31, 1995 is as follows:

	<u>Total Contract Cost</u>	<u>Cost Incurred to Date</u>	<u>Cost Paid to Date</u>	<u>Contracts Payable</u>
Water System	\$ 2,600,000 =====	\$ 2,181,942 =====	\$ 2,181,942 =====	\$ 418,058 =====

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**VERMILION PARISH SOUTHEAST
WATERWORKS DISTRICT #2**
Abbeville, Louisiana

Financial Report

Year Ended December 31, 1995

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 OCT 16 1996

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Notes to Financial Statements (Continued)

(4) Long-Term Debt

The following is a summary of the long-term debt of the District for the year ended December 31, 1995:

Utility Revenue Bonds

\$794,000 Utility Revenue Bonds with interest payments due on May 12, 1996 and May 12, 1997 and monthly installment of \$3,644 through May 12, 2035 payable at 4.5%.

The annual requirements to amortize all debts outstanding at December 31, 1995, including interest payments of \$939,353 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ -	\$ 35,730	\$ 35,730
1997	3,901	57,341	61,242
1998	8,316	35,418	43,734
1999	8,698	35,036	43,734
2000 & After	<u>773,085</u>	<u>775,828</u>	<u>1,548,913</u>
Total	<u>\$ 794,000</u>	<u>\$ 939,353</u>	<u>\$ 1,733,353</u>

(5) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the bond indenture on the \$794,000 water utility revenue bonds dated May 12, 1995, 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.

Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" as 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 payment.

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Notes to Financial Statements (Continued)

D. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

The proprietary fund will be accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary fund will be charged as an expense against its operations. Depreciation will be provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	25-50 years
Equipment	5 years

E. Basis of Accounting

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

The proprietary fund will account for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

F. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

G. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use.

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Vermilion Parish Waterworks District #2 (the District), which is a component unit of the Vermilion Parish Police Jury, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of East Allen Parish. The District is governed by a board of commissioners composed of seven members appointed by the Vermilion Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Vermilion Parish Police Jury. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vermilion Parish Police Jury and the general governmental services provided by that governmental unit.

B. Development Stage

As of December 31, 1995, the District had not completed the construction of the waterworks system and therefore, operations had not commenced. For the year ended December 31, 1995, there were no income and/or expenses from operations to be reflected on the statement of revenues, expenses, and changes in retained earnings; therefore, the statement is not presented. The District was considered to be a development stage enterprise.

C. Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, of which there exists only an enterprise fund. 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.

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
 Abbeville, Louisiana
 Proprietary Fund Type-Enterprise Fund
 Utility Fund

Statement of Cash Flows
 Year Ended December 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ <u> -</u>
Adjustments to reconcile net income to net cash provided by operating activities -	
Increase in grant receivables	(406,743)
Increase in construction payable	<u>418,681</u>
Total adjustments	<u>11,938</u>
Net cash provided by operating activities	<u>11,938</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property, plant and equipment	<u>(2,600,000)</u>
Net cash used by investing activities	<u>(2,600,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from federal grants	1,800,000
Proceeds from sale of revenue bonds	794,000
Proceeds from connection charges	41,400
Payment of bond issue and organizational costs	<u>(17,222)</u>
Net cash provided by financing activities	<u>2,618,178</u>
Net increase in cash	30,116
Cash, beginning of period	<u> -</u>
Cash, end of period	<u>\$ 30,116</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND FUND EQUITY

Liabilities:

Current liabilities (payable from current assets) -	
Payroll taxes	\$ 623
Construction contracts payable	<u>418,058</u>
Total current liabilities (payable from current assets)	418,681
 Long-term liabilities -	
Revenue bonds payable	<u>794,000</u>
 Total liabilities	<u>1,212,681</u>

Fund equity:

Contributed capital -	
Waterworks district customers	41,400
Federal grants	<u>1,800,000</u>
Total contributed capital	<u>1,841,400</u>
 Total liabilities and fund equity	<u>\$3,054,081</u> <u>-----</u>

VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Balance Sheet
December 31, 1995

ASSETS

Current assets:

Cash	\$ 30,116
Federal grant receivables	<u>406,743</u>
Total current assets	436,859

Property, plant and equipment:

Property, plant and equipment at cost	2,600,000
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Bond issue costs	14,722
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Organization costs	<u>2,500</u>
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Total assets	<u>\$3,054,081</u>
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The accompanying notes are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Vermilion Parish Southeast Waterworks District #2 taken as a whole. The accompanying financial information listed as "Schedule" and "Other Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Vermilion Parish Southeast Waterworks District #2. Such information, except for the portion marked "Unaudited", on which we express no opinion, 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 such general purpose financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Abbeville, Louisiana
September 30, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT

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The Board of Commissioners
Vermilion Parish Southeast Waterworks District #2
Abbeville, Louisiana

We have audited the accompanying general purpose financial statements of the Vermilion Parish Southeast Waterworks District #2 (District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1995. 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.

We conducted our audit in accordance with generally accepted auditing standards, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. 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 the Vermilion Parish Southeast Waterworks District #2, as of December 31, 1995, and the results of its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 30, 1996 on our consideration of the District's internal control structure and a report dated September 30, 1996 on its compliance with laws and regulations.

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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VERMILION PARISH SOUTHEAST WATERWORKS DISTRICT #2
Abbeville, Louisiana

Notes to Financial Statements (Continued)

There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount of \$183 to be paid into the sinking fund until the sum of \$43,734 has been accumulated.

Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$210 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system.

All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

According to FmHA the sinking, reserve, and contingency fund requirements were deferred until June 1996.

The Vermilion Parish Waterworks District was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 1995.

(6) Pending Litigation

There is no litigation pending against the Vermilion Parish Waterworks District at December 31, 1995.

(7) Contributed Capital

Amounts contributed to enterprise funds for acquisition or construction of fixed assets are recognized as contributed capital. Contributed capital generated through grants externally restricted for capital acquisitions will be amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such grants. This amortization is closed to the appropriate contributed capital account and is reflected as an adjustment to net income on the Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings in future years.

The sources of contributed capital used to acquire and construct facilities for the enterprise fund are as follows:

	<u>Grants</u>	<u>Customers</u>	<u>Total</u>
Total contributed capital	\$1,800,000	\$41,400	\$1,841,400