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

**Financial Report**

**Year Ended December 31, 1966**

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the auditor, or town and city and other appropriate public officials. The report is available for public inspection at the State Budget office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: DEC 30 1967

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**DARNALL, SIKES & FREDERICK**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

State of Louisiana, City of New Orleans

150 Poydras Street  
Suite 2700  
New Orleans, Louisiana 70112

Client: Southeast Waterworks District Number 2  
Address: 2150 Poydras Street  
New Orleans, Louisiana 70112  
Auditor: Southeast Waterworks District Number 2  
Address: 2150 Poydras Street  
New Orleans, Louisiana 70112  
Audit Period: December 31, 1984  
Auditor: Southeast Waterworks District Number 2  
Address: 2150 Poydras Street  
New Orleans, Louisiana 70112  
Auditor: Southeast Waterworks District Number 2  
Address: 2150 Poydras Street  
New Orleans, Louisiana 70112

**INDEPENDENT AUDITOR'S 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 general purpose 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 year ended December 31, 1984, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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, "Standards of State and Local Governments". These standards and OMB Circular A-128 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 Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, as of December 31, 1984, and the results of its operations and 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 June 18, 1987, on our consideration of the District's internal control structure and a report dated June 18, 1987, on its compliance with laws and regulations.

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
LICENSED IN THE STATE OF LOUISIANA

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, taken as a whole. The accompanying financial information listed as "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 Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana. 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.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the financial statements of the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana.

***Darnall, Sikes & Frederick***

a Corporation of Certified Public Accountants

Abbeville, Louisiana  
June 10, 1967

**GENERAL PURPOSE FINANCIAL STATEMENTS**

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA  
Proprietary Fund Type  
Utility Fund

Comparative Balance Sheet  
December 31, 1996 and 1995

ASSETS	1996	1995
<b>Current assets:</b>		
Cash	\$ 36,528	\$ 34,124
Accounts receivable	25,024	-
Federal grant receivable	2,624	406,743
Total current assets	<u>64,176</u>	<u>440,867</u>
<b>Restricted assets:</b>		
Revenue bond sinking fund -		
Interest-bearing deposits	25,864	-
Waterworks reserve fund -		
Interest-bearing deposits	1,799	-
Waterworks contingency fund -		
Interest-bearing deposits	1,468	-
Security deposit fund -		
Interest-bearing deposits	1,208	-
Total restricted assets	<u>29,339</u>	<u>-</u>
<b>Property, plant and equipment:</b>		
Property, plant and equipment at cost		
less accumulated depreciation	<u>2,528,558</u>	<u>2,600,000</u>
<b>Intangible assets:</b>		
Bond issue costs, net of cumulative		
amortization (1996-1993)	14,138	14,732
Organization costs, net of cumulative		
amortization (1996-1979)	<u>2,125</u>	<u>2,500</u>
Total intangible assets	<u>16,263</u>	<u>17,232</u>
<b>Total assets</b>	<u>\$2,612,906</u>	<u>\$2,858,099</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND FUND EQUITY

	<u>1978</u>	<u>1977</u>
<b>Liabilities:</b>		
Current liabilities (payable from current assets) -		
Accounts payable	\$ 8,642	\$ -
Payroll taxes	1,065	623
Other current liabilities	4,480	-
Current portion of long-term debt	1,900	-
Accrued interest payable	22,808	-
Construction contracts payable	-	428,858
Total current liabilities (payable from current assets)	<u>30,895</u>	<u>428,858</u>
Current liabilities (payable from restricted assets) -		
Customer deposits	<u>1,700</u>	<u>-</u>
Long-term liabilities -		
Revenue bonds payable	<u>798,000</u>	<u>798,000</u>
Total liabilities	<u>830,600</u>	<u>1,226,858</u>
<b>Fund equity:</b>		
Contributed capital -		
Waterworks District customers	41,400	41,400
Federal grants	1,704,000	1,689,600
Retained earnings -		
Unreserved	<u>(21,400)</u>	<u>-</u>
Total fund equity	<u>1,724,000</u>	<u>1,731,000</u>
Total liabilities and fund equity	<u>\$2,554,600</u>	<u>\$2,957,858</u>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA  
Proprietary Fund Type  
Utility Fund

Comparative Statements of Revenues, Expenses and  
Changes in Retained Earnings  
For the Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating revenues:		
Charges for services -		
Water sales	\$139,908	\$ -
Connection fees	6,181	-
Total operating revenues	<u>146,089</u>	<u>-</u>
Operating expenses:		
Water expense	87,377	-
General and administrative expenses	29,366	-
Total operating expenses	<u>116,743</u>	<u>-</u>
Operating loss	<u>29,346</u>	<u>-</u>
Nonoperating income (expenses):		
Interest income	1,504	-
Miscellaneous income	42	-
Refunds	(148)	-
Interest expense	(58,838)	-
Total nonoperating income (expenses)	<u>(57,138)</u>	<u>-</u>
Net loss	(27,838)	-
ADD: Depreciation on fixed assets acquired by capital grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>38,000</u>	<u>-</u>
Decrease in retained earnings	(17,430)	-
Retained earnings, beginning	<u>-</u>	<u>-</u>
Retained earnings, ending	<u>\$(17,430)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.



SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
OF THE PARISH OF BERTRAND, STATE OF LOUISIANA  
Proprietary Fund Type  
Utility Fund

Comparative Statements of Cash Flows  
For the Years Ended December 31, 1998 and 1999

	<u>1998</u>	<u>1999</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (63,438)	\$ -
Adjustments to reconcile net loss to net cash provided by operating activities -		
Depreciation	48,934	-
Amortization	904	-
(Increase) decrease in grant receivables	606,189	(606,745)
(Increase) in accounts receivable	(75,004)	-
Increase in other current liabilities	7,842	(42)
Increase in accounts payable	8,442	-
Increase in accrued liabilities	32,889	-
Increase in customer deposit	1,380	-
Increase (Decrease) in construction contracts payable	(331,002)	(428,876)
Total adjustments	<u>59,425</u>	<u>21,338</u>
Net cash provided by operating activities	<u>35,887</u>	<u>21,338</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>(24,338)</u>	<u>(2,600,000)</u>
Net cash (used) by investing activities	<u>(24,338)</u>	<u>(2,600,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from federal grants	-	1,800,000
Proceeds from sale of revenue bonds	-	794,000
Proceeds from connection charges	-	42,400
Payment of bond issue and organizational costs	<u>-</u>	<u>(17,200)</u>
Net cash provided by financing activities	<u>-</u>	<u>2,600,000</u>
Net increase in cash	30,287	36,138
Cash, beginning of period	<u>30,114</u>	<u>-</u>
Cash, end of period	<u>\$ 60,401</u>	<u>\$ 36,138</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	<u>\$ 35,730</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

SOUTHEAST WATERWORK DISTRICT NUMBER 3  
 OF THE PARISH OF VERMILION, STATE OF LOUISIANA  
 Proprietary Fund Type  
 Utility Fund

Comparative Statements of Cash Flows  
 For the Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Reconciliation of cash per statement of cash flows to the balance sheet:		
Cash, beginning:		
Cash - unrestricted	\$ -	\$ -
Interest-bearing deposits - unrestricted	38,116	-
Interest-bearing deposits - restricted	-	-
Total cash	<u>\$ 38,116</u>	<u>\$ -</u>
Cash, ending:		
Cash - unrestricted	\$ 300	\$ -
Interest-bearing deposits - unrestricted	30,270	30,116
Interest-bearing deposits - restricted	<u>29,863</u>	<u>-</u>
Total cash	<u>\$ 60,333</u>	<u>\$ 30,116</u>

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

Notes to Financial Statements

(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 50:801, 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 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, Standards of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

1. 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.

2. Development Stage

As of March 31, 1994 the District completed the construction of the waterworks system and operations commenced. For the year ended December 31, 1993, there were no income and/or expenses from operations to be reflected on the statement of revenues, expenses, and changes in net assets; therefore, there was no information presented for comparative purposes. The District was considered to be a development stage enterprise as December 31, 1993.

3. Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, of which there remain 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.

SOUTHWEST INTERWORKS DISTRICT NUMBER 2  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA

Notes to Financial Statements

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 liabilities (whether current or noncurrent) associated with its activities are included on the balance sheet.

Depreciation of all depreciable 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 of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Utility System and Improvements	15-50 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 is accounted 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 not longer than three months.

G. Fund Balances

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds.

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

Notes to Financial Statements

**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. On December 31, 1994 and 1993, \$-0- and \$4,832 respectively, was recorded as capitalized interest expense in the financial statements.

**I. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "Revenue Bond Sinking Fund" is used to set aside resources necessary to meet annual debt service requirements. The "Waterworks Reserve Fund" is used to aggregate from 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" reports resources set aside to meet unexpected contingencies or to fund significant asset replacements or repairs. "Customer Deposits" represent advance deposits received from water customers which shall be either refunded upon termination of services or applied toward billings in arrears.

**J. 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.

**K. Use of Estimates**

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

**L. 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 in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when actually paid to the employees.

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

Notes to Financial Statements

13) 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 laws 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, 1998, the District has cash and interest-bearing deposits (bank balances) totaling \$80,363 of which \$29,863 is restricted cash.

Demand deposits	\$80,363
-----------------	----------

These deposits are stated at cost, which approximates market. Under state law, these deposits, (as 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, 1998 were secured as follows:

Bank balances	\$81,663
Federal deposit insurance	\$81,663

Pledged securities includes unsecured or unregistered investments for which the securities are held by the broker or dealer, or by his trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized, state law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

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

Notes to Financial Statements

(3) Fixed Assets

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

	1996	1995
land	\$ 37,477	\$ 37,477
buildings	180,000	180,000
Furniture, fixtures and equipment	2,381,400	2,084,400
Construction in progress - water system	-	810,828
	2,598,877	2,692,705
Less: accumulated depreciation	62,336	-
Total	\$2,536,541	\$2,692,705

(4) Long-Term Debt

The following is a summary of the long-term debt of the District for the year ended December 31, 1996:

	1996
Utility Revenue Bonds with interest payments due on May 15, 1996, and May 15 1997 and monthly installment of \$3,846 through May 15, 2003, payable at 4.5 percent per annum.	\$794,000
Less: current-portion	3,881
Long-term debt	\$790,119

The annual requirements to amortize all debts outstanding at December 31, 1996, including interest payments of \$836,747, are as follows:

Year	Total
1997	\$ 63,243
1998	63,734
1999	63,734
2000	63,734
2001	63,734
2002 & after	1,478,568
Total	\$2,338,747

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

Notes to Financial Statements

(5) Flow of Funds Restrictions on Use - Utility Expenses

Under the terms of the bond indenture on the \$794,000, water utility revenue bonds dated May 12, 1994, all income and revenues thereinafter referred to as revenues 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, 1994, the District is 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 payment.

There shall also be set aside \$185 monthly, into a "Waterworks Reserve Fund", beginning June, 1994, until the sum of \$43,734 has been accumulated.

Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$218 per month beginning June, 1994. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophes 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 cited funds in each fiscal year, shall be regarded as surplus and may be used for any lawful purpose.

The Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, was in compliance with all significant limitations and restrictions in the bond indenture as of December 31, 1994.

(6) Pending Litigation

There is no litigation pending against the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana as of December 31, 1994.

(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 Cooperative Statement of Revenues, Expenses, and Changes in Retained Earnings.



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

Notes to Financial Statements

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>
Contributed capital	\$1,800,000	\$41,400	\$1,841,400

(8) Compensation of Board Members

The board members received no compensation during the year ended December 31, 1994.

(9) Construction Contracts Payable

During the year ended December 31, 1995, the District entered into contracts to construct a water system with an estimated completion date of March, 1996. Contract cost as of December 31, 1994 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	\$2,000,000	\$2,600,000	\$2,400,000	\$ -

(10) Deficit Retained Earnings

The District had a deficit retained earnings balance of \$14,432 as of December 31, 1994. This deficit will be eliminated by future earnings.

INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER CRIME INFORMATION

**DARNALL, SIKES & FREDERICK**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Report of Board, 1978, Revised 1988

1. Early State, 1978  
2. South of Louisiana, 1978  
3. Louisiana & Missouri, 1978  
4. Report of Board, 1978, 1979

5. South of State, 1978  
6. Louisiana & Missouri, 1978  
7. Louisiana & Missouri, 1978  
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16. Louisiana & Missouri, 1978  
17. Louisiana & Missouri, 1978  
18. Louisiana & Missouri, 1978  
19. Louisiana & Missouri, 1978  
20. Louisiana & Missouri, 1978

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

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

We have audited the general purpose 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 year ended December 31, 1978, and have issued our report thereon dated June 10, 1979.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, "Audits of State and Local Governments". Those standards and OMB circular A-133 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 the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, 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 recorded 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 the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, for the year ended December 31, 1978, 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

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MEMBER OF  
SERVICES COMPANY OF THE  
LAW OFFICES OF THE  
STATE OF LOUISIANA  
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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 to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 general purpose 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 accounts that could 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 Warrilow Parish Police Jury. However, this report is a matter of public record and its distribution is not limited.

*Dunnell, Sikes & Frederick*

A Corporation of Certified Public Accountants

Shreveville, Louisiana  
June 18, 1997





The management of the Southeast Waterworks District Number 2 of the Parish of Terrebonne, State of Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimation 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 the general purpose 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**
- Receipts/Revenues
- Payments/Disbursements
- Property, Plant and Equipment
- Reporting

**Administrative Controls**

**General Requirements**

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administrative Requirements

**Specific Requirements**

- Type of services allowed or excluded
- Claims for advances and reimbursements
- Reporting

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, 1996, the Southeast Waterworks District Number 2 of the Parish of Terrebonne, State of Louisiana, expended 1904 of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular #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 the District's major Federal financial assistance program, which is 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.

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 general purpose 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 policies and procedures used in administering Federal financial assistance programs 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 condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of the Southeast Waterworks District Number 3 of the Parish of Vermilion, State of Louisiana, with requirements applicable to its major Federal financial assistance programs for the year ended December 31, 1996, and this report does not affect our report thereon dated June 10, 1997.



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.

*Dornall, Sims & Frederick*

A Corporation of Certified Public Accountants

Shreveville, Louisiana  
June 18, 1993

**DARNALL, SIKES & FREDERICK**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Report of Darnall, Sikes & Frederick, Inc.

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Local 9 (Bossier Parish)  
Local 10 (Bossier Parish)  
Local 11 (Bossier Parish)  
Local 12 (Bossier Parish)  
Local 13 (Bossier Parish)  
Local 14 (Bossier Parish)  
Local 15 (Bossier Parish)  
Local 16 (Bossier Parish)  
Local 17 (Bossier Parish)  
Local 18 (Bossier Parish)  
Local 19 (Bossier Parish)  
Local 20 (Bossier Parish)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR  
FEDERAL FINANCIAL ASSISTANCE PROGRAM**

1000 Poydras Street  
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The Board of Commissioners  
Southeast Waterworks District Number 2  
of the Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the general purpose financial statements of the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1984, and have issued our report thereon dated June 18, 1985.

We have also audited the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana's compliance with the requirements governing types of services allowed or unallowed; reporting; and claims for advances and reimbursements that are applicable to each of its major federal programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1984. The management of the District is responsible for the District's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements 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 Circular A-133, "Standards of State and Local Governments." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

MEMBER OF  
AMERICAN INSTITUTE OF CPAs  
CERTIFIED PUBLIC ACCOUNTANT, IN STATE OF LOUISIANA  
SINCE 1958

In our opinion, the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of the major Federal financial assistance programs for the year ended December 31, 1968.

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 & Frederick*

A Corporation of Certified Public Accountants

Shreveville, Louisiana  
June 10, 1969

**DARNALL, SIKES & FREDERICK**  
**IS CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH THE GENERAL REQUIREMENTS APPLICABLE TO  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

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

We have audited the general purpose financial statements of the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1994, and have issued our report thereon dated June 20, 1995.

We have applied procedures to test the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana'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, 1994:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- 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 Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana'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 these 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 Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, had not complied, in all material respects, with these requirements.

**MEMBERS OF  
THE INSTITUTIONS OF  
CERTIFIED PUBLIC ACCOUNTANTS  
LOUISIANA STATE BOARD OF ACCOUNTANTS  
CERTIFIED PUBLIC ACCOUNTANTS**

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 & Frederick*

A Corporation of Certified Public Accountants

Shreveport, Louisiana  
June 10, 1977

**JARNALL, SIKES & FREDERICK**  
(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

REPORT TO BOARD OF COMMISSIONERS

Richard D. Jarnall, CPA  
James A. Sikes, CPA  
Charles E. Frederick, CPA  
Raymond E. Smith, III, CPA

Richard D. Jarnall, CPA  
James A. Sikes, CPA  
Charles E. Frederick, CPA  
Raymond E. Smith, III, CPA  
Richard D. Jarnall, CPA  
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Richard D. Jarnall, CPA  
James A. Sikes, CPA  
Charles E. Frederick, CPA  
Raymond E. Smith, III, CPA

**INDEPENDENT AUDITOR'S REPORT ON  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

1979-80 Management  
Schedule of Federal  
Financial Assistance  
FOR FISCAL YEAR  
ENDING JUNE 30, 1980  
1979-80 Management  
Schedule of Federal  
Financial Assistance  
FOR FISCAL YEAR  
ENDING JUNE 30, 1979  
1978-79 Management  
Schedule of Federal  
Financial Assistance  
FOR FISCAL YEAR  
ENDING JUNE 30, 1978  
1977-78 Management  
Schedule of Federal  
Financial Assistance  
FOR FISCAL YEAR  
ENDING JUNE 30, 1977  
1976-77 Management  
Schedule of Federal  
Financial Assistance  
FOR FISCAL YEAR  
ENDING JUNE 30, 1976  
1975-76 Management  
Schedule of Federal  
Financial Assistance  
FOR FISCAL YEAR  
ENDING JUNE 30, 1975

The Board of Commissioners  
Southeast Waterworks District Number 3  
of the Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the general purpose financial statements of the Southeast Waterworks District Number 3 of the Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1979, and have issued our report thereon dated June 20, 1980. 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, and the provisions of Office of Management and Budget Circular A-133, "Audits of State and Local Governments". Those standards and OMB Circular A-133 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 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 general purpose 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 general purpose financial statements.

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF ACCOUNTS  
INTERNATIONAL ASSOCIATION

The information in each schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material aspects in relation to the general purpose financial statements taken as a whole.

*Darnall, Jones & Frederick*

A Corporation of Certified Public Accountants

Shreveport, Louisiana  
June 15, 1997

SOUTHEAST INTERWORKS DISTRICT NUMBER 1  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA

Schedule of Federal Financial Assistance  
For the Year Ended December 31, 1998

<u>Federal Account/Pass Through Account/Program Name</u>	<u>CFDA #</u>	<u>Grant Funds Received/Encumbered</u>
United States Department of Agriculture - Farmers Home Administration: Water and Disposal Systems for Rural Communities Water System	18.428	<u>\$405,188</u> *
Total		<u>\$405,188</u>

\* Denotes a major federal financial assistance program.



**OTHER SUPPLEMENTARY INFORMATION**

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA  
Proprietary Fund Type  
Billing Fund

Schedule of Water Expenses  
For the Year Ended December 31, 1986

Chemicals	\$ 4,893
Salts	2,833
Water testing	1,145
Depreciation	49,934
Salaries	18,468
Supplies	<u>5,018</u>
Total water expenses	<u>\$ 82,137</u>

SOUTHWEST WATERWORKS DISTRICT NUMBER 1  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA  
Proprietary Fund Type  
Utility Fund

Schedule of General and Administrative Expenses  
For the Year Ended December 31, 1976

Advertising	\$ 160
Associations	758
Auto & truck expenses	1,568
Bank charges	254
Contract labor	1,000
Consulting services	1,000
Insurance	21,079
Legal & accounting	2,500
Licenses	41
Long location fees	38
Miscellaneous	377
Office	2,450
Postage	854
Repairs & maintenance	600
Salaries	21,510
Taxes - payroll	1,529
Telephone	1,325
Utilities	15,671
<b>Total general and administrative expenses</b>	<b><u>870,744</u></b>

SOUTHEAST WATERWORKS DISTRICT NUMBER 2  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA,  
Proprietary Fund Type  
Utility Fund

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 1994

Records maintained by the Southeast Waterworks District Number 2 of the Parish of Vermilion, State of Louisiana, indicated the following number of customers had been connected for service as December 31, 1994.

Water (meters)

600

SOUTHEAST WATERWORKS DISTRICT NUMBER 3  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA

Schedule of Insurance in Force  
(Revised)  
December 31, 1994

<u>Description of Coverage</u>	<u>Coverage Amount</u>
Workers' 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