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PARISH OF ASCENSION, LOUISIANA
WATERWORKS DISTRICT NO. 2
Caton, Louisiana

ANNUAL FINANCIAL REPORT

Year ended December 31, 2003

P. J. CABALLERO, CPA

A Professional Corporation

2004 MAINE STREET

MONROE, LA 70001-2710

(504)635-1111

Under provisions of state law, this report is a public document. Copies of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: 7-28-04

TABLE OF CONTENTS

| | Exhibit | Page |
|--|-----------------|-------------|
| INDEPENDENT AUDITORS REPORT | | 1-3 |
| MANAGEMENTS DISCUSSION AND ANALYSIS | | 4-6 |
| BASIC FINANCIAL STATEMENTS | | |
| Proprietary Fund Type - Enterprise Fund | | |
| Statement of net assets | A | 8-9 |
| Statement of revenues, expenses and changes in net assets | B | 10 |
| Statement of cash flows | C | 11 |
| Notes to financial statements | D | 12-20 |
| SUPPLEMENTARY INFORMATION | | |
| | Schedule | Page |
| Statements of cash receipts and disbursements - restricted accounts | 1 | 22 |
| Statements of cash receipts and disbursements - restricted accounts prior year | 2 | 23 |
| Comparative schedule of operations | 3 | 24 |
| Insurance in force | 4 | 25 |
| INDEPENDENT AUDITORS REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS | | |
| Schedule of Findings | 5 | 27 |
| Summary Schedule of Prior Year Findings | 6 | 28 |
| Independent Auditor's Report On Compliance Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards | - | 29-30 |

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Parish of Ascension, Louisiana
Waterworks District No. 2
Darrow, Louisiana

I have audited the accompanying basic financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 2, a component unit of the Parish of Ascension, Louisiana, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Parish of Ascension, Louisiana – Waterworks District No. 2 as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated May 10, 2004 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws and regulations.

The Management Discussion and Analysis on pages 4 – 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Parish of Assension, Louisiana - Waterworks District No. 2 taken as a whole. The accompanying financial statements listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic and financial statements of the Parish of Assension, Louisiana - Waterworks District No. 2. Such information, except for the portion marked "Unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



White Chapel, Louisiana
May 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
Bossier, Louisiana

Management's Discussion And Analysis (Unaudited)

Our discussion and analysis of Ascension Parish Waterworks District No. 2's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the District's basic financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

1. The District's net assets decreased by \$ 48,659 from \$ 682,824 in 2002 to \$ 634,165 in 2003 primarily because the District prepaid a large portion of the outstanding Water Revenue Bonds.
2. The District's expenses exceeded revenues by \$ 5,682 for the year ended December 31, 2003.
3. Cash and cash equivalents decreased by \$ 33,475 for the year ended December 31, 2003.

USING THIS ANNUAL REPORT

This annual report consists of three parts - *management's discussion and analysis*, the *basic financial statements*, and *supplementary information*. The basic financial statements consist of the *fund financial statements* and the *notes to the financial statements*. The *fund financial statements* focus on individual parts of the District, offering short and long-term financial information about the activities that the government operates like businesses.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE 1
NET ASSETS

| | <u>2002</u> | <u>2003</u> | <u>% CHANGE</u> |
|--------------------------|-------------------|-------------------|-----------------|
| Current and other assets | 173,650 | 138,982 | -19.8% |
| Capital assets | <u>509,174</u> | <u>495,183</u> | -2.8% |
| Total assets | <u>\$ 682,824</u> | <u>\$ 634,165</u> | -7.1% |

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
Barron, Louisiana

Management's Discussion And Analysis (Unaudited)(Continued)

TABLE 1
NET ASSETS (CONTINUED)

| | | | |
|---|--------------------------|--------------------------|---------------|
| Long-term debt outstanding | 188,879 | 144,840 | -23.3% |
| Other liabilities | <u>38,507</u> | <u>35,108</u> | -8.3% |
| Total liabilities | <u>227,387</u> | <u>181,948</u> | -21.0% |
| Net assets | | | |
| Invested in capital assets, net of related debt | 248,738 | 248,117 | 0.2% |
| Restricted for debt service | 8,134 | 11,370 | 24.3% |
| Unrestricted | <u>207,477</u> | <u>195,838</u> | -6.1% |
| Total net assets | <u>\$ 463,347</u> | <u>\$ 451,125</u> | -2.6% |

Net assets of the District decreased by 2.6%. Net assets are restricted as to the purpose they can be used for or are invested in capital assets (water system, equipment, etc.). Unrestricted assets were \$ 207,477 and \$ 195,838 at the end of 2002 and 2003, respectively. These unrestricted balances may be used to meet the District's ongoing obligations to citizens and creditors.

TABLE 2
CHANGES IN NET ASSETS

| | <u>2003</u> | <u>2002</u> | <u>% CHANGE</u> |
|-----------------------------|--------------------------|--------------------------|-----------------|
| Revenues: | | | |
| Operating | | | |
| Charges for services | \$ 178,788 | \$ 188,854 | 5.2% |
| Nonoperating - | | | |
| Interest & other | <u>4,184</u> | <u>3,242</u> | 27.1% |
| Total revenues | <u>\$ 179,844</u> | <u>192,096</u> | 5.9% |
| Expenses: | | | |
| Operating | \$ 155,868 | \$ 180,458 | -13.4% |
| Nonoperating | | | |
| Interest & amortization | <u>21,862</u> | <u>5,876</u> | -68.1% |
| Total expenses | <u>\$ 177,201</u> | <u>\$ 186,334</u> | 12.5% |
| Change in net assets | <u>\$ 2,713</u> | <u>\$ 16,802</u> | |

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
Baton Rouge, Louisiana

Management's Discussion And Analysis (Unaudited)(Continued)

The District's total revenues increased by 6.2% from \$ 175,788 in 2002 to \$ 185,684 in 2003 primarily due to an increase in customers and the average quantity of water billed per customer. Total expenses increased 12.58% from \$ 171,231 in 2002 to \$ 199,528 in 2003. This increase is primarily the result of substantial additional water losses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2003 and 2002, the District had \$ 742,935 and \$ 742,545, respectively, invested in capital assets (including water lines and equipment). There were additions to capital assets of \$ 350 during 2003.

Debt

At December 31, 2003, the district had \$ 144,840 in bonds outstanding versus \$ 189,970 at December 31, 2002.

TABLE 3
OUTSTANDING DEBT AT YEAR END

| | 2002 | 2003 | % CHANGE |
|----------------------|------------|------------|----------|
| Water revenue bonds: | | | |
| Long-term | \$ 170,044 | \$ 130,032 | -20.0% |
| Current | 11,926 | 14,288 | 19.0% |
| Total | \$ 181,970 | \$ 144,320 | -21.1% |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, employees, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Ascension Parish Waterworks District No. 2, Baton Rouge, Louisiana.

BASIC FINANCIAL STATEMENTS

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
Marrero, Louisiana
Proprietary Fund Type - Enterprise Fund

Statement Of Net Assets

| ASSETS | December 31, 2002 | December 31, 2001 |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash | \$ 123,268 | \$ 87,876 |
| Accounts receivable and accrued water sales (net of allowance for uncollectible accounts of \$4,580) | 17,477 | 21,626 |
| Prepaid insurance | 1,544 | 1,587 |
| Other | 118 | 88 |
| Total current assets | \$ 141,407 | \$ 111,177 |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Water reserve fund (savings deposits) | \$ 4,894 | \$ 6,089 |
| Water revenue depreciation & contingency fund | 4,140 | 5,281 |
| Customers' water deposits (savings deposits) | 21,204 | 21,674 |
| Total restricted assets | \$ 30,238 | \$ 33,044 |
| Capital Assets: | | |
| Water distribution system | \$ 741,841 | \$ 741,821 |
| Equipment | 1,804 | 1,094 |
| | <u>\$ 743,645</u> | <u>\$ 742,915</u> |
| Less accumulated depreciation | 333,372 | 248,312 |
| Total capital assets | \$ 410,273 | \$ 494,603 |
| Unamortized debt expense | \$ 1,824 | \$ 1,032 |
| Total noncurrent assets | \$ 513,327 | \$ 529,639 |
| TOTAL ASSETS | \$ 654,734 | \$ 640,816 |

The accompanying notes are an integral part of this statement.

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
Baton Rouge, Louisiana
Proprietary Fund Type - Enterprise Fund
Statement Of Liabilities And Net Assets

| LIABILITIES AND NET ASSETS | December 31, 2002 | December 31, 2001 |
|--|----------------------|----------------------|
| Current liabilities (payable from current assets) | | |
| Accounts payable | \$ 5,400 | \$ 13,828 |
| Taxes payable | 348 | 498 |
| Total Current Liabilities (payable from current assets) | <u>\$ 5,748</u> | <u>\$ 14,327</u> |
| Current liabilities (payable from restricted assets) | | |
| Accrued interest payable | \$ 370 | \$ 364 |
| Current portion of water revenue bonds payable | 11,828 | 14,358 |
| Customers' water deposits | 20,389 | 21,529 |
| Total current liabilities (payable from restricted assets) | <u>\$ 32,587</u> | <u>\$ 36,251</u> |
| Noncurrent liabilities | | |
| Revenue bonds payable | \$ 180,970 | \$ 144,048 |
| Less: Amount currently due | 11,828 | 14,288 |
| Total noncurrent liabilities | <u>\$ 170,142</u> | <u>\$ 130,760</u> |
| Total liabilities | <u>\$ 226,478</u> | <u>\$ 181,341</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | \$ 245,730 | \$ 248,117 |
| Restricted net assets for: | | |
| Revenue (and) interest retirement | 4,984 | 5,089 |
| Replacements and extensions | 4,140 | 5,291 |
| Unrestricted net assets | <u>207,417</u> | <u>195,628</u> |
| Total net assets | <u>\$ 462,267</u> | <u>\$ 453,125</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 688,745</u> | <u>\$ 634,466</u> |

The accompanying notes are an integral part of this statement.

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
 Denon, Louisiana
 Proprietary Fund Type - Enterprise Fund

Statement Of Revenues, Expenses and Changes in Net Assets

| | December 31, 2002 | December 31, 2001 |
|-------------------------------------|----------------------|----------------------|
| Operating revenues: | | |
| Water Sales | \$ 184,458 | \$ 177,419 |
| Forgotten disavants | 8,894 | 8,758 |
| Service Charges | 2,358 | 3,510 |
| | <u>\$ 195,710</u> | <u>\$ 189,687</u> |
| Total operating revenues | | |
| Operating expenses: | | |
| Cost of water | \$ 86,485 | \$ 92,808 |
| Management fees and service charges | 48,000 | 47,387 |
| Repairs and maintenance | 7,182 | 10,258 |
| Professional fees | 6,587 | 8,848 |
| Insurance expenses | 2,879 | 3,495 |
| Commission fee | 3,540 | 3,750 |
| Uncollectible accounts | 2,847 | 1,081 |
| Depreciation | 14,916 | 14,898 |
| Taxes, licenses & permits | 1,105 | 1,125 |
| Bank charges | 872 | 789 |
| Minute publications | 260 | 195 |
| Publications, subscriptions & dues | 88 | 88 |
| Miscellaneous | 348 | 492 |
| | <u>\$ 188,868</u> | <u>\$ 198,458</u> |
| Total operating expenses | | |
| Operating income | <u>\$ 66,842</u> | <u>\$ (8,771)</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | \$ 3,807 | \$ 899 |
| Other income | 267 | 2,352 |
| Interest expense | (12,981) | (8,218) |
| Amortization expense | (8,731) | (792) |
| | <u>\$ (17,488)</u> | <u>\$ (5,329)</u> |
| Total nonoperating expenses | | |
| Changes in net assets | <u>\$ 49,354</u> | <u>\$ (14,120)</u> |
| Net assets, beginning | \$ 458,116 | \$ 462,347 |
| Change in contributed capital | <u>\$ 1,215</u> | <u>\$ 389</u> |
| Net assets, ending | <u>\$ 459,331</u> | <u>\$ 448,616</u> |

The accompanying notes are an integral part of this statement.

ACADIAN PARISH WATERWORKS DISTRICT NO. 2
 Eunice, Louisiana
 Proprietary Fund Type - Enterprise Fund

Exhibit C

Statement Of Cash Flows

| | <u>December 31,</u> <u>2002</u> | <u>December 31,</u> <u>2001</u> |
|---|------------------------------------|------------------------------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 189,710 | \$ 182,028 |
| Payments to suppliers | <u>(142,481)</u> | <u>(171,874)</u> |
| Net cash provided by operating activities | \$ 47,229 | \$ 10,154 |
| Cash flows used by capital and related financing activities | | |
| Proceeds from water deposits | \$ 2,140 | \$ 1,148 |
| Interest paid on revenue bonds | (12,981) | (8,278) |
| Principal paid on revenue bonds | (139,415) | (45,838) |
| Capital contributed by customers | 1,500 | 388 |
| Acquisition of capital assets | <u>(1,520)</u> | <u>(388)</u> |
| Net cash used by capital and related financing activities | \$ (150,286) | \$ (52,158) |
| Cash flows from investing activities: | | |
| Interest received on interest-bearing deposits | \$ 3,887 | \$ 898 |
| Other income | <u>287</u> | <u>2,352</u> |
| Net cash provided by investing activities | \$ 4,174 | \$ 3,250 |
| Net increase (decrease) in cash and cash equivalents | \$ (98,783) | \$ (37,473) |
| Cash and cash equivalents, beginning of period | \$ 221,487 | \$ 182,894 |
| Cash and cash equivalents, end of period | \$ 122,704 | \$ 145,421 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 90,211 | \$ (8,716) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 14,010 | 14,825 |
| Changes in assets and liabilities: | | |
| Receivables net | 13,955 | (4,159) |
| Prepaid expenses | (783) | 00 |
| Accounts and other payables | (7,085) | 4,453 |
| Total adjustments | \$ 27,085 | \$ 16,219 |
| Net cash provided by operating activities | \$ 47,229 | \$ 11,451 |

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The Waterworks District No. 2 of the Parish of Ascension, Louisiana was created by an ordinance of the Ascension Parish Police Jury in 1971. The governing authority of the District consists of five members of a Board of Commissioners appointed to five-year terms by the Parish Council.

Basis of Presentation

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

Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. In conformance with GASB Codification Section 2100, the District is a component unit of the Parish of Ascension. The accompanying basic financial statements present only the transactions of the Waterworks District No. 2 of the Parish of Ascension, Louisiana.

Fund Structure

Water District No. 2 of the Parish of Ascension, Louisiana, a component unit of the Parish, is a proprietary type fund, more specifically an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. 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.

NOTE A: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Method of Accounting

On December 31, 2002, the District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established standards for external reporting for all state and local government entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the asset. Related debt proceeds at year-end, the portion of the debt attributable to the asset proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the asset proceeds.

Restricted - This component of net assets consists of constraints placed on net asset as through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - The component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The Water District utilizes the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred. Revenues for utility services are accrued through year-end.

NOTE A: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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, 2003 the District has cash and interest-bearing deposits totaling \$115,219, as follows:

| | |
|---|------------|
| | 2003 |
| Demand deposits | \$ 11,970 |
| Time deposits and money market accounts | \$ 993,849 |

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 bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed 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 normally acceptable to both parties. Deposit balances (bank balances) at December 31, 2003 were secured as follows:

| | |
|---------------------------------|------------|
| Bank balances | \$ 115,219 |
| Federal deposit insurance | \$ 108,000 |
| Pledged securities (Category 3) | \$ 309,996 |

Pledged securities in Category 3 include unissued or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 38:1729 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.

NOTE A: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on the straight-line method over an estimated useful life of 50 years.

Deferred debt expense

Amortization of deferred debt expense is recognized on the "bonds outstanding" method over the life of the bond issue.

Changes in contributed capital

The change in contributed capital for the year ended December 31, 2003 results from customers' contributions for new services installed.

Risk of loss

The district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The district purchases commercial insurance for risks of loss. There have been no insurance claims or reduction in insurance coverage for the past three years.

NOTE B: FIXED ASSETS AND DEPRECIATION

A summary of proprietary fixed type property, plant and equipment at December 31, 2003 is follows:

| | Beginning Balance 1/1/2003 | Increases | Decreases | Ending Balance 12/31/2003 |
|--|----------------------------------|--------------------|-------------|---------------------------------|
| <i>Capital assets:</i> | | | | |
| Water System | \$ 741,541 | 140 | | \$ 741,681 |
| Equipment | 1,004 | | | 1,004 |
| <i>Total capital assets at historical cost</i> | <u>742,545</u> | <u>140</u> | <u>-</u> | <u>742,685</u> |
| <i>Less: Accumulated depreciation for:</i> | | | | |
| Water System | (202,578) | (14,814) | | (217,392) |
| Equipment | (799) | (82) | | (881) |
| <i>Total accumulated depreciation</i> | <u>(203,377)</u> | <u>(14,916)</u> | <u>-</u> | <u>(218,293)</u> |
| <i>Capital assets, net</i> | <u>\$ 539,168</u> | <u>\$ (14,776)</u> | <u>\$ -</u> | <u>\$ 524,392</u> |

NOTE C: FLOW OF FUNDS - RESTRICTIONS ON USE

Under the terms of the bond indenture approved by Rural Economic Development (RECD), acting on behalf of Rural Utilities Service (RUS), formerly Farmers Home Administration/Rural Development Administration (FmHA/RDA) (the "Government"), for the water revenue bonds dated May 19, 1988, all income of every nature, earned or derived from operation of the Systems are pledged and dedicated to the retirement of the bonds. Revenues which are to be set aside into the special funds include:

All revenues shall be periodically deposited in a "Water Revenue Fund" to provide for payment of all reasonable and necessary expenses of operating and maintaining the System.

There will be set aside into a fund called the "Water Revenue Bond and Interest Sinking Fund" an amount sufficient to pay promptly and fully the principal of and interest on the Bond herein authorized. The amount shall be a sum equal to one-twelfth ($1/12^{th}$) of the interest falling due on the next interest payment date during the period the Bonds are outstanding prior to the date of payment of the first amortized payment of both principal and interest which will be due payable one year and one month from the date of the Bond and monthly thereafter in an amount equal to one-twelfth ($1/12^{th}$) of the total amount of principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sums as may be required to pay said principal and interest as the same respectively become due.

There shall also be set aside into a "Water Reserve Fund" an amount equal to five percent (5%) of the annual payment to be made into the Sinking Fund, the payments into said Reserve Fund to continue until such time as there has been accumulated in said Reserve Fund a sum equal to the highest combined principal and interest falling due in any fifteen year on the Bond as a Debt Service Reserve, the money in said Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the Bond payable from the Sinking Fund as to which there would otherwise be default.

In addition, there shall be set aside into a "Water Revenue Depreciation and Contingency Fund" an amount equal to \$94 per month. Such amounts are to be used for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System. Money in this fund shall also be used to pay the principal of and the interest on any Bond for the payment of which there is not sufficient money in the Sinking Fund or the Reserve Fund, but if so, such moneys shall be required to be used for operation and maintenance of the System or for current principal, interest and reserve requirements.

Monthly payments of interest and principal are being made for debt service relating to the bond issue. By agreement with the district USDA Rural Development will not require

NOTE C: FLOW OF FUNDS - RESTRICTIONS ON USE (CONTINUED)

the district to establish the "Water Revenue Bond and Interest Sinking Fund" contemplated in the bond issue.

NOTE D: CHANGES IN LONG TERM DEBT

The following is a summary of debt transactions for the year ended December 31, 2003:

| | <u>Water Revenue Bonds</u> |
|---|--------------------------------|
| Long-term debt payable at December 31, 2002 | \$ 109,978 |
| Long-term debt issued | |
| Long-term debt retired | (41,000) |
| Long-term debt payable at December 31, 2003 | <u>\$ 149,948</u> |

Long term debt payable Bonds payable at December 31, 2003 are comprised of the following individual issues:

Water Revenue Bonds:

\$ 350,000 Water Revenue Bonds, Series 1998 dated May 27, 1998 due in amortized installments of principal and interest of \$ 1,782.00 per month through May 15, 2024; interest at 3.125% \$ 149,948

This bond issue was used to finance the replacement of water lines and meters throughout the district's distribution system. Although the bond issue was for \$ 350,000 the district required, and was advanced, only \$ 345,000 from USDA Rural Development to complete the project. The monthly repayment amount remains at \$ 1,782.00. The effect of a lower principal amount with no change in the monthly payment will result in the final payment being made on July 15, 2024. During the year 2003 the district retired a large portion of the outstanding debt changing the final payment being made on May 15, 2002.

NOTE D: WATER LOSS

Water is purchased from a neighboring parish at a rate of \$ 1.81 per thousand gallons. A comparative summary of water purchased and billed for the years ended December 31, 2002 and 2003 as reflected in the district's records is as follows:

| | <u>2002</u> | <u>2003</u> |
|-------------------------|-------------|-------------|
| Water purchased | 36,690 | 51,183 |
| Water sold | 28,811 | 31,122 |
| Water unaccounted for | 7,879 | 20,041 |
| Percent unaccounted for | 21% | 39% |

Based on the average cost per thousand gallons of water the cost of the water that is unaccounted for amounted to approximately \$18,274.31 in 2003 and \$ 14,260.99 in 2002.

NOTE E: COMMENTS ON OPERATIONS OF WATER UTILITY SYSTEM

1. In 2003, revenues were derived from the sale of water at the following rates:

| | |
|-----------------------------|-----------------------------|
| Residential Rates | Effective 01/01/2001 |
| First 2,000 gallons or less | \$ 14.59 (minimum) |
| Over 2,000 gallons | \$ 4.53 per thousand |
| Commercial Rates | Effective 01/01/2001 |
| First 2,000 gallons or less | \$ 21.26 (minimum) |
| Over 2,000 gallons | \$ 5.40 per thousand |

**NOTE F: COMMENTS ON OPERATIONS OF WATER UTILITY SYSTEM
 (CONTINUED)**

2. A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2005 follows:

| | |
|---------------------------|-----------------|
| Vince Pedersen, President | \$ 750 |
| Board Members: | |
| Jan Wiggenspack | 750 |
| Matrin Irvin, Sr. | 650 |
| Ty Donovan Groves | 750 |
| Tyline Miller | 750 |
| | <u>\$ 3,750</u> |

NOTE G: OTHER GENERAL INFORMATION

In 1982, the district was required to relocate water lines in connection with Route No. 942. The total cost of the water line relocation was \$ 85,588. By agreement and under Act 319 of the 1981 Legislature the State funded all relocation costs in excess of \$ 28,194. Project costs not funded by the state totaling \$ 28,194 are included in the Utility Fund. Also, under Act 318, the district is restricted from using any other state owned right-of-way to locate its utility lines until the State's funding is reimbursed. In connection with the 1998 replacement and expansion project, the district paid the state \$ 5,000 for partial reimbursement, and received permission to use the State owned right-of-way. Future use of State owned right-of-ways are restricted until the balance of the state funding is reimbursed. The population in the area served by the district has not increased since 1980 and is not expected to increase in the foreseeable future. The board of commissioners therefore does not anticipate using any state right-of-way to locate utility lines. If it becomes necessary to utilize a State owned right-of-way and reimburse the balance of the State's funding this expenditure will be made part of the project cost.

The district purchased water from the St. James Parish Utility System for \$ 1.16 per thousand gallons until March 1994 when the price increased to \$ 1.27 per thousand gallons. There were additional rate increases to \$1.39 in October 1999 and \$ 1.61 in June 2000 per thousand gallons. The agreement provides, in part, for annual increases in rate of up to 15% in any one year after August 1, 1981. In the event of such increase written notice is required not less than 60 days prior to the effective date of the increase. The agreement is effective until June 30, 2005 but may be cancelled by St. James Parish Utility System after August 1, 1991 by written notice at least 120 days prior to the termination or cancellation date.

NOTE G OTHER GENERAL INFORMATION (CONTINUED)

The district has contracted with G.H.I. Inc., an independent utility management company for the complete operation of the system including meter reading, the preparation of monthly billings to customers, the collection of customer payments, payment of operating expenses and maintaining the system's accounting records. Effective January 3, 2001 the district signed a new contract with G.H.I., Inc. for the sum of \$ 5.48 per customer per month for these services. This rate is adjusted annually in proportion to the increase or decrease in the U.S. Consumer Price Index from the preceding year. This agreement is entered into and shall be for a term of (3) five years commencing on the date of the contract, and shall continue in force and effect thereafter unless cancelled by either party on 90 days notice.

SUPPLEMENTARY INFORMATION

ABERCROMBIE PARISH WATERWORKS DISTRICT NO. 2
 Darrin, Louisiana
 Proprietary Fund Type - Enterprise Fund

Statement of Cash Receipts and Disbursements - Restricted Accounts

| | WATER REVENUE FUND | WATER RENT DEPR AND COST FUND |
|---|-----------------------|-------------------------------------|
| CASH (including time deposits) December 31, 2002 | \$ 4,084 | \$ 4,128 |
| Cash receipts: | | |
| Interest earned | 18 | 13 |
| Transfer From Operating Account | 1,080 | 1,128 |
| Transfer from Water Revenue Bond and Interest Sinking Fund | - | - |
| | <u> -</u> | <u> -</u> |
| Total cash available | <u>\$ 5,082</u> | <u>\$ 5,269</u> |
| Cash disbursements: | | |
| Principal payment | \$ - | \$ - |
| Interest payment | - | - |
| Transfer to Operating Account | - | - |
| Transfer to Paying Agent | - | - |
| Bank charges | \$ - | \$ - |
| | <u> -</u> | <u> -</u> |
| Total cash disbursements | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| CASH (including time deposits) December 31, 2003 | <u>\$ 5,082</u> | <u>\$ 5,269</u> |

SCHEDULE 3

ASCENSION PARISH WATERWORKS DISTRICT NO. 2
Baton Rouge, Louisiana
Proprietary Fund Type - Enterprise Fund

Statement Of Cash Receipts and Disbursements - Restricted Accounts

| | WATER REVENUE FUND | WATER RENT DEPR AND COST FUND |
|---|-----------------------|-------------------------------------|
| CASH (including time deposits), December 31, 2001 | \$ 3,842 | \$ 2,948 |
| Cash receipts: | | |
| Interest earned | 32 | 28 |
| Transfer from Operating Account | 1,680 | 1,128 |
| Transfer from Water Revenue Bond and Interest Sinking Fund | - | - |
| | <u> </u> | <u> </u> |
| Total cash available | <u>\$ 5,554</u> | <u>\$ 4,104</u> |
| Cash disbursements: | | |
| Principal payment | \$ - | \$ - |
| Interest payment | - | - |
| Transfer to Operating Account | - | - |
| Transfer to Paying Agent | - | - |
| Bank charges | \$ - | \$ - |
| | <u> </u> | <u> </u> |
| Total cash disbursements | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| CASH (including time deposits) December 31, 2002 | <u>\$ 5,554</u> | <u>\$ 4,104</u> |

SCHEDULE 3

ASCENSION PARISH WATERWORKS DISTRICT NO. 3
 Gretna, Louisiana
 Proprietary Fund Type - Enterprise Fund

Comparative Schedule Of Operations

| | DECEMBER 31 | |
|--|-------------|------------|
| | 2008 | 2007 |
| Water revenues | \$ 177,419 | \$ 164,436 |
| Gallons sold (in thousands) | 31,122 | 28,811 |
| Average number of customers billed per month | 387 | 384 |
| Average annual revenue per customer | \$ 456.45 | \$ 428.27 |
| Average monthly revenue per customer | \$ 38.20 | \$ 35.69 |
| Average annual quantity of water billed per customer in thousand gallons | 80.4 | 75.0 |
| Average monthly quantity of water billed per customer in thousand gallons | 6.7 | 6.3 |
| Average annual revenue per thousand gallons billed | \$ 5.70 | \$ 5.71 |

SCHEDULE 4

ASCENSION PARISH WATERWORKS DISTRICT NO. 2

Insurance in Force
(Unaudited)

Insurance in force at December 31, 2023 was as follows:

(a) Commercial General Liability

Package Policy - General Liability, Crime, Auto, Property
Limits:

| | |
|-------------------|--|
| General Liability | \$ 2,000,000 / \$ 1,000,000 |
| Property | \$ 1,000 / \$ 500 deductible |
| Crime | \$ 25,000 / \$ 250 |
| Auto | \$ 1,000,000 (liability and collision-only) |

(b) Directors and Officers Liability

| | |
|--|---------------------------------------|
| | \$ 1,000,000 / \$ 2,500 deductible |
|--|---------------------------------------|

(c) Bond - Crime

| | |
|--|-------------------------------|
| | \$ 25,000 / \$ 250 deductible |
|--|-------------------------------|

The above schedule of insurance coverage is intended only as a descriptive summary and the independent accountant expressed no opinion as to the adequacy of such coverage.

INDEPENDENT AUDITOR'S REPORT AND OTHER SCHEDULES
REQUIRED BY GOVERNMENT AUDITING STANDARDS

SCHEDULE 5

ASCENSION PARISH WATERWORKS DISTRICT NO.2 Burrise, Louisiana

SCHEDULE OF FINDINGS

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the component unit financial statements of the Parish of Ascension, Louisiana - Waterworks District No. 2.
2. One reportable condition disclosed during the audit of the component unit financial statements is reported in the Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. This condition is reported as a material weakness.
3. There were no instances of noncompliance material to the component unit financial statements of the Parish of Ascension - Waterworks District No. 2 disclosed during the audit.

FINDINGS FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITION

03-1 INTERNAL CONTROL

Condition: Proper segregation of duties is an essential element in an internal control structure.

Criteria: The internal control structure should provide for an adequate segregation of duties to assure the district's ability to record, process, summarize and report financial data.

Effect: Because of the inadequate segregation of duties the district's ability to record, process, summarize and report financial data may be affected.

Recommendation: Procedures should be implemented to provide for an adequate segregation of duties. However, providing adequate segregation of duties is cost prohibitive given the size of the entity.

SCHEDULE C

ASCENSION PARISH WATERWORKS DISTRICT NO.2
Broussard, Louisiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2002

INTERNAL CONTROL FINDINGS

Proper segregation of duties is an essential element in an internal control. The size of the entity prohibits an adequate segregation of duties.

F J CABALLERO, CPA

A Professional Corporation

2071 AIRBORNE DRIVE
BIRMINGHAM, AL 35202-3200

(205) 988-2000

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

The Board of Commissioners of the
Parish of Ascension, Louisiana
Waterworks District No. 2

I have audited the basic financial statements of the Parish of Ascension, Louisiana - Waterworks District No. 2, a component unit of the Parish of Ascension, as of and for the year ended December 31, 2003 and have issued my report thereon dated May 18, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Parish of Ascension, Louisiana - Waterworks District No. 2's basic financial statements are free of material misstatements, I performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Parish of Ascension, Louisiana - Waterworks District No. 2's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. The results of my test disclosed one matter involving the internal control over financial reporting and its operations that I consider to be material weaknesses. This matter is discussed in the accompanying schedule of findings as item 03-1.

This report is intended solely for the information and use of the District, the Legislative Auditor and interested state and federal agencies. However, this report is a matter of public record and its distribution is not limited.



White Fields, Louisiana
May 18, 2004

P J CABALLERO, CPA

A Professional Corporation

2025 GARDNER STREET
SUITE 1001A, LA 70801-2110

225-946-0102

May 13, 2004

Board of Directors
Parish of Assumption, Louisiana - Waterworks District No. 3
Dunro, Louisiana

I have audited the basic financial statements of the Parish of Assumption, Louisiana - Waterworks District No. 3 as of and for the year ended December 31, 2003 and have issued my report thereon dated May 13, 2004. As a part of my audit, I made a study and evaluation of the District's internal control and compliance with laws and regulations as required by generally accepted auditing standards. I recommend that management consider the following comments and suggestions relative to the District's operating procedures, internal control and compliance with laws and regulations:

1. Establish procedures to monitor differences between the amount of water purchased and the amount sold to its customers on a regular basis.

Exhibit A to this letter discusses my comments and recommendations in detail.

I will be pleased to discuss this matter further with you at your convenience, or to assist you with the implementation.

I thank the officers of the District and the employees of the systems operator for the cooperation given me during the course of my audit.

Sincerely,



P. J. Caballero

FIC00040

Exhibit A

The district has experienced significant differences between the amount of water purchased and the amount sold to its customers throughout the year. The most significant losses occurred from May to December 2003. The cost of water unaccounted for the year ended December 31, 2003 is \$ 26, 334,721. Water losses should be monitored at each monthly meeting of the board of commissioners by comparing the gallons of water purchased to the gallons sold for the preceding month. Where substantial losses exist, the board and its operator should attempt to determine the cause(s) and implement solutions.

GJR, INC
P O BOX 68
WHITE CASTLE, LA 70788

CORRECTIVE ACTION PLAN

May 18, 2004

The Parish of Ascension, Louisiana – Waterworks District No. 2 respectfully submits the following corrective action plan for the year ended December 31, 2003.

Name and address of independent public accounting firm:

F. J. Caballero, CPA (A Professional Corporation)
32570 Graham Street
White Castle, La. 70788-3218

Audit Period: January 1, 2003 - December 31, 2003

The findings from the May 10, 2004 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

REPORTABLE CONDITION

02-1 Internal Control

Recommendation: Procedures should be implemented to provide for an adequate segregation of duties.

Action Taken: Providing an adequate segregation of duties is not prohibitive given the size of the entity.

MANAGEMENT LETTER

Recommendation: Establish procedures to monitor the difference between the amount of water purchased and the amount sold to its customers on a regular basis.

Action Taken: The operator will provide at the monthly meetings of the board of commissioners a comparison of the gallons of water purchased to the gallons sold for the preceding month. The operator and the board will analyze substantial differences in an effort to determine possible causes such as leaks, fires, etc.

If there are any questions regarding this plan, please call Guy Hyatt, Jr. at (225) 345-2989.

Sincerely,

Parish Of Acadiana, Louisiana
Waterworks District No. 2


President

C. J. H., Inc.
Operator for District No. 2


Guy Hyatt, Jr.
Operator