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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, 1998

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

Release Date ~~MAY 19 1999~~
~~MAY 20 1999~~

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying 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, 1998. 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 the standards applicable to financial audits contained in 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, 1998, 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 water 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. This requirement had not been met by December 31, 1998. My letter dated April 26, 1999 to management discusses this matter in further detail.

In accordance with Government Auditing Standards, I have also issued my report dated April 26, 1999, in my consideration of the Parish of Ascension, Louisiana - Waterworks District No. 2's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Parish of Ascension, Louisiana - Waterworks District No. 2. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, and is also 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 unit 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.

The financial information for the preceding year, which is included for comparative purposes was taken from the compilation report for the year in which I did not express an opinion or any other form of assurance on the component unit financial statements of the Parish of Ascension, Louisiana - Waterworks District No. 2.


White Castle, Louisiana
April 26, 1999

BALANCE SHEET
 WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
 DECEMBER 31, 1998 AND 1997 (UNAUDITED)

	-----DECEMBER, 31-----	
	1998	1997
	----	----
ASSETS		
CURRENT ASSETS		
Cash (demand and time deposits)	\$ 210,497	\$ 214,674
Accounts receivable and accrued water sales (net of allowance for uncollectible accounts of \$4,500 in 1998 and \$3,500 in 1997)	24,133	20,669
Other receivables	190	318
Prepaid insurance	1,175	1,075
	235,995	236,736
RESTRICTED ASSETS - CASH		
Customers' meter deposits - cash	17,212	15,103
FIXED ASSETS (Note B)		
Plant and equipment (at cost, net of accumulated depreciation of \$177,642 for 1998 and \$170,137 for 1997)	195,851	200,908
Construction In Progress	280,263	13,600
	\$ 729,321	\$ 466,347

The accompanying notes are an integral part of this statement.

BALANCE SHEET
WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
DECEMBER 31, 1998 AND 1997 (UNAUDITED)

	-----DECEMBER, 31-----	
	1998	1997
	----	----
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Payable from current assets:		
Accounts Payable	\$ 8,692	\$ 8,234
Taxes Payable	197	241
	-----	-----
	8,889	8,475
Payable from restricted assets:		
Accrued Interest Payable	3,796	0
Current portion of water revenue bonds payable	1,972	0
Customers' meter deposits	14,829	13,144
	-----	-----
	20,597	13,144
LONG TERM LIABILITIES		
Water revenue bonds payable (Note C)	255,500	0
Less: Amount currently due	1,972	0
	-----	-----
	253,528	0
RETAINED EARNINGS:		
Contributed Capital		
Customers	45,445	39,285
Federal Grants	175,500	175,500
	-----	-----
	220,945	214,785
Retained Earnings:		
Reserved for revenue bond and interest retirement and contingencies	0	0
Unreserved	225,362	229,943
	-----	-----
	225,362	229,943
	-----	-----
	\$ 729,321	\$ 466,347
	=====	=====

The accompanying notes are an integral part of this statement.

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

PARISH OF ASCENSION, LOUISIANA - WATERWORKS DISTRICT NO. 2
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997 (UNAUDITED)

	ENTERPRISE FUND	
	1998	1997
	-----	-----
OPERATING REVENUES		
Sale of water	\$ 128,398	\$ 115,247
Forfeited discounts	6,174	5,780
Service charges	1,344	1,038
	-----	-----
	135,916	122,065
	-----	-----
OPERATING EXPENSES		
Management fees and service charges	36,429	34,961
Cost of water	66,056	53,016
Repairs and maintenance	10,247	15,647
Depreciation	7,505	7,468
Board fees	4,740	5,400
Professional fees	4,338	6,758
Insurance expense	2,421	2,321
Uncollectable accounts	7,875	(426)
Publications, subscriptions & dues	1,723	
Miscellaneous	973	1,059
	-----	-----
	142,308	126,204
	-----	-----
OPERATING INCOME	(6,392)	(4,139)
	=====	=====
NONOPERATING REVENUES		
Interest on investments	5,434	5,270
Miscellaneous	173	41
	-----	-----
	5,606	5,311
	-----	-----
NONOPERATING EXPENSES		
Interest Expense	3,796	0
	-----	-----
	3,796	0
	-----	-----
NET INCOME (LOSS)	(4,581)	1,172
Retained earnings - beginning of year	229,943	228,771
	-----	-----
Retained earnings - end of year	\$ 225,362	\$ 229,943
	=====	=====

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

PARISH OF ASCENSION, LOUISIANA - WATERWORKS DISTRICT NO. 2
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997 (UNAUDITED)

	ENTERPRISE FUND	
	1998	1997
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ (4,581)	\$ 1,172
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,505	7,468
(Increase) decrease in accounts receivable	(3,464)	1,812
(Increase) decrease in other receivables	128	353
(Increase) decrease in prepaid expenses	(100)	0
Increase (decrease) in accounts payable	458	(302)
Increase (decrease) in accrued interest payable	3,796	0
Increase (decrease) in taxes payable	(44)	61
Increase (decrease) in meter deposits	1,685	2,635
	-----	-----
Total adjustments	9,964	12,027
Net cash provided by operating activities	5,383	13,199
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	2,448	1,224
Construction In Progress	266,663	13,600
	-----	-----
Net cash used in investing activities	269,111	14,824
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributed by customers	6,160	900
Loss on asset dispositions	0	0
Proceeds received from issuance of water revenue bonds	255,500	0
	-----	-----
Net cash provided by financing activities	261,660	900
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,068)	(725)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	229,777	230,502
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note A)	\$ 227,709	\$ 229,777
	=====	=====

The accompanying notes are an integral part of this statement.

PARISH OF ASCENSION, LOUISIANA - WATERWORKS DISTRICT NO. 2
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

Fund Structure

Water District No. 2 of the Parish of Ascension, Louisiana, a component unit of the Parish, is an enterprise fund. Enterprise funds are 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 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.

Basis of Accounting

Enterprise funds are maintained on 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.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits, and certificates of deposit with original maturities of three months or less and cash management vehicles investing in obligations guaranteed by the federal government and subject to immediate withdrawal. At December 31, 1998 Waterworks District No. 2 of the Parish of Ascension, Louisiana had bank balances in one bank as follows with additional security stated at market:

	Balance	FDIC Insurance	Additional Security
First National Bank of Gonzales Gonzales, Louisiana	\$ 227,709	\$ 100,000	\$ 150,060
	-----	-----	-----
Total	\$ 227,709	\$ 100,000	\$ 150,060
	=====	=====	=====

Investments

Investments are stated at cost and are not subject to market fluctuation.

Restricted Assets

Restricted assets on the combined balance sheet represent funds held for customer deposits.

Note A: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Utility Plant

The utility plant is recorded at cost. Depreciation is provided on a straight-line basis over an estimated useful life of 50 years.

Changes in Contributed Capital

The change in Contributed Capital for the enterprise fund on the combined balance sheet from December 31, 1997 to December 31, 1998 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 these 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 utility plant and equipment at December 31, 1998 is as follows:

DESCRIPTION	DATE	COST	DEPRECIATION	
	ACQUIRED		PRIOR	1998
System	1964-1970	\$ 165,198	\$ 110,638	\$ 3,304
	1971-1980	57,430	26,147	1,150
	1981	7,303	2,408	146
	1982	47,522	14,742	950
	1983	1,977	573	40
	1984	918	248	18
	1985	918	230	18
	1986	5,594	1,287	112
	1987	8,466	1,778	169
	1988	47,631	9,050	953
	1989	1,224	208	24
	1990	4,212	632	84
	1991	612	80	12
	1992	10,582	1,164	212
	1993	2,889	567	118
	1994	2,754	193	55
	1995	2,142	107	43
	1996	2,448	73	49
	1997	1,224	12	24
	1998	2,448	0	24
		\$ 373,492	\$ 170,137	\$ 7,505

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, 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 revenue 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 (1/12th) 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 and payable one year and one month from the date of the Bond and monthly thereafter in an amount equal to one-twelfth (1/12th) 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 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 re-required to be used for operation and maintenance of the System or for current principal, interest and reserve requirements.

NOTE D: CHANGES IN LONG TERM DEBT

The following is a summary of bond transactions for the year ended December 31, 1998:

	Revenue Bonds	Total
	-----	-----
Bonds payable, December 31, 1997	\$ 0	\$ 0
Bonds issued (funds received)	255,500	255,500
Bonds retired	0	0
	-----	-----
Bonds payable, December 31, 1998	\$ 255,500	\$ 255,500
	=====	=====

Bonds payable at December 31, 1998 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

\$ 255,500
=====

NOTE E: 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 a part of the project cost.

NOTE E: OTHER GENERAL INFORMATION (Continued)

The district purchased water from the St. James Parish Utility System for \$1.10 per thousand gallons to March 1994. Subsequently, the purchase price increased to \$1.27 per thousand gallons. The agreement provides, in part, for annual increases in rate of up to 15% in any one year after August 1, 1991. The agreement is effective until June 30, 2006 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.

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. \$7.54 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

COMMENTS ON OPERATIONS OF WATER UTILITY SYSTEM

1. During 1998 revenues were derived from the sale of water at the following rates:

RESIDENTIAL RATES

(Effective April 1994)

First 2,000 gallons per month or less	\$ 9.45 (minimum)
Over 2,000 gallons	3.55 per 1,000 gallons

COMMERCIAL RATES

(Effective April 1994)

First 2,000 gallons per month or less	\$ 15.10 (minimum)
Over 2,000 gallons	4.24 per 1,000 gallons

2. Water was purchased from a neighboring parish at a rate of \$1.27 per thousand gallons. A comparative summary of water purchased and billed for the years ended December 31, 1998 and 1997 as reflected in the district's records is as follows:

IN THOUSAND GALLONS

	1998	UNAUDITED 1997
	-----	-----
Water purchased	52,012.5	38,030.5
Water billed	33,980.1	28,208.8
	-----	-----
Unaccounted for	18,032.4	9,821.7
	=====	=====
Percent unaccounted for	34.67%	25.83%
	=====	=====

COMMENTS ON OPERATIONS OF WATER UTILITY SYSTEM (Continued)

3. Customer statistics relative to water billed and the number of customers for current and prior year are as follows:

	1998	UNAUDITED 1997
	----	----
Water sales	\$ 128,398	\$ 115,247
Quantity of water sold (in thousand gallons)	33,980.1	28,208.8
Average number of customers billed per month	396	391
Average annual revenue per customer	\$ 324.24	\$ 294.75
Average monthly revenue per customer	\$ 27.02	\$ 24.56
Average annual quantity of water billed per customer (in thousand gallons)	85.8	72.1
Average monthly quantity of water billed per customer (in thousand gallons)	7.2	6.0
Average annual revenue per thousand gallons billed	\$ 3.78	\$ 4.09

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

		PER DIEM

President	Victor Pedescleaux	\$ 1,200.00
Sec./Treas.	Jan Waggenspack	960.00
Member	Melvin Irvin, Sr.	900.00
Member	Ty Donovan Graves	840.00
Member	Rosemary Brown	840.00

INSURANCE IN FORCE AT DECEMBER 31, 1998 - UNAUDITED

Insurance in force at December 31, 1998 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 Occurrence Limit	500,000
Fire Damage Limit (Any One Fire)	50,000
Medical Expense Limit (Any One Person)	5,000

(b) public officials liability 1,000,000

(c) business auto (hired & non-owned) 500,000

(d) commercial property 1,000

(e) commercial crime coverage 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 REPORTS AND OTHER SCHEDULES
REQUIRED BY GOVERNMENT AUDITING STANDARDS

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1998

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 were disclosed during the audit.
4. No instances of noncompliance were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Parish of Ascension - Waterworks District No. 2 expresses an unqualified opinion on all major federal programs.
6. The program tested as a major program included:

Water and Waste Loan / Grant Program - CFDA No. 10.760
7. The Parish of Ascension - Waterworks District No. 2 was determined to be a high - risk auditee.

FINDINGS FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

98-12 Internal Control

Condition: The size of the entity prohibits an adequate segregation of duties. 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.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 1998

REPORTABLE CONDITIONS (CONTINUED)

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.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
 SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 1998

Federal Grantor	Federal CFDA Number	Federal Expenditures
-----	-----	-----
USDA Rural Development	10.760	\$ 255,500

Total Expenditures Of Federal Awards		\$ 255,500 =====

See accompanying notes to schedule of expenditures of federal awards.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
 NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 1998

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal loan activity of the Parish of Ascension, Louisiana - Waterworks District No. 2 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ASCENSION, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 1998

INTERNAL CONTROL FINDINGS

There were no internal control findings in the compilation for the period ended December 31, 1997.

COMPLIANCE FINDINGS

There were no compliance findings in the compilation for the period ended December 31, 1997.

P.J. CABALLERO, CPA

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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 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, 1998 and have issued my report thereon dated April 26, 1999. I conducted my audit in accordance with generally accepted auditing 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 misstatement, I performed tests of its 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 tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

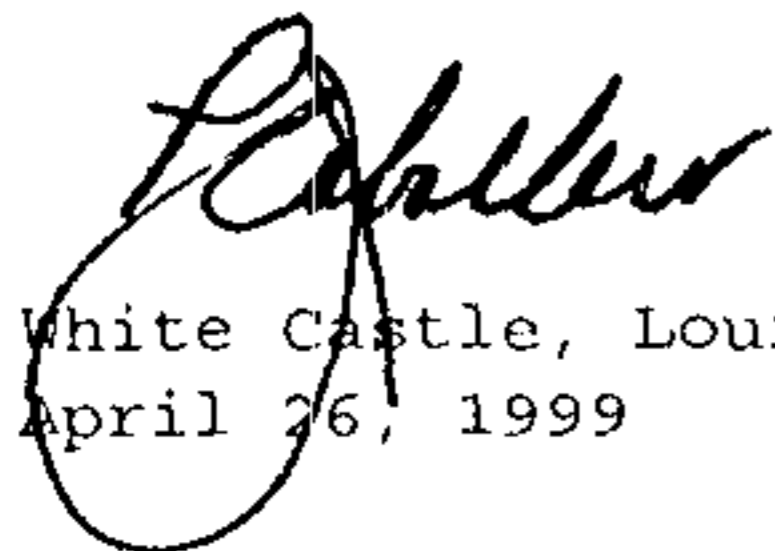
Internal Control Over Financial Reporting

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 judgement, 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 and

questioned costs as items 98-12.

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. However, of the reportable conditions described above, I consider item 98-12 to be a material weakness.

This report is intended solely for the information and use of the management 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
April 26, 1999

P.J. CABALLERO, CPA

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACORDANCE WITH OMB CIRCULAR A-133

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

I have audited the compliance of the Parish of Ascension, Louisiana Waterworks District No. 2, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. The Parish of Ascension, Louisiana - Waterworks District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Parish of Ascension, Louisiana, - Waterworks District No. 2's management. My responsibility is to express an opinion on the Parish of Ascension, Louisiana - Waterworks District No. 2's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Parish of Ascension, Louisiana - Waterworks District No. 2's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Parish of Ascension, Louisiana - Waterworks District No. 2's compliance with those requirements.

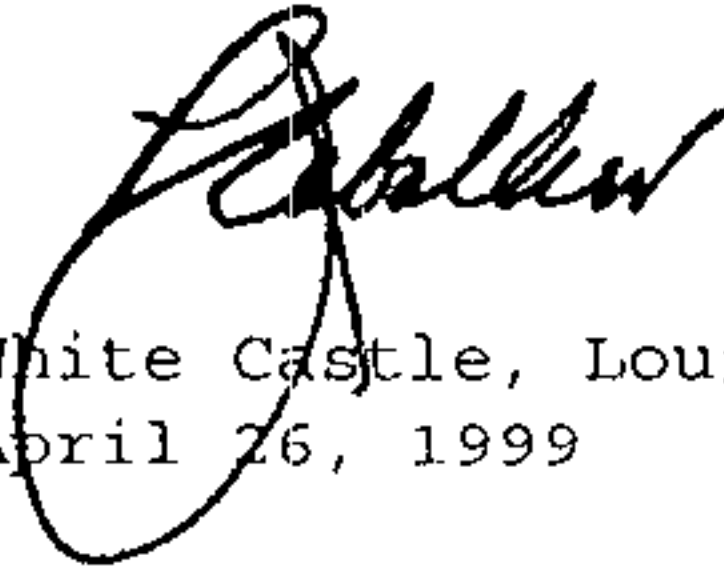
In my opinion, the Parish of Ascension, Louisiana - Waterworks District No. 2, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the Parish of Ascension, Louisiana - Waterworks District No. 2, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Parish Of Ascension, Louisiana Waterworks District No. 2's internal control over compliance with federal programs in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operations that I consider to be a material weakness.

This report is intended solely for the information and use of the management 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
April 26, 1999

P.J. CABALLERO, CPA

A Professional Corporation

32570 GRAHAM STREET SUITE A
WHITE CASTLE, LA. 70788-2210

A.C. 504 545-3192

April 26, 1999

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

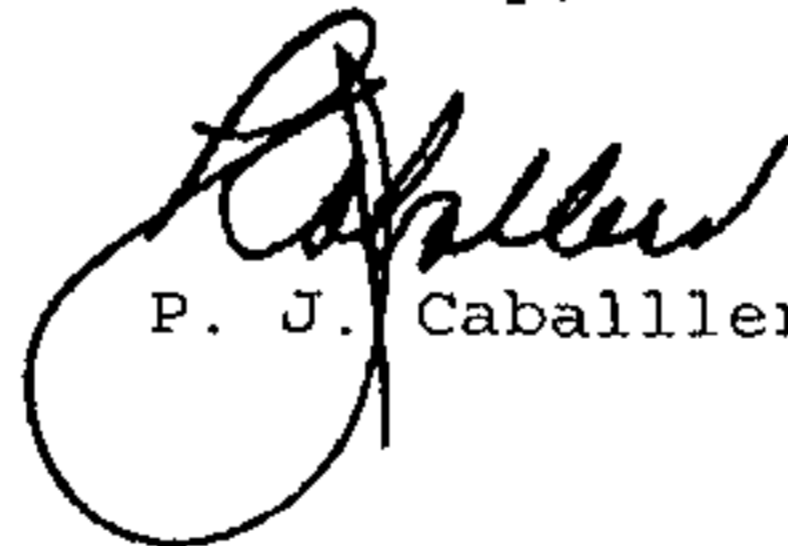
I have audited the component unit financial statements of The Parish of Ascension, Louisiana Waterworks District No. 2 for the year ended December 31, 1998 and have issued my report thereon dated April 26, 1999. As a part of my audit, I made a study and evaluation of the District's internal control structure 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 the District's operating procedures, internal control structure, and compliance with laws and regulations:

The bond indenture required that the district establish certain funds (restricted accounts) as provided for in the bond resolution. This requirement had not been met by December 31, 1998. Exhibit A discusses this matter in further 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/LLH

EXHIBIT A

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 revenue 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 (1/12th) 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 and payable one year and one month from the date of the Bond and monthly thereafter in an amount equal to one-twelfth (1/12th) 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 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 re-required to be used for operation and maintenance of the System or for current principal, interest and reserve requirements.

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WHITE CASTLE, LA. 70788

(504) 545-3989

CORRECTIVE ACTION PLAN

May 7, 1999

The Parish of Ascension, Louisiana - Waterworks District No.2 respectfully submits the following corrective action plan for the year ended December 31, 1998.

Name and address of independent public accounting firm:

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

Audit Period: January 31, 1998 - December 31, 1998

The findings from the April 26, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

REPORTABLE CONDITIONS

98-12 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.

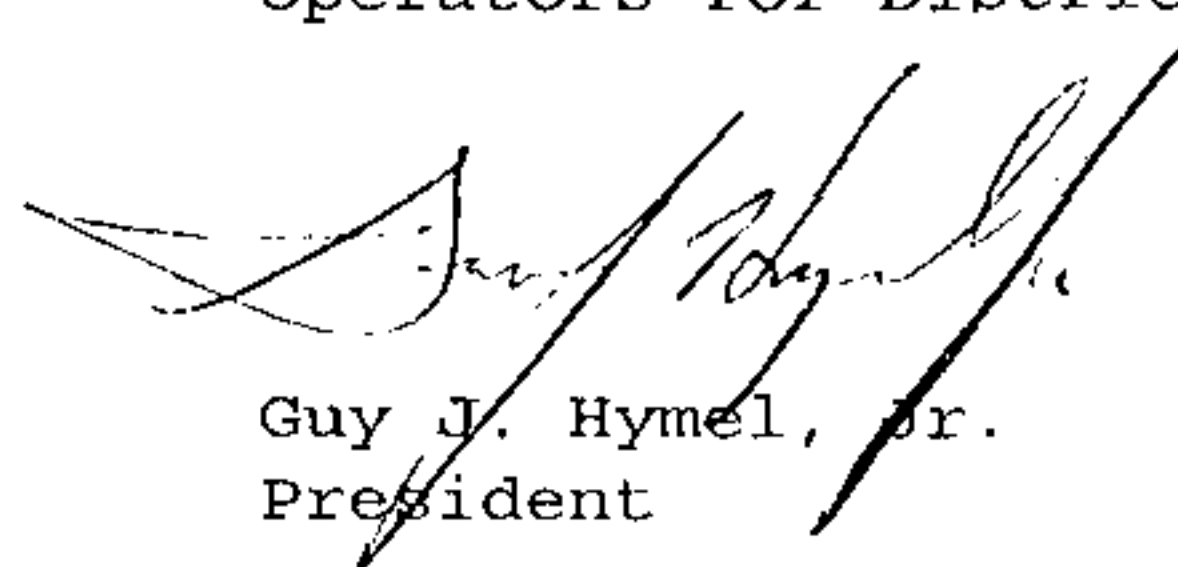
If there are any questions regarding this plan, please call Guy Hymel Jr. at (225) 545-3989.

Sincerely,

Parish of Ascension, Louisiana
Waterworks District No. 2


Victor Pédescleaux
President

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


Guy J. Hymel, Jr.
President