

NOTE B - CASH AND INVESTMENTS (Continued)

Cash and investments categorized by level of risk are:

	Cash	Market Value
Accounts insured by the FDIC or collateralized with securities held by the District in its name	\$228,018	\$228,018
Accounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--	--
Uncollateralized, uninsured or unregistered	<u>82,822</u>	<u>82,822</u>
Total cash and investments	\$310,840	\$310,840

NOTE C - DUE TO/FROM OTHER GOVERNMENTAL UNITS

	Due from Other Governments	Due to Other Governments
Due from Recreation District No. 2 (inter-governmental services)	\$0,282	
Due to Sewer/Rain Water Joint Waterworks (Water purchased)		\$21,258
Due to Sewerage District No. 2 (inter-governmental services - sewerage fees)		47,842
Due to St. Mary Parish Council (inter-governmental services - garbage fees)		15,058
	<u>\$0,282</u>	<u>\$74,158</u>

EXHIBIT C

	8-30-86	8-30-85
Net increase (decrease) in cash and cash equivalents	(88,183)	18,817
Cash and cash equivalents at beginning of year	____288,882	____273,626
Cash and cash equivalents at end of year	\$ 200,699	\$ 289,942
	*****	*****
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 128,080	\$ 181,796
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	82,418	88,672
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,800)	(8,200)
(Increase) decrease in inventory	837	(1,893)
(Increase) decrease in prepaid expenses	861	425
Increase (decrease) in accounts payable	(14,847)	6,383
Increase (decrease) in due to governmental units	____9,527	____8,402
Net cash provided by operating activities	\$ 84,868	\$ 1,762
	*****	*****

See notes to financial statements.

NOTE D - WATERWORKS SYSTEM AND EQUIPMENT

A Summary of the Waterworks System Plant and Equipment follows:

Property	Annual		
	Straight-Line Depreciation Rate	8-30-88	9-30-89
Land		\$ 5,024	\$ 5,024
Water plant	3.5% - 10%	838,485	838,485
Distribution system	3.0% - 10%	1,522,119	1,522,447
Administrative buildings	2.5% - 10%	48,527	31,837
Furniture and equipment	2.5% - 10%	89,808	87,871
Truck	20%	8,132	8,132
TOTAL		2,614,895	2,589,366
Less accumulated depreciation		<u>(1,320,460)</u>	<u>(1,685,905)</u>
NET		\$ 1,294,435	\$ 903,461

NOTE E - LONG-TERM DEBT

The following is a summary of bond transactions of the District for the years ended September 30, 1988 and 1989:

	Water Revenue Bonds	
	1988	1989
Bonds payable at beginning of year	\$ 385,000	\$ 385,000
Debt retired	(35,000)	(35,000)
Bonds issued	---	---
Bonds payable at end of year	\$ 350,000	\$ 350,000

The annual requirements to amortize the outstanding principal and interest on the \$184 Water Revenue Refunding Bonds, Series 1982, dated June 1, 1982 at September 30, 1989 are as follows:

Water Revenue Bonds	Principal	Interest	Total
1986-1987	\$ 48,000	\$ 9,150	\$ 57,150
1988-2088	<u>138,000</u>	<u>12,300</u>	<u>150,300</u>
TOTALS	\$178,000	\$ 21,450	\$199,450

NOTE K - 1980-1988 DEBT (Continued)

Water Revenue Bonds and Water Revenue Refunding Bonds

On April 13, 1992, the Waterworks District No. 3 had \$80,000 aggregate principal amount of outstanding Waterworks Utility Revenue Bonds, dated March 13, 1978. The United States of America, Farmers Home Administration, as the owner of the outstanding bonds, ordered the Waterworks District No. 3 to prepay and refund the outstanding balance of the \$80,000 bonds. Pursuant to Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1978, as amended, the District issued \$80,000 principal amount of its Water Revenue Refunding Bonds, Series 1992, for the purpose of prepaying and refunding the outstanding Revenue Bonds. The District paid the balance of the outstanding revenue bonds and all interest payments due (from funds accumulated in the related sinking, reserve, and depreciation and contingencies funds). The balance of these funds reserved for debt retirement were transferred to the Revenue Fund (operating account), except for \$30,000 which was transferred to a Reserve Fund as part of the requirements of the Refunding Bonds issued.

Under the terms of bond indentures for the outstanding Water Revenue Refunding Bonds, the principal and interest is secured and payable solely from a pledge of the income and revenues to be derived from the operation of the Waterworks System. All revenues must be deposited in the Revenue Fund and required transfers made to the following Funds on a monthly basis after the payment of operating expenses.

Sink Fund - Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

Reserve Fund - The District was required to deposit \$30,000 into the "Reserve Fund" simultaneously with the delivery of the water revenue refunding bonds. The Fund is restricted to the payment of principal and interest in case of default.

Depreciation and Contingencies Fund - Monthly transfer of 5% of gross revenues of the System for the preceding month is required. Total transfers to the fund was \$25,607 and \$17,500 for 1990 and 1991, respectively. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the System. It will also be used to pay principal and interest if there are not sufficient funds in the Sinking Fund and Bond Reserve Fund. \$45,818 and \$21,048 was transferred to the Revenue Fund in the years ending 1990 and 1991, respectively, to be used for the cost of renewals and replacements necessary for the water system. These transfers were in accordance with the Depreciation and Contingencies Fund restrictions.

There are a number of limitations, restrictions, and requirements contained in the Water Revenue Refunding Bonds. The District is in compliance with all significant limitations, restrictions, and requirements.

NOTE F - RETIREMENT PLAN

All Waterworks District employees are covered under the Federal Insurance Contribution Act (Social Security). In addition, qualified employees also belong to a SERP/IRA Retirement Plan that was established by the Waterworks District in 1990. The District contributes 8% of the gross wages of each qualified employee to their individual SERP/IRA Retirement Plan account on a monthly basis.

The Waterworks District contributions to the above plans totaled approximately \$4,667 and \$6,324 for the years ended September 30, 1994 and 1995, respectively. This amount is paid to the Retirement systems which are responsible for administering the plan and disbursing benefits. There were no unfunded contributions under either plan at September 30, 1996.

NOTE G - INVESTMENT - BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

All of the water sold by Waterworks District No. 2 is obtained from Berwick-Bayou Vista Joint Waterworks Commission. The Berwick-Bayou Vista Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for District No. 2 and Town of Berwick. The water treatment plant was constructed and is owned by the District and the Town of Berwick, Louisiana. The District and the Town of Berwick appoint the members of the Board of Commissioners for the Joint Waterworks Commission. The District's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets represents the District's equity in the joint venture. The Berwick-Bayou Vista Joint Waterworks Commission reports as a component unit of the St. Mary Parish Council. The following is a summary of selected financial information of the Berwick-Bayou Vista Joint Waterworks Commission:

	Year Ended <u>9-30-95</u>	Year Ended <u>9-30-96</u>
Total assets	\$181,400	\$139,473
Total liabilities	22,825	43,873
Total fixed equity	127,785	95,798
Total revenues	144,287	126,647
Total expenditures	112,388	130,369
Net income	\$ 31,897	26,488

Waterworks District No. 2 purchased the following quantities and amounts of water from the Joint Waterworks Commission:

	Year Ended <u>9-30-96</u>	Year Ended <u>9-30-95</u>
Gallons of water purchased	188,838,003	193,938,000
Cost of water purchased	\$ 125,222	\$ 131,288

NOTE E - PREPAID WATER TOWER MAINTENANCE

The District has recorded the total cost of having its 250,000 gallon water storage tank coated, painted, and repaired as prepaid water tower maintenance. The project was completed September 19, 1976 at a total cost of \$185,185. This cost will be amortized over its estimated useful life of ten years beginning in October, 1986.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total column on Combined Balance Sheet

The total column on the Combined Balance Sheet is captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND INVESTMENTS

The Waterworks District No. 3 may invest in time deposits or certificate of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principle offices in Louisiana. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the District or with an unaffiliated bank or trust company for the account of the District.

The District's cash and investments are categorized to give an indication of the level of risk assumed by the District as September 30, 1994:

- Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized or securities uninsured or unregistered and held by the counter party (this includes GMMB Pool investments and mutual fund shares held in "book-entry-only" form by brokerage firms)

Cash and investments (including restricted assets) stated at cost consist of the following:

Checking and money market accounts	\$183,076
Certificate of deposit	70,242
GMMB pool investments	31,148
Mutual fund money market	<u>26,821</u>
Total cash and investments	\$311,287

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

The waterworks System is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in the balance sheet. All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all depreciable fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water plant	10-88 years
Distribution system	10-33 years
Administrative buildings	10-88 years
Furniture and equipment	10-88 years
Automobiles and trucks	4 years

Bad Debts

The financial statements contain an allowance for uncollectible accounts receivables which is a generally accepted accounting principle. Uncollectible receivables are charged off at the time information becomes available which would indicate the uncollectability of the particular receivable. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which paid. At September 30, 1992 unrecorded liabilities for the above are of an immaterial amount.

Bond Issuance Cost

Bond issuance costs are capitalized and amortized on a straight-line basis over the life of the bonds. Bond issuance costs are recorded as "unamortized bond expense".

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

- b. The Proprietary Fund Statement of Income, Expenses, and Changes in Retained Earnings does not reflect budget and actual comparisons of the administrative budget because it is not a legally adopted budget.

Restricted Assets

In accordance with the revenue bond covenants, certain resources are set aside for the repayment of the bonds. These funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Joint Venture

The Waterworks District No. 1 and the Town of Berwick jointly constructed a water treatment plant to provide a water supply to each entity. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the two communities, and they have appointed a board to operate and maintain the plant. The Berwick-Nappe Vista Joint Waterworks Commission was created to maintain, operate and administer the joint water treatment plant. The District has included its share of the joint venture cost and current operations in these financial statements using the equity method of accounting. See Note 8 for additional disclosure.

Investments

State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Investments are stated at cost or amortized cost, which approximates market. No write-down has been made to reflect the decline in market value of OMMs pass through pool investments because the declines are considered temporary and the investments are considered to be long-term investments.

Inventory

The Proprietary Fund inventory is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Notes to Financial Statements

September 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waterworks District No. 2 was created and established May 14, 1993 pursuant to the provisions of an ordinance adopted by the Police Jury of the Parish of St. Mary, State of Louisiana, in compliance with the provisions of Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1998. The District is composed of and managed by six Board of Commissioners. The District is authorized to do all things necessary to provide distribution of treated water for human consumption and maintenance of the system needed to perform this service.

The financial statements of Waterworks District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

GASB Statement No. 14, Governmental Reporting Entity, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Waterworks District No. 2 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1998. The Waterworks District No. 2 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's statements and interpretations, ASB Opinions and ASBE issued, except for those that conflict with or contradict GASB pronouncements.

WATERWORKS DISTRICT NO. 2
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 1996

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SUPPLEMENTARY SCHEDULE

WATERWORKS DISTRICT NO. 3 OF THE PARISH OF ST. BERRY
STATE OF LOUISIANA

Statement of Cash Flows - Proprietary Fund Type

For the years ended September 30, 1996 and 1995

Increase (Decrease) in Cash and Cash Equivalents

	<u>9-30-96</u>	<u>9-30-95</u>
Cash flows from operating activities:		
Cash received from customers	\$ 312,623	\$ 281,719
Cash payments for personal services	(71,935)	(76,040)
Cash payments for operating services	(288,322)	(192,888)
Cash payments for supplies	<u>(8,882)</u>	<u>(8,829)</u>
Net cash provided by operating activities	<u>(48,526)</u>	<u>5,762</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(113,810)	(65,833)
Prepaid water meter maintenance	(145,185)	--
Construction contract payable	12,222	4,873
Proceeds from sale of property	100	575
Principal paid on revenue bond maturities	(35,000)	(35,000)
Interest paid on revenue bonds	(12,292)	(14,442)
Investment in Joint Waterworks Commission	<u>(12,823)</u>	<u>(8,242)</u>
Net cash used for capital and related financing activities	<u>(233,742)</u>	<u>(118,870)</u>
Cash flows from investing and nonoperating revenue and expense activities:		
Ad valorem taxes	85,280	92,437
FEMA reimbursements recognized	(3,879)	--
Interest income on investments	17,854	22,263
Redemption of investment securities	<u>11,365</u>	<u>10,252</u>
Net cash provided by nonoperating revenues and expenses	<u>110,620</u>	<u>125,952</u>
Cash flows from noncapital financing activities:		
Due from other governmental units	1871	488
Cash from meter deposits	7,410	3,893
Due to other governmental units	<u>8,527</u>	<u>33</u>
Net cash provided (used) by noncapital financing activities	<u>16,808</u>	<u>4,414</u>
Net increase (decrease) in cash and cash equivalents	<u>(159,183)</u>	<u>14,317</u>

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MAEY
STATE OF LOUISIANA

Statement of Income, Expenses and Changes in Retained Earnings
Proprietary Fund Type

For the years ended September 30, 1996 and 1995

	<u>9-30-96</u>	<u>9-30-95</u>
OPERATING REVENUES		
Charges for water service	\$205,838	\$242,848
Delinquent charges	2,938	4,272
Water installations, reconnects, etc.	4,542	4,389
sewerage collection fees	14,400	14,400
garbage collection fees	13,297	13,400
Sewerage maintenance fees	<u>12,800</u>	<u>12,800</u>
TOTAL OPERATING REVENUES	<u>342,715</u>	<u>398,109</u>
OPERATING EXPENSES		
Personal services		
Clerical salaries	28,712	28,579
Other salaries	26,468	26,802
Board meetings	4,800	4,800
Payroll taxes	1,433	1,470
Contract labor	--	288
Employee group insurance	4,888	4,881
Retirement contributions	8,667	8,514
Operating services		
Cost of water	185,222	131,208
Insurance	7,213	18,266
Audit fees	6,788	5,768
Engineering fees	1,208	1,202
Legal fees	--	--
Computer consulting	628	1,003
Repairs and maintenance	42,625	54,888
Bad debts	288	288
Utilities and telephone	1,985	2,207
Vehicle expense	2,120	2,143
Materials and supplies		
Office expense	1,842	1,381
Postage	4,228	3,878
Advertising	585	388
Miscellaneous	154	358
Depreciation	<u>82,428</u>	<u>82,672</u>
TOTAL OPERATING EXPENSES	<u>367,152</u>	<u>332,322</u>

ANNEX A

	Proprietary Fund Type Manufacture System	Totals (Noncurrent Only)	
		2-30-88	2-30-85
LIABILITIES			
Accounts payable and accrued expenses	\$ 8,380	\$ 8,380	\$ 82,487
contracts payable	15,386	15,386	4,073
Due to other governmental units	74,145	74,145	64,630
Payable from restricted assets			
Accrued interest on bonds	1,206	1,206	1,583
Water revenue bonds due within one year	48,000	48,000	16,800
Due to other governmental units	150	150	150
Water deposits	100,488	100,488	98,590
Water Revenue bonds	<u>110,000</u>	<u>110,000</u>	<u>178,000</u>
TOTAL LIABILITIES	<u>374,001</u>	<u>374,001</u>	<u>508,433</u>
FUND EQUITY			
Contributed capital	<u>158,333</u>	<u>158,333</u>	<u>158,333</u>
Retained earnings			
Reserved for bond debt	77,120	77,120	88,417
Unreserved	<u>841,880</u>	<u>841,880</u>	<u>755,882</u>
TOTAL RETAINED EARNINGS AND FUND BALANCE	<u>918,999</u>	<u>918,999</u>	<u>844,302</u>
TOTAL FUND EQUITY	<u>1,077,332</u>	<u>1,077,332</u>	<u>1,002,635</u>
TOTAL LIABILITIES AND FUND EQUITY	\$1,451,530	\$1,451,530	\$1,404,136

See notes to financial statements.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Combined Balance Sheet - All Fund Types

September 30, 1998

	Proprietary Fund Type Waterworks System	Totals (Memorandum Only)	
		9-30-98	9-30-98
ASSETS			
Cash	\$ 70,328	\$ 70,328	\$ 189,373
Investments, at cost	45,178	45,178	69,728
Accounts receivable	105,385	105,385	95,193
Due from other governmental units	2,353	2,353	2,164
Interest receivable	1,874	1,874	1,958
Inventory	9,350	9,350	10,187
Prepaid expenses	3,852	3,852	4,834
Restricted assets			
Cash	89,671	89,671	109,840
Investments, at cost	98,908	98,908	97,687
Waterworks system and equipment (net)	788,693	788,693	854,399
Prepaid water tower maintenance	145,188	145,188	--
Investment in Burdick-Beyou Vieux Joint Waterworks Commission	71,642	71,642	66,648
Unamortized bond expense	<u>3,822</u>	<u>3,822</u>	<u>4,383</u>
TOTAL ASSETS	\$1,451,538	\$1,451,538	\$1,484,134

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WATERWORKS DISTRICT NO. 2
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 1994 AND 1995

Under provisions of state law, this report is a public document. A copy of the report has been transmitted to the auditor, the secretary, clerk and other responsible public officials. This report is available for public inspection at the State Comptroller of the Treasury Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 22 1997

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Waterworks District No. 2
Parish of St. Mary
Bayou Vista, Louisiana

We have audited the accompanying general purpose financial statements of Waterworks District No. 2, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1996 and 1995, as listed in the table of contents. These financial statements are the responsibility of the district's management. 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 and 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 2 as of September 30, 1996 and 1995, 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 a report dated December 15, 1996 on our consideration of Waterworks District No. 2's internal control structure and a report dated December 19, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The individual fund financial statements, schedules, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not

a required part of the component unit financial statements of Waterworks District No. 2. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

LeBlanc and Company

December 13, 1999
Morgan City, Louisiana

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

Enterprise Fund - An Enterprise Fund is used to account for operations 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 services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's Waterworks System is an enterprise fund.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or 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.

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

The Waterworks System is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Definition of Cash and Cash Equivalents

For purposes of the statement of cash flows, the Waterworks District No. 2 considers all cash or investments (certificates of deposit only), including restricted assets, to be cash or cash equivalents.

Budgets and Budgetary Accounting

The Waterworks District No. 2 follows these procedures in establishing administrative budgetary accounting:

- a. An administrative budget is employed as a management planning and control device during the year for the Proprietary Fund. The forecasted budget is prepared on a basis consistent with generally accepted accounting principles (GAAP), which for the Proprietary Fund is the accrual basis of accounting.

SCHEDULE 7

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. HENRY
STATE OF LOUISIANA

Water Rates

September 30, 1996

The Board of Commissioners approved a water rate increase on September 11, 1995, effective October 1, 1995. The new water rate is as follows:

First 3,000 Gallons - \$6.00
Over 3,000 Gallons - \$1.00 per 100

For the period October 1992 to September 30, 1995, the water rates were as follows:

First 3,000 Gallons - \$6.75
Over 3,000 Gallons - \$.17 per 100

For the period August 1988 to September 30, 1992, the water rates were as follows:

First 3,000 Gallons - \$4.00
Over 3,000 Gallons - \$.14 per 100

Prior to August, 1988 the water rates were as follows:

First 3,000 Gallons	-	\$3.75
Next 3,000 Gallons	-	\$1.85 Per 1,000
Next 3,000 Gallons	-	\$1.80 Per 1,000
Next 3,000 Gallons	-	\$.95 Per 1,000
Next 10,000 Gallons	-	\$.90 Per 1,000
Next 10,000 Gallons	-	\$.85 Per 1,000
Next 11,000 Gallons	-	\$.80 Per 1,000
Next 30,000 Gallons	-	\$.70 Per 1,000

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 to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to 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.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only two persons in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Undoubtedly, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

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 none of the reportable conditions described above is a material weakness.

This report is intended solely for the use of management and the St. Mary Parish Council and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the St. Mary Parish Council is a matter of public record.

LeBlanc and Carpenter

December 15, 1986
Morgan City, Louisiana

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
1100 BENTLEY, P.O. BOX 848117
MOBILE CITY, LOUISIANA 70084

IN THIS CAPTIONED STATE
EXAMINE ENCLAVE

BOYD JAMES AN LEBLANC, CPA
THOMAS L. CARPENTER, CPA

MEMBER
AMERICAN SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LEASERS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Waterworks District No. 2
Parish of St. Mary
Bayou Vista, Louisiana

We have audited the general purpose financial statements of the Waterworks District No. 2, a component unit of the Parish of St. Mary, State of Louisiana for the years ended September 30, 1996 and 1995, and have issued our report thereon dated December 13, 1996.

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

The management of Waterworks District No. 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 the Waterworks District No. 2 for the years ended September 30, 1996 and 1995, we obtained an understanding of the internal control structure. With respect to the internal control

	9-30-98	9-30-99
LOSS BEFORE NONOPERATING REVENUE AND EXPENSES	5125,928	5181,790
NON OPERATING REVENUE (EXPENSES)		
Sale of property	300	(1,541)
Ad valorem taxes	89,300	82,417
Interest income	17,670	21,881
FROM reimbursements	3,470	--
Miscellaneous income	--	--
Interest on bonds	(21,173)	(23,306)
Amortize bond cost	(933)	(733)
Bond administration fees	(854)	(860)
TOTAL NONOPERATING REVENUE (NET)	92,090	97,669
NET INCOME	62,948	61,673
RETAINED EARNINGS		
Beginning of year	849,362	833,469
End of year	912,310	895,142

See notes to financial statements.

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8001 JOSEPH LEBLANC, CPA
THOMAS A. CARPENTER, CPA

MEMBER
ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
—
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Waterworks District No. 2
Parish of St. Mary
Mayou Vista, Louisiana

We have audited the general purpose financial statements of the Waterworks District No. 2, a component unit of the Parish of St. Mary, State of Louisiana as of and for the years ended September 30, 1996 and 1995, and have issued our report thereon dated December 13, 1996.

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

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District No. 2 is the responsibility of Waterworks District No. 2's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Waterworks District No. 2'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

PRIOR AUDIT FINDINGS

None.

This report is intended solely for the use of management and the St. Mary Parish Council. However, this report is a matter of public record and its distribution is not limited.

LeBlanc and Carpenter

December 13, 1996
Monroe City, Louisiana

WATSONWOOD DISTRICT NO. 2
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

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

PERIODS ENDED SEPTEMBER 30, 2006 AND 1995

WATERWORKS DISTRICT NO. 2
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

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

PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

	2-28-96	2-28-95
LIABILITIES		
Current		
Payable from current assets		
Accounts payable and accrued expenses	\$ 8,348	\$ 12,403
Contracts payable	15,398	4,073
Due to other governmental units	74,165	44,638
Total Current Liabilities	97,911	61,114
Payable from restricted assets		
Accrued interest payable-		
Revenue Bond Sinking Fund	1,396	1,563
Bonds payable within one year	40,800	15,888
Due to other governmental units	138	138
Total Current Restricted Liabilities	42,334	17,589
Meter Deposits	185,008	88,888
Long-term Bonded Debt	138,000	138,000
TOTAL LIABILITIES	463,253	306,191
FUND EQUITY		
Contributed Capital	158,337	158,337
Retained Earnings		
Reserves required by revenue bond indentures	77,228	93,417
Unreserved	847,088	751,245
Total Retained Earnings	924,316	844,662
Total Fund Equity	1,082,653	1,003,000
TOTAL LIABILITIES AND FUND EQUITY	\$1,481,136	\$1,404,191

See notes to financial statements.

SCHEMULE 6

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Insurance

September 30, 1956

(Unaudited)

Insurance	Amount of Policy	Risks Covered	Expiration Date
Continental Casualty	\$ 78,548	Office Fire Building and contents	4-26-57
	21,500	Warehouse and contents	
Louisiana Workers' Compensation Corp.	100,000	Worker's Compensation	4-26-57
Titan Indemnity Co.	1,000,000	Comprehensive General liability	4-26-57
Continental Casualty	1,000,000	Auto liability	4-26-57
Fireman's Insurance Co.	500,000	Honesty blanket bond coverage on employee and commissioner	11-28-56
Reliance Insurance Company		Joint purification plant	2-01-57
	500,000	Residing	
	485,000	Contents	
	21,000	Tank building	

SCHEDULE C

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Schedule of Gallons of Water Purchased and Sold
and Number of WATER Customers

For the years ended September 30, 1928 and 1929

(Unaudited)

	9-30-28	9-30-29
Gallons purchased for the period	188,838,000	188,838,000
Gallons sold for the period	140,143,428	150,784,040
Number of users at 9-30-28 and 9-30-29	1,658	1,744
Gallons not sold for the period	48,694,580	43,151,960
Cost per 1000 gallons purchased	.6831	.6788
Cost of gallons not sold	\$ 33,288	\$ 29,196

SCHEDULE 4

WATERBORO DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Payments for Board of Commissioners Meetings

September 30, 1988

	Meetings Attended	
WATERBORO DISTRICT NO. 2		
Don Ryan, Chairman	12	\$ 720
Harvey Adams, Commissioner	11	600
Don McCloy, Commissioner	10	600
Sorby Legendre, Commissioner	12	720
John Head, Commissioner	11	660
		<u>\$3,300</u>
MONTECK-BAYOU VISTA JOINT WATERBORO COMMISSION		
Irvin Richard, Commissioner	10	600
Clarence Hebert, Commissioner	11	660
	TOTAL	<u>\$4,820</u>

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Changes in Assets
Restricted for Water Revenue Refunding Bonds Debt Service
Series Dated 1992

For the year ended September 30, 1994

	Total	Refunding Bond Sinking Fund	Refunding Bond Reserve Fund	Refunding Bond Contingency Fund
Assets restricted for refunding bond debt service, Sept. 30, 1993	\$ 99,217	\$ 32,037	\$ 34,209	\$ 32,971
Receipts				
Transfer from Revenue Fund	77,284	49,634	3,004	24,647
TOTAL ASSETS AVAILABLE FOR DEBT SERVICE	176,501	81,671	37,214	57,618
Disbursements				
Transfer to Revenue Fund	41,808	--	--	41,808
Retirement of matured Bonds	35,000	35,000	--	--
Payment of matured Interest coupons	11,427	11,427	--	--
TOTAL DISBURSEMENTS	88,235	46,427	--	41,808
Assets restricted for revenue bond debt service, September 30, 1994	\$ 78,266	\$ 35,244	\$ 37,214	\$ 6,808
Composed of				
Cash	\$ 52,844	\$ 25,234	\$ 2,860	\$ 6,300
Investments	25,422	--	24,354	--
TOTALS	\$ 78,266	\$ 35,244	\$ 37,214	\$ 6,808

ACCOUNTS 2

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. BERRY
STATE OF LOUISIANA

Combined Schedule of Investments

September 30, 1996

	SECURITY	Rate	Cost	Market Value
REVENUE FUND				
Time Certificates of Deposit				
Score Savings Bank	4-15-97	4.0175	29,261	29,261
Mortgage-Backed Securities				
GMAA pass through pool	Monthly	7.255-11.09	<u>15,815</u>	<u>15,368</u>
			<u>45,176</u>	<u>44,629</u>
WATER DEPOSIT FUND				
Time Certificates of Deposit				
LaSalle Nat'l Bank-Chicago	1-12-99	4.404	11,274	11,194
Tecta Federal Savings Bank	8-15-98	5.509	20,080	20,000
Mortgage-Backed Securities				
GMAA pass through pool	Monthly	7.255-11.59	10,151	28,397
GMAA pass through pool	Monthly	8.509	<u>12,227</u>	<u>12,325</u>
			<u>33,722</u>	<u>31,616</u>
REVENUE BOND SINKING FUND				
None.				
REVENUE BOND RESERVE FUND				
Time Certificates of Deposit				
LaSalle Nat'l Bank-Chicago	1-12-99	4.404	10,407	10,407
Mortgage-Backed Securities				
GMAA pass through pool	Monthly	11.09	4,405	4,420
GMAA pass through pool	Monthly	7.255	<u>12,112</u>	<u>9,386</u>
			<u>25,164</u>	<u>24,213</u>
TOTAL WATERWORKS SYSTEM			\$149,062	\$140,658
			*****	*****