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**WATERWORKS DISTRICT NO. 2 OF THE  
PARISH OF ASCENSION  
STATE OF LOUISIANA  
Darrow, Louisiana**

COMPONENT UNIT FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
Year Ended December 31, 1999

Under provisions of state law, this report is a public document. A copy 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 MAY 17 2000

**P. J. CABALLERO, CPA**

*A Professional Corporation*

32570 GRAHAM STREET  
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225-545-3102

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WHITE CASTLE, LA 70788-2210

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying component unit 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, 1999, as listed in the table of contents. These component unit financial statements are the responsibility of the Parish of Ascension, Louisiana – Waterworks District No. 2'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 generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

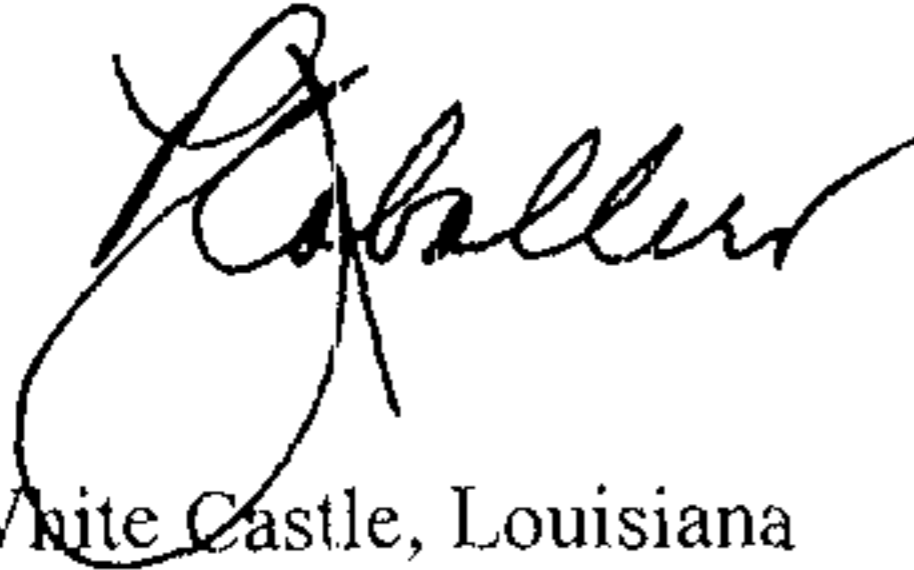
In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Parish of Ascension, Louisiana – Waterworks District No. 2 as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

It is my further opinion, that the accounting requirements of the bond indenture, under which outstanding utility revenue bonds were issued, have been met, with one exception. The district is required to establish certain funds (restricted accounts) as provided for in the bond resolution. The funds were established, however were not properly funded as of December 31, 1999. My letter dated May 1, 2000 to management discusses this matter in further detail.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 2. Such information, except for that portion marked “unaudited”, on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the component financial statements, and, in my opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated May 1, 2000 on our consideration of the Parish of Ascension, Louisiana – Waterworks District No. 2’s internal control and compliance.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for the year in which I expressed an unqualified opinion on the component unit financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 2.



White Castle, Louisiana  
May 1, 2000

COMPONENT UNIT FINANCIAL STATEMENTS

BALANCE SHEET  
 WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
 DECEMBER 31, 1999 AND 1998

	-----DECEMBER 31,-----	
ASSETS	<u>1999</u>	<u>1998</u>
<b>CURRENT ASSETS</b>		
Cash (demand and time deposits)	\$ 230,259	\$ 210,497
Accounts receivable and accrued water sales (net of allowance for uncollectable accounts of \$4,500 in 1999 and \$4,500 in 1998)	19,410	24,133
Other receivables	2,780	190
Prepaid insurance	<u>1,175</u>	<u>1,175</u>
	<u>\$ 253,624</u>	<u>\$ 235,995</u>
<b>RESTRICTED ASSETS - CASH (Note D)</b>		
Water reserve fund (savings deposits)	547	-
Water revenue depreciation & contingency fund	563	-
Customers' meter deposits (demand and time deposits)	<u>17,950</u>	<u>17,212</u>
	<u>\$ 19,060</u>	<u>\$ 17,212</u>
<b>FIXED ASSETS</b>		
Plant and equipment (at cost, net of accumulated depreciation of \$188,787 for 1999 and \$177,642 for 1998)	\$ 546,334	\$ 195,851
Construction In Progress	<u>-</u>	<u>280,263</u>
	<u>\$ 546,334</u>	<u>\$ 476,114</u>
<b>OTHER ASSETS</b>		
Unamortized debt expense	<u>\$ 11,609</u>	<u>\$ -</u>
	<u>\$ 830,628</u>	<u>\$ 729,321</u>

The accompanying notes are an integral part of this statement.

Continued.....

Exhibit A  
Continued

LIABILITIES AND RETAINED EARNINGS	-----DECEMBER 31,-----	
	<u>1999</u>	<u>1998</u>
<b>CURRENT LIABILITIES</b>		
Payable from current assets:		
Accounts payable	\$ 10,344	\$ 8,692
Taxes payable	326	197
	<u>\$ 10,670</u>	<u>\$ 8,889</u>
Payable from restricted assets:		
Accrued Interest Payable	\$ 532	\$ 3,796
Current portion of water revenue bonds payable	3,884	1,972
Customers' meter deposits	<u>15,904</u>	<u>14,829</u>
	\$ 20,319	\$ 20,597
	<u>\$ 30,990</u>	<u>\$ 29,486</u>
<b>LONG TERM LIABILITIES</b>		
Revenue bonds payable (Note C)	\$ 343,221	\$ 255,500
Less: Amount currently due	<u>3,884</u>	<u>1,972</u>
	<u>\$ 339,337</u>	<u>\$ 253,528</u>
	<u>\$ 370,326</u>	<u>\$ 283,014</u>
<b>RETAINED EARNINGS</b>		
Contributed capital:		
Customers	\$ 47,607	\$ 45,445
Federal Grant	175,500	175,500
State Grant	<u>14,850</u>	<u>-</u>
	<u>\$ 237,957</u>	<u>\$ 220,945</u>
Accumulated deficit:		
Reserved for revenue bond and interest retirement	\$ 547	\$ -
Reserved for replacements and extensions	563	-
Unreserved	<u>221,235</u>	<u>225,362</u>
	<u>\$ 222,345</u>	<u>\$ 225,362</u>
	<u>\$ 460,302</u>	<u>\$ 446,307</u>
	<u>\$ 830,628</u>	<u>\$ 729,321</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPE

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	ENTERPRISE FUND	
	<u>1999</u>	<u>1998</u>
<b>OPERATING REVENUES</b>		
Sale of water	\$ 134,126	\$ 128,398
Forfeited discounts	5,942	6,174
Service charges	2,098	1,344
	<u>\$ 142,166</u>	<u>\$ 135,916</u>
<b>OPERATING EXPENSES (OTHER THAN DEPRECIATION)</b>		
Cost of water	\$ 57,454	\$ 66,056
Management fees and service charges	37,406	36,429
Repairs and maintenance	6,574	10,247
Professional fees	9,463	4,338
Insurance expense	2,521	2,421
Commission fee	4,260	4,740
Uncollectible accounts	4,080	7,875
Publications, subscriptions & dues	-	1,723
Miscellaneous	768	974
	<u>\$ 122,525</u>	<u>\$ 134,803</u>
<b>INCOME FROM OPERATIONS (BEFORE DEPRECIATION)</b>	<u>\$ 19,641</u>	<u>\$ 1,113</u>
Depreciation	11,146	7,505
<b>INCOME FROM OPERATIONS</b>	<u>\$ 8,495</u>	<u>\$ (6,392)</u>
<b>NONOPERATING REVENUES</b>		
Interest earned	\$ 5,306	\$ 5,434
Other income	86	173
Bad debt recovery	-	-
	<u>\$ 5,392</u>	<u>\$ 5,607</u>
<b>NONOPERATING EXPENSES</b>		
Interest expense	\$ 16,353	\$ 3,796
Amortization of deferred debt expense	551	-
	<u>\$ 16,904</u>	<u>\$ 3,796</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (3,017)</u>	<u>\$ (4,581)</u>
Retained earnings - beginning of year	225,362	229,943
Retained earnings - end of year	<u>\$ 222,345</u>	<u>\$ 225,362</u>

The accompanying notes are an integral part of this statement.



## STATEMENT OF CASH FLOWS- PROPRIETARY FUND TYPE

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	-----DECEMBER 31,-----	
	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ (3,017)	\$ (4,581)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,697	7,505
(Increase) decrease in accounts receivable	4,723	(3,464)
(Increase) decrease in other receivables	(2,590)	128
(Increase) decrease in prepaid expenses	-	(100)
Increase (decrease) in accounts payable	1,652	458
Increase (decrease) in accrued interest payable	(3,264)	3,796
Increase (decrease) in taxes payable	129	(44)
Increase (decrease) in meter deposits	<u>1,075</u>	<u>1,685</u>
Total adjustments	\$ 13,422	\$ 9,964
Net cash provided by operating activities	\$ 10,405	\$ 5,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	\$ 362,181	\$ 2,448
Unamortized debt expense	\$ 11,609	
Construction in progress	<u>\$(280,263)</u>	<u>\$ 266,663</u>
Net cash used in investing activities	\$ 93,527	\$ 269,111
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds received from issuance of water revenue bonds	\$ 90,000	\$ 255,500
Payment of long term debt	(2,279)	-
Proceeds from state grant	14,850	-
Capital contributed by customers	<u>2,162</u>	<u>6,160</u>
Net cash provided by financing activities	\$ 104,733	\$ 261,660
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 21,611	\$ (2,068)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>\$ 227,709</u>	<u>\$ 229,777</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 249,320</u></u>	<u><u>\$ 227,709</u></u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 1999

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

*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 water service to the general public on a continuing basis be financed or recovered primarily through user charges.

*Basis of accounting*

This proprietary fund is accounted for using the accrual basis of accounting, that is, revenues are recognized when earned and expenses are recognized when incurred. Unbilled charges for water service are included in accounts receivable at year end.

*Cash and cash equivalents*

Cash and cash equivalents presented in the statement of cash flows include demand and time deposit accounts. On December 31, 1999 Waterworks District No. 2 of the Parish of Ascension, Louisiana had bank balances in one bank as follows:

	Balance	FDIC	Additional
		Insurance	Security
FIRST NATIONAL BANK OF GONZALES GONZALES, LOUISIANA	\$249,320	\$100,000	\$186,800

At December 31, 1999, the district has \$ 249,320 in deposits (collected bank balances). These deposits are secured from risk by \$ 100,000 of federal deposit insurance and \$ 186,800 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

NOTE A: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days begin notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

*Restricted assets*

Restricted assets on the balance sheet represent (1) amounts which are required to be maintained pursuant to the District's revenue bond resolution (water reserve fund and water revenue depreciation and contingency fund, see note (D) and (2) funds held for customer deposits.

*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, 1999 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: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the district's operations as early as fiscal year 1999. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be full determinable until the year 2000 and thereafter. Management cannot assure that Waterworks District No. 2 of the Parish of Ascension, Louisiana is or will be Year 2000 ready, that the Waterworks District No. 2 of the Parish of Ascension, Louisiana's remediation efforts will be successful in whole or in part, or that parties with whom the Waterworks District No. 2 of the Parish of Ascension, Louisiana does business will be year 2000 ready.

NOTE C: FIXED ASSETS AND DEPRECIATION

A summary of utility plant and equipment at December 31, 1999 is as follows:

<u>DESCRIPTION</u>	<u>DATE ACQUIRED</u>	<u>COST</u>	<u>DEPRECIATION</u>	
			<u>PRIOR</u>	<u>1999</u>
System	1964-1970	165,198	113,942	3,304
	1971-1980	57,430	27,297	1,150
	1981-1985	58,638	19,320	1,172
	1986	5,594	1,399	112
	1987	8,466	1,947	169
	1988	47,631	10,002	953
	1989	1,224	233	24
	1990	4,212	716	84
	1991	612	92	12
	1992	10,582	1,375	212
	1993	2,889	684	118
	1994	2,754	248	55
	1995	2,142	150	43
	1996	2,448	122	49
	1997	1,224	37	24
	1998	2,448	24	49
	1999	361,629	0	3,616
		<u>735,121</u>	<u>177,641</u>	<u>11,146</u>

NOTE D: 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, 1998, all income of every nature, earned or derived from operation of the System 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<sup>th</sup>) 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<sup>th</sup>) of the total amount of principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum 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 future 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*

NOTE D: FLOW OF FUNDS – RESTRICTIONS ON USE (CONTINUED)

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

NOTE E: CHANGES IN LONG TERM DEBT

The following is a summary of bond transactions for the year ended December 31, 1999:

	<u>Revenue</u> <u>Bonds</u>	<u>Total</u>
Bonds Payable, December 31, 1998	\$ 255,500	\$ 255,500
Bonds issued (funds received)	90,000	90,000
Bonds retired	<u>(2,279)</u>	<u>(2,279)</u>
Bonds Payable, December 31, 1999	\$ 343,221	\$ 343,221
	=====	=====

Bonds payable at December 31, 1999 are comprised of the following individual issues:

Water Revenue Bonds

\$ 360,000 Water Revenue Bonds, Series 1998 dated May 19, 1998 due in amortized installments of principal and interest of \$ 1,782.00 per month with final monthly installment due May 19, 2038 at an interest rate of 5.125% per annum	\$ 343,221
	=====

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 \$ 360,000 the district required, and was advanced, only \$ 345,000 from USDA Rural Development to complete the project. The monthly repayment amount remains at \$ 1782.00. The effect of a lower

NOTE E: CHANGES IN LONG TERM DEBT (CONTINUED)

principal amount with no change in the monthly payment will result in the final payment being made on July 19, 2034.

NOTE F: WATER LOSS

Water was purchased from a neighboring parish at a rate of \$ 1.27 per thousand gallons. During the month of October 1999 there was a price increase from \$ 1.27 to \$ 1.59 (see management letter). A comparative summary of water purchased and billed for the years ended December 31, 1999 and 1998 as reflected in the district's records is as follows:

	<u>1999</u>	<u>1998</u>
Water purchased	41,786	52,012
Water sold	33,344	33,980
Water unaccounted for	8,442	18,032
Percent unaccounted for	21%	34%

Based on the average cost per thousand gallons of water, for the respective years, the cost of the water that is unaccounted for amounted to approximately \$9,687.21 in 1999 and \$22,900.64 in 1998.

NOTE G: COMMENTS ON OPERATIONS OF WATER UTILITY SYSTEM

1. In 1999, revenues were derived from the sale of water at the following rates:

Residential Rates

Effective April, 1994:

First 2,000 gallons or less	\$ 9.45 (Minimum)
Over 2,000 gallons	\$ 3.55 per thousand gallons

Commercial Rates

Effective April 1994:

First 2,000 gallons or less	\$ 15.10 (Minimum)
Over 2,000 gallons	\$ 4.24 per thousand gallons

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

2. Names and titles of principal officers and per diem paid to each.

		<u>Per Diem</u>
President	Victor Pedescleaux	\$1,080.00
Sec/Treas	Jan Waggenspack	840.00
Member	Melvin Irvin, Sr.	720.00
Member	Ty Donovan Graves	840.00
Member	Rosemary Brown	<u>780.00</u>
		\$4,260.00

NOTE H: 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 \$ 88,588. By agreement and under Act 319 of the 1981 Legislature the State funded all relocation costs in excess of \$ 29,194. Project costs not funded by the state totaling \$ 29,194 are included in the Utility Plant. Also, under Act 319, 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 1981 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 become 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 \$ 1.10 per thousand gallons until March 1994 when the price increased to \$ 1.27 per thousand gallons. During the month of October, 1999 there was another rate increase to \$ 1.59 per gallon (see management letter). The agreement provides, in part, for annual increases in rate of up to 15% in any one year after August 1, 1991. 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, 2006 but may be



NOTE H: OTHER GENERAL INFORMATION (CONTINUED)

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.

The district has contracted with G.J.H. Inc., an independent utilities 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. The district pays G.J.H., Inc. \$ 7.78 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 may be cancelled by either party with 90 days notice.

## SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - RESTRICTED ACCOUNTS  
 YEAR ENDED DECEMBER 31, 1999

	<u>WATER RESERVE FUND</u>	<u>WATER REV DEPR AND CONT FUND</u>
CASH (including time deposits), December 31, 1998	\$ -	\$ -
Cash receipts:		
Interest earned	3	3
Transfer from Operating Account	544	560
Total cash available	\$ 547	\$ 563
Cash disbursements:		
Principal payment	\$ -	\$ -
Interest payment	-	-
Transfer to Operating Account	-	-
Bank charges	\$ -	\$ -
Total cash disbursements	\$ -	\$ -
CASH (including time deposits) December 31, 1999	\$ 547	\$ 563

SCHEDULE 2

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - RESTRICTED ACCOUNTS  
 YEAR ENDED DECEMBER 31, 1998

	<u>WATER RESERVE FUND</u>	<u>WATER REV DEPR AND CONT FUND</u>
CASH (including time deposits), December 31, 1997	\$ -	\$ -
Cash receipts:		
Interest earned	-	-
Transfer from Operating Account	-	-
	<u>          </u>	<u>          </u>
Total cash available	<u>\$ -</u>	<u>\$ -</u>
Cash disbursements:		
Principal payment	\$ -	\$ -
Interest payment	-	-
Transfer to Operating Account	-	-
Bank charges	\$ -	\$ -
	<u>          </u>	<u>          </u>
Total cash disbursements	<u>\$ -</u>	<u>\$ -</u>
CASH (including time deposits) December 31, 1998	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE 3

OPERATIONS

	-----DECEMBER 31,-----	
	<u>1999</u>	<u>1998</u>
Water revenues	\$ 134,126	\$ 128,398
Gallons sold (in thousands)	33,343	31,280
Average number of customers billed per month	389	396
Average annual revenue per customer	\$ 344.80	\$ 324.24
Average monthly revenue per customer	\$ 28.73	\$ 27.02
Average annual quantity of water billed per customer in thousand gallons	85.7	79.0
Average monthly quantity of water billed per customer in thousand gallons	7.1	6.6
Average annual revenue per thousand gallons billed	\$ 4.02	\$ 4.10

SCHEDULE 4

INSURANCE IN FORCE  
DECEMBER 31, 1999

UNAUDITED

Insurance in force at December 31, 1999 was as follows:

(a) Commercial General Liability

General Aggregate Limit (Other Than Products-Completed Operations)	\$	500,000
Products-Completed Operations Aggregate Limit	\$	500,000
Personal and Advertising Injury Limit	\$	500,000
Each Occurance Limit	\$	500,000
Fire Damage Limit (Any One Fire)	\$	50,000
Medical Expense Limit (Any One Person)	\$	5,000

(b) Directors and Officers Liability \$ 1,000,000

(c) Automobile Liability

Combined Single Limit \$ 500,000

(d) Other

Blanket Employee Dishonesty \$ 25,000

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

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

SCHEDULE 5

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 1999

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. *No instances of noncompliance material to the component unit financial statements of the Parish of Ascension – Waterworks District No. 2 was disclosed during the audit.*

FINDINGS FINANCIAL STATEMENT AUDIT

**REPORTABLE CONDITION**

99-1 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 6

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 1999

**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

**COMPLIANCE FINDINGS**

There were no compliance findings in the audit for the period ending December 31, 1998.

**P J CABALLERO, CPA**

*A Professional Corporation*

32570 GRAHAM STREET  
WHITE CASTLE, LA 70788-2210

225-545-3192

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 component unit financial statements of the Parish of Ascension Louisiana Waterworks District No. 2, a component unit of the Parish, for the year ended December 31, 1999 and have issued my report thereon dated May 1, 2000. 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 component unit 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 those 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 are 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 component unit financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that,

in my judgment, could adversely affect the Parish of Ascension, Louisiana Waterworks District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements. Reportable conditions are described in the accompanying schedule of findings as items 99-1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

I consider the reportable condition described above to be a material weakness.

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 Castle, Louisiana  
May 1, 2000

**P J CABALLERO, CPA**

*A Professional Corporation*

32570 GRAHAM STREET  
WHITE CASTLE, LA 70788-2210

225-545-3192

May 1, 2000

Board of Directors  
Parish of Ascension, Louisiana – Waterworks District No. 2  
Darrow, Louisiana

I have audited the component unit financial statements of the Parish of Ascension, Louisiana Waterworks District No. 2 for the year ended December 31, 1999 and have issued my report thereon dated May 1, 2000. 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:

Establish procedures to monitor the amounts that are paid to third parties for goods and services to assure that they are in compliance with the contracts in force.

Exhibit A to this letter discusses this matter in detail.

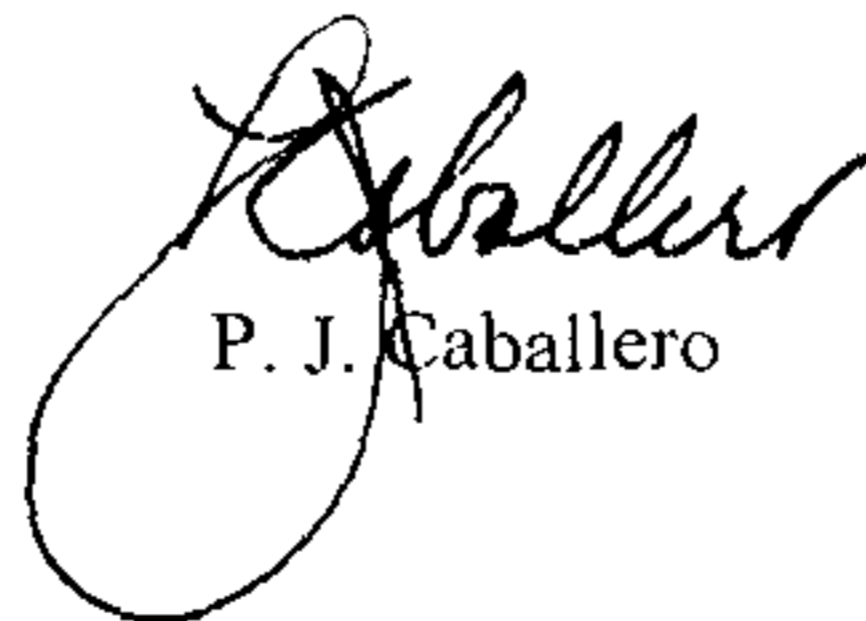
The bond indenture required that the district establish certain funds (restricted accounts) as provided for in the bond resolution. The funds were established however, they were not properly funded as of December 31, 1999.

Exhibit B to this letter discusses this matter in detail.

I will be pleased to discuss these matters further with you at your convenience, or to assist you in their 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

PJC/RMG

EXHIBIT A

The district failed to identify in September 1999 that the St. James Parish Utility System increased the price of water from \$ 1.27 to \$ 1.59 per thousand gallons. The contract provides for an annual increase in rate of up to 15% per year. In the event of such increase written notice is required not less than 60 days prior to the increase. The increase from \$ 1.27 to \$ 1.59 was a 26% increase which is higher than the 15% stated in the contract and the district was not contacted by written notice 60 days prior to the increase. I recommend that the district contact St. James Parish Utility System and arrange for refund of the amounts overpaid.

## EXHIBIT B

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, 1998, all income of every nature, earned or derived from operation of the System 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<sup>th</sup>) 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<sup>th</sup>) of the total amount of principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due.

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

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 future 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.

The resolution requires that the monthly transfers into the "Water Reserve Fund" begin the first month after the date of the bonds is issued. The closing date of the bonds is May 19, 1998, therefore the transfers should have commenced June 19, 1998. The district did not start making transfers until May 1999, therefore the "Water Reserve Fund" is under funded by a total of \$ 990.00.

I recommend that the district transfer \$ 990.00 to the "Water Reserve Fund" from the "Water Revenue Fund" immediately.

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## **CORRECTIVE ACTION PLAN**

May 8, 2000

The Parish of Ascension, Louisiana – Waterworks District No. 2 respectfully submits the following corrective action plan for the year ended December 31, 1999.

Name and address of independent public accounting firm:

P. J. Caballero, CPA (A Professional Corporation)  
32570 Graham Street  
White Castle, La. 70788-2210

Audit Period: January 1, 1999 - December 31, 1999

The findings from the May 1, 2000 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **NONCOMPLIANCE**

There were no instances of noncompliance material to the component unit financial statements for the period ending December 31, 1999.

### **REPORTABLE CONDITION**

#### **99-1 Internal Control**

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

Action Taken: Providing an adequate segregation of duties is cost prohibitive given the size of the entity.

### **MANAGEMENT LETTER**

The district failed to identify in September 1999 that the St. James Parish Utility System increased the price of water per thousand gallons.

Recommendation: Establish procedures to monitor the amounts that are paid to third parties for goods and services to assure that they are in compliance with the the contracts in force.

Action Taken: The district will contact the St. James Parish Utility System and arrange for a refund.

The bond indenture required that the district establish certain funds (restricted accounts) as provided for in the bond resolution.

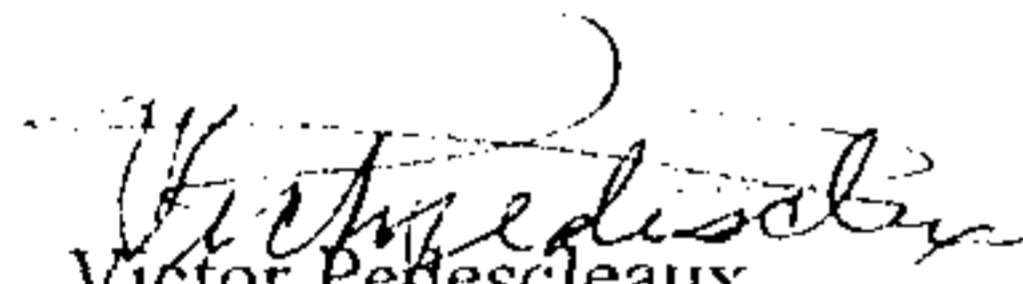
Recommendation: The funds were established however, they were not properly funded as of December 31, 1999. Recommendation is to transfer \$ 990.00 to to the "Water Reserve Fund" from the "Water Revenue Fund" immediately.

Action Taken: The district will transfer the \$990.00 to the "Water Reserve Fund".

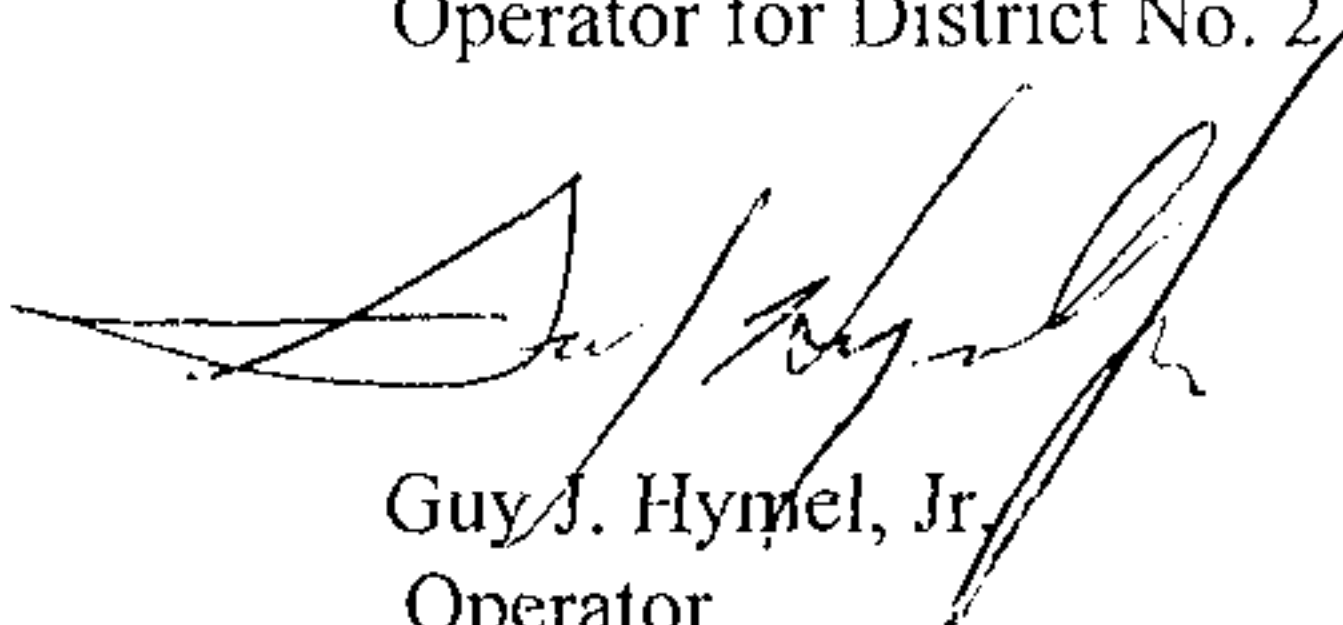
If there are any questions regarding this plan, please call Guy Hymel, Jr. at (225) 545-3989.

Sincerely,

Parish Of Ascension, Louisiana  
Waterworks District No.2

  
Victor Pedescleaux  
President

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

  
Guy J. Hymel, Jr.  
Operator