

RECEIVED
LEGISLATIVE AUDITOR
99 MAY 25 AM 9:13

OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in file)

**ST. HELENA PARISH WATERWORKS
DISTRICT NO. 2**

**PARISH OF ST. HELENA
GREENSBURG, LOUISIANA**

**ANNUAL FINANCIAL REPORT
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 ~~_____~~ **JUL 02 1999**

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana
Year Ended December 31, 1998

TABLE OF CONTENTS

	<u>Statement</u>	<u>Schedule</u>	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT			3
COMPONENT UNIT FINANCIAL STATEMENTS:			
PROPRIETARY FUND - ENTERPRISE FUND:			
BALANCE SHEET	A		5
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN UNRESERVED RETAINED EARNINGS	B		7
STATEMENT OF CASH FLOWS	C		8
NOTES TO THE FINANCIAL STATEMENTS			9
SUPPLEMENTARY INFORMATION:			
COMPARATIVE BALANCE SHEET		1	20
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN UNRESERVED RETAINED EARNINGS (BUDGET AND ACTUAL)		2	22
COMPARATIVE SCHEDULE OF CASH FLOWS		3	23
SCHEDULE OF INSURANCE COVERAGES		4	24
SCHEDULE OF BOARD OF COMMISSIONERS		5	25
SCHEDULE OF WATER CUSTOMERS AND SCHEDULE OF WATER RATES		6	26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS		7	27
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS		8	28
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>			29

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (504) 542-6372
FAX: (504) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Helena Parish Waterworks District No. 2
Greensburg, Louisiana 70441

We have audited the accompanying component unit financial statements of the St. Helena Parish Waterworks District No. 2, Louisiana, a component unit of the St. Helena Parish Police Jury, as of December 31, 1998, and for the year then ended, as listed in the Table of Contents. These component unit financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The St. Helena Parish Waterworks District No. 2 has included such disclosures in Note 12. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the St. Helena Parish Waterworks District No. 2's disclosure with respect to the year 2000 issue made in note 12. Further, we do not provide assurance that the St. Helena Parish Waterworks District No. 2's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the St. Helena Parish Waterworks District No. 2 does business with will be year 2000 ready.

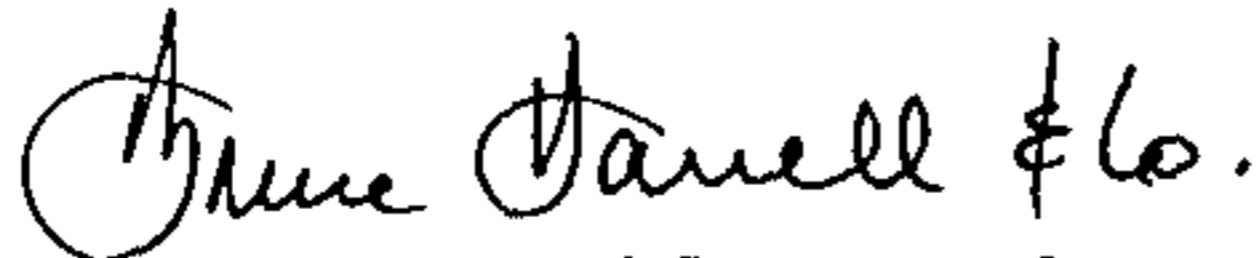
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the St. Helena Parish Waterworks District No. 2 Louisiana, component unit financial statements present fairly, in all material respects, the financial position of the St. Helena Parish Waterworks District No. 2, as of December 31, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 1999, on our consideration of the St. Helena Parish Waterworks District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
St. Helena Parish Waterworks District No. 2
Page 2

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The schedules listed in the table of contents are presented for additional analysis and are not a required part of the component unit financial statements of the St. Helena Parish Waterworks District No. 2, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.



Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

March 5, 1999

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

STATEMENT A

BALANCE SHEET - PROPRIETARY FUND TYPE
December 31, 1998

Assets	
Current Assets:	
Cash	\$ 19,262
Accounts Receivable	32,334
Allowance for Uncollectible Accounts	(604)
Prepaid Insurance	1,029
Total Current Assets	52,021
Restricted Assets:	
Cash - RUS Bond Sinking Fund	182,963
Cash - RUS Depreciation & Contingency Fund	49,400
Cash - RUS Bond Reserve Fund	65,426
Cash - Customer Deposits	28,963
Cash - Phase 4 Connection Fees	11,154
Cash - Capital Improvements Fund	100,546
Total Restricted Assets	438,452
Property, Plant and Equipment:	
Land	12,350
Buildings	24,005
Furniture and Fixtures	1,392
Vehicles	12,705
Equipment	430
Chemical Storage Tank	9,356
Water System	981,110
Water Well - RUS NE Expansion	145,424
Water Tank - RUS NE Expansion	161,715
Water Lines - RUS NE Expansion	433,552
Water System - Hwy 16 Relocation	102,599
Phase III Expansion	1,349,122
Construction in Progress	148
Total Property, Plant and Equipment	3,233,908
Less: Accumulated Depreciation	(708,286)
Net Property, Plant and Equipment	2,525,622
Total Assets	\$ 3,016,095
 Liabilities and Fund Equity	
Liabilities:	
Current Liabilities (Payable From Current Assets):	
Accounts Payable	\$ 883
Sales Tax Payable	485
Payroll Taxes Payable	250
Total Current Liabilities (Payable From Current Assets)	1,618

Continued on the following page

The accompanying notes are an integral part of these statements.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

STATEMENT A

BALANCE SHEET - PROPRIETARY FUND TYPE
(Continued)
December 31, 1998

Current Liabilities (Payable From Restricted Assets):	
Current RUS Bond Payable	\$ 11,513
Accrued RUS Bond Interest	58,742
Customer Deposits Payable	41,886
Liability for Connection Fees	10,750
Total Current Liabilities (Payable From Restricted Assets)	<u>122,891</u>
Long-Term Liabilities:	
Revenue Bonds Payable -	
RUS Original System	450,568
RUS NE Expansion	182,142
Phase III Expansion	349,636
Total Long-Term Liabilities	<u>982,346</u>
Total Liabilities	<u>1,106,855</u>
Fund Equity:	
Contributed Capital - RUS Original System	500,000
Contributed Capital - RUS NE Expansion	542,000
Contributed Capital - Hwy 16 Relocation	102,581
Contributed Capital - Fire Department	5,540
Contributed Capital - Phase III Expansion	980,000
Contributed Capital - Phase III Connection Fees	14,750
Less: Accumulated Amortization	<u>(390,979)</u>
Net Contributions	<u>1,753,892</u>
Retained Earnings:	
<i>Reserved for RUS Bond Depreciation and Contingency</i>	114,827
Unreserved Retained Earnings:	
Designated	40,521
Undesignated	<u>-</u>
Total Retained Earnings	<u>155,348</u>
Total Fund Equity	<u>1,909,240</u>
Total Liabilities and Fund Equity	<u>\$ 3,016,095</u>

(Concluded)

The accompanying notes are an integral part of these statements.

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana**

STATEMENT B

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED
RETAINED EARNINGS - PROPRIETARY FUND TYPE
Year Ended December 31, 1998**

Operating Revenues		\$ 218,151
Water Sales		8,840
Connection Fees		7,518
Late Charges		9,505
Interest		<u>244,014</u>
Total Operating Revenues		
Operating Expenses		8,343
Salaries		654
Payroll Taxes		3,250
Per Diem - Board Members		7,902
Accounting		604
Bad Debts		6,128
Billing Costs		3,125
Chemicals		36,183
Contract Management		84,403
Depreciation		350
Dues		4,777
Insurance		2,240
Meter Installations		25
Miscellaneous		920
Office Supplies & Expense		2,413
Postage		7,411
Repairs and Maintenance		5,463
Supplies - Water System		1,555
Telephone		12,634
Utilities		1,868
Vehicle Expense		<u>190,248</u>
Total Operating Expense		<u>53,766</u>
Net Operating Income		<u>(62,563)</u>
Non-Operating Revenue (Expenses):		
Interest Expense		980
Miscellaneous Income		753
Recovery-Bad Debts		<u>(60,830)</u>
Total Non-Operating Revenue (Expenses)		<u>(7,064)</u>
Net Income (Loss)		53,616
Amortization of Contributed Capital		(10,929)
Increase in Reserve for Contingencies		
Retained Earnings-Unreserved January 1, 1998		<u>4,898</u>
Retained Earnings-Unreserved December 31, 1998		<u>\$ 40,521</u>

The accompanying notes are an integral part of these statements.

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana**

STATEMENT C

**STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE
Year Ended December 31, 1998**

Cash Flows from Operating Activities:	
Operating Income	\$ <u>53,766</u>
Adjustments to Reconcile Net Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	84,403
Changes in Accounts Receivable	(7,286)
Changes in Prepaid Insurance	(47)
Changes in Accounts Payable and Accrued Expenses	(2,163)
Changes in Current Liabilities Payable from Restricted Assets	3,538
Net Cash Provided by Operating Activities	<u>78,445</u>
 Cash Flows from Capital and Related Financing Activities:	
Acquisition of property and equipment	(14,854)
Principal Repayments-	
RUS Bond - Original Water System	(7,684)
RUS Bond - RUS NE Expansion	(2,055)
RUS Bond - Phase III	(3,522)
Interest Payments - RUS Loans	(62,563)
Net Cash Used by Capital and Related Financing Activities	<u>(90,678)</u>
 Cash Flows from Non-capital Financing Activities:	
Miscellaneous Income	980
Recovery of Bad Debts	753
Net Cash Provided by Non-capital Financing Activities	<u>1,733</u>
 Net Cash Increase for Year	43,266
 Cash at Beginning of Year	<u>414,448</u>
 Cash at End of Year	<u>\$ <u>457,714</u></u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 1998

INTRODUCTION

St. Helena Parish Waterworks District No. 2 was established July, 1983, by an ordinance of the St. Helena Parish Police Jury, Greensburg, Louisiana. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a 5-member governing board of commissioners appointed by the St. Helena Police Jury.

St. Helena Parish Waterworks District No. 2 was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the St. Helena Parish Police Jury is the financial reporting entity for St. Helena Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board Statement No.14 established criteria for determining which component units should be considered part of the St. Helena Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Because the St. Helena Parish Police Jury appoints the governing board, has the ability to significantly influence operations, and the scope of public service is within the police jury, the district was determined to be a component unit of the St. Helena Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

C. FUND ACCOUNTING

The St. Helena Parish Waterworks District No. 2 was organized and is operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

F. INVENTORIES

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

G. PREPAID ITEMS

Prepaid items consist of prepaid insurance premiums.

H. RESTRICTED ASSETS

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

I. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

J. COMPENSATED ABSENCES

At December 31, 1998, the district did not have employees that accumulate or vest benefits.

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

L. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserve

Reserves represent those portions of fund equity legally segregated for a specific future use.

M. USE OF ESTIMATES

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. CASH AND CASH EQUIVALENTS

At December 31, 1998, the district had cash and cash equivalents (book balances) totaling \$457,714, as follows:

Demand deposits	\$	2,256
Interest bearing demand deposits		445,458
Certificates of Deposit		10,000
Total		\$457,714

These deposits are stated at cost, which approximates market value. 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 the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the district had \$464,603 in collected bank balances deposited in two separate banks. For the first bank, collected bank balances at December 31, 1998, totaled \$329,258, and consisted of \$308,943 in interest bearing accounts, and \$20,315 in non-interest bearing accounts. The interest bearing accounts, totaling \$308,943, were secured by \$100,000 of federal deposit insurance and \$208,943 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The non-interest bearing accounts, totaling \$20,315, were secured by \$100,000 of federal deposit insurance. In the second bank, the district had collected bank balances totaling \$135,345, and consisting of \$129,674 in interest bearing accounts and \$5,671 in non-interest bearing accounts. The non-interest bearing accounts, totaling \$5,671, were secured by \$100,000 of federal deposit insurance. The interest bearing accounts, totaling \$129,674, were secured by \$100,000 of federal deposit insurance and \$29,674 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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 of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The Water Enterprise Fund customer accounts receivable at December 31, 1998, consisted of the following:

Current	\$	21,814
31 - 60		5,733
61 - 90		2,231
Over 90		2,556
Total		\$ 32,334
Less: Allowance for Bad Debts		(604)
Accounts Receivable, Net		\$ 31,730

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The board of commissioners of St. Helena Parish Waterworks District No. 2 established a monthly allowance for uncollectible accounts, at \$150 per month, the amount based on past experience in customer collections.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Periodically, the board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 1998, the district recorded bad debt expense of \$ 604.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 1998, accrued billings amounts were \$ 5,837.

4. RESTRICTED ASSETS

Restricted assets were applicable to the following at December 31, 1998:

Bond Sinking Fund	\$ 182,963
Bond Contingency Fund	49,400
Bond Reserve Fund	65,426
Customers' Deposits	28,963
Phase 4 Connection Fees	11,154
Capital Improvement Fund	100,546
Total Restricted Assets	<u>\$ 438,452</u>

Of the restricted assets listed above, the restricted assets designated for the Capital Improvement Fund, totaling \$100,546 are restricted by the board of directors for future capital projects. The amount of \$11,154, for Phase 4 Connection Fees, consists of connection fees collected for the United States Department of Agriculture, Rural Utilities Service (RUS) Phase 4 Project, and are segregated as a liability of the district, pending final completion of the RUS project.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund type property, utility plant and equipment in service at December 31, 1998, follows:

Description	Life/Years	Cost	Accumulated Depreciation	Net
Land	N/A	\$ 12,350	\$ -	\$ 12,350
Buildings & Improvements	20	24,005	16,296	7,709
Furniture & Fixtures	10	1,392	1,392	-
Vehicles	5	12,705	12,705	-
Equipment	10	430	430	-
Chemical Storage Tank	10	9,356	78	9,278
Original RUS Project:				-
Water System	40	698,637	236,562	462,075
Water Well	20	157,502	104,797	52,705
Water Tank	40	124,971	42,177	82,794
Water System (RUS NE EXP):				
Water Well	40	145,424	33,326	112,098
Water Tank	40	161,715	36,386	125,329
Water Lines	40	433,552	97,226	336,326
Water System- Highway 16 Relocation	40	102,599	17,955	84,644
Phase III Water System	40	1,349,122	108,956	1,240,166
Construction in Progress	-	148	-	-
Totals		<u>\$ 3,233,908</u>	<u>\$ 708,286</u>	<u>\$ 2,525,474</u>

Included in the above total is construction in progress of \$148, for the Rural Utilities Service Phase IV project.

Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water distribution system uses a useful life of 20 to 40 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 1998, totaled \$84,403.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. LONG-TERM DEBT

The following is a summary of the long-term liability transactions during the year:

	1984 Revenue Bonds	1987 Revenue Bonds	1994 Revenue Bonds	Total
Long-Term Liabilities Payable at Beginning of Year	\$ 465,368	\$ 185,306	\$ 356,446	\$ 1,007,120
Additions	-	-	-	-
Deletions	7,684	2,055	3,522	13,261
Long-Term Liabilities Payable at End of Year	<u>\$ 457,684</u>	<u>\$ 183,251</u>	<u>\$ 352,924</u>	<u>\$ 993,859</u>

As of December 31, 1998, there are three revenue bonds outstanding. The original bond was issued on January 26, 1984, at Five-Hundred Twenty-Four Thousand Dollars (\$524,000), numbered R-1, and issued at the rate of 7.25% to the U.S. Rural Utilities Service (RUS) office. Under the terms of the agreement, an interest only payment was due on January 26, for the two years following the bond issue date. Beginning with the third annual payment date of January 26, 1987, and thereafter on each succeeding annual payment date, an annual payment of \$41,423 is required until interest and principal are fully paid. The final date for payment of the entire indebtedness, if not paid sooner, shall be not later than forty (40) years from bond issue date.

The second revenue bond represents RUS funding for the Northeast Expansion Project. On August 13, 1987, the governing authority passed a resolution to issue an additional \$198,000 of revenue bonds for the purpose of improving and extending the water system. As of December 31, 1991, the expansion project was completed. Under the terms of the RUS "Letter of Conditions" issued August 4, 1987, the loan is to be repaid over a period not exceeding 40 years from the date of the bond and at an interest rate of 6.375%. An interest payment only was due 12 months from the date of the bond, with the first amortized payment of principal and interest due 2 years from the date of the bond and annually thereafter. The annual payment of principal and interest totals \$13,868.

The third bond, dated 5/26/94, totaling \$360,000, was issued at an annual interest rate of 5.0%, and provided funding for the RUS Phase III project. Under the terms of funding by the Rural Utilities Service, interest payments were made on January 26, 1995 of \$8,176, and \$17,995 on January 26, 1996. Installments of principal and interest, totaling \$21,344 are to be made on an annual basis, beginning January 26, 1997, with the loan to be repaid over a period not exceeding 40 years from the date of the bond.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize all debt outstanding, including interest payments of \$1,355,409, are as follows:

Year Ending December 31,	Water System Revenue - RUS \$524,000	Water System Revenue - RUS NE Expansion \$198,000	Water System Revenue- RUS \$360,000	Total
1999	\$ 41,423	\$ 13,868	\$ 21,344	\$ 76,635
2000	41,423	13,868	21,344	76,635
2001	41,423	13,868	21,344	76,635
2002	41,423	13,868	21,344	76,635
2003	41,423	13,868	21,344	76,635
2004-2008	207,115	69,340	106,720	383,175
2009-2013	207,115	69,340	106,720	383,175
2014-2018	207,115	69,340	106,720	383,175
2019-2023	207,115	69,340	106,720	383,175
2024-2028	124,269	69,340	106,720	300,329
2029-2033	-	5,000	106,720	111,720
2034-2035	-	-	21,344	21,344
Totals	<u>\$ 1,159,844</u>	<u>\$ 421,040</u>	<u>\$ 768,384</u>	<u>\$ 2,349,268</u>

7. FLOW OF FUNDS, RESTRICTIONS ON USE

Specific legal requirements for reserve accounts are as follows:

- a) There shall be established a "Water System Revenue Bond and Sinking Fund" - sufficient in amount to pay the principal and interest on outstanding revenue bonds as they become due and payable. Payments are to be made from the Operating Fund (Revenue Fund) of the district, to the "Revenue Sinking Fund" by the 20th of each month, in an amount equal to 1/12 of the interest and principal falling due on the next bond payment date. Monies in the "Revenue Sinking Fund" are deposited as Trust Funds, and are exclusively pledged for the purpose of paying principal and interest on the Revenue Bonds.

The district made all of the required deposits for the original RUS Bond, dated January 26, 1984, and for the RUS Bonds dated August 13, 1987, and May 26, 1994, maintaining a total of \$182,963 for the fiscal year ended December 31, 1998.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- b) Bond reserve requirements apply to the original bond dated January 26, 1984, to the bond for the RUS NE Expansion dated August 13, 1987, and as modified by the RUS Letter of Conditions, dated January 15, 1993, to the bond dated May 26, 1994.

There shall be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent (5%) of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.

Combined payment requirements for all RUS bond issues, as of December 31, 1998, are \$320 per month.

The twelve required monthly payments to the "Revenue Bond Reserve Fund" were made for the year 1998 with a balance maintained of \$65,426 at December 31, 1998.

- c) Funds are also to be deposited into a "Depreciation and Contingency Fund", under the term of the bond agreements. Combined payment requirements for all RUS bond issues, as of December 31, 1998, and as modified by the RUS Letter of Conditions, dated January 15, 1993, are \$327 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds.

The twelve required monthly payments to the "Depreciation & Contingency Fund" were made for the year 1998. Balance in the "Depreciation and Contingency Fund" at December 31, 1998, was \$49,400.

All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

8. RESERVED RETAINED EARNINGS

Reserved Retained Earnings, totaling \$114,827, is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account based on assets held by the water district that are restricted for bond payments and emergency repairs. The purpose of the reserved retained earnings is to service the revenue bonds.

9. UNRESERVED RETAINED EARNINGS-DESIGNATED

The board of commissioners of the district at December 31, 1998 had designated a total of \$40,521 for future capital improvement projects.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. WATER SYSTEM MANAGEMENT

The water system, under the direction of the board of commissioners of St. Helena Parish Waterworks District No.2, is operated by a system manager. The manager receives customer service calls, collects payments from customers, and performs routine maintenance work for the district. Subsequent to the end of the December 31, 1996 fiscal year, a management contract was approved for operation of the water system.

11. CONSTRUCTION COMMITMENTS

During the fiscal year ending December 31, 1996, St. Helena Parish Waterworks District No. 2 received preliminary approval, subject to the "Letter of Conditions" dated July 8, 1996, from the Rural Utilities Service office, U.S. Department of Agriculture, for funding of an additional project for water system improvements. Final approval will provide funding of \$610,000, consisting of a grant not to exceed \$410,000, and a loan not to exceed \$200,000, and will serve an estimated 225 additional water customers. This project had not been implemented as of December 31, 1998.

12. 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.

The St. Helena Parish Waterworks District No. 2, Louisiana, has not inventoried computer systems and other electronic equipment that may be effected by the year 2000 issue and that are necessary to conducting the district operations. It is unknown as of December 31, 1998, what effects, if any, failing to remediate any such systems will have upon the St. Helena Parish Waterworks District No. 2 operations and financial reporting.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that the St. Helena Parish Waterworks District No. 2 is or will be year 2000 ready, that the St. Helena Waterworks District No.2's remediation efforts will be successful in whole or in part, or that parties with whom the St. Helena Waterworks District No. 2 does business will be year 2000 ready.

SUPPLEMENTARY INFORMATION

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

SCHEDULE 1

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE
December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
Assets:		
Current Assets:		
Cash	\$ 19,262	\$ 16,090
Accounts Receivable	32,334	26,275
Allowance for Uncollectible Accounts	(604)	(1,831)
Prepaid Insurance	1,029	982
Total Current Assets	52,021	41,516
Restricted Assets:		
Cash - RUS Bond Sinking Fund	182,963	160,381
Cash - RUS Depreciation & Contingency Fund	49,400	44,321
Cash - RUS Bond Reserve Fund	65,426	59,576
Cash - Customer Deposits	28,963	29,292
Cash - Phase 4 Connection Fees	11,154	6,718
Cash - Capital Improvements Fund	100,546	98,070
Total Restricted Assets	438,452	398,358
Property, Plant and Equipment:		
Land	12,350	7,000
Buildings	24,005	24,005
Furniture and Fixtures	1,392	1,392
Vehicles	12,705	12,705
Equipment	430	430
Chemical Storage Tank	9,356	-
Water System	981,110	981,110
Water Well - RUS NE Expansion	145,424	145,424
Water Tank - RUS NE Expansion	161,715	161,715
Water Lines - RUS NE Expansion	433,552	433,552
Water System - Hwy 16 Relocation	102,599	102,599
Phase III Expansion	1,349,122	1,349,122
Construction in Progress	148	-
Total Property, Plant and Equipment	3,233,908	3,219,054
Less: Accumulated Depreciation	(708,286)	(623,883)
Net Property, Plant and Equipment	2,525,622	2,595,171
Total Assets	\$ 3,016,095	\$ 3,035,045
Liabilities and Fund Equity		
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 883	\$ 3,176
Sales Tax Payable	485	484
Payroll Taxes Payable	250	121
Total Current Liabilities (Payable From Current Assets)	1,618	3,781

Continued on the following page

The accompanying notes are an integral part of these statements.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

SCHEDULE 1

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE
(Continued)
December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
Current Liabilities (Payable From Restricted Assets):		
Current RUS Bond Payable	\$ 11,513	\$ 13,261
Accrued RUS Bond Interest	58,742	59,555
Customer Deposits Payable	41,886	41,736
Liability for Connection Fees	10,750	6,550
Total Current Liabilities (Payable From Restricted Assets)	122,891	121,102
Long-Term Liabilities:		
Revenue Bonds Payable -		
RUS Original System	450,568	457,684
RUS NE Expansion	182,142	183,251
Phase III Expansion	349,636	352,924
Total Long-Term Liabilities	982,346	993,859
Total Liabilities	1,106,855	1,118,742
Fund Equity:		
Contributed Capital - RUS Original System	500,000	500,000
Contributed Capital - RUS NE Expansion	542,000	542,000
Contributed Capital - Hwy 16 Relocation	102,581	102,581
Contributed Capital - Fire Department	5,540	5,540
Contributed Capital - Phase III Expansion	980,000	980,000
Contributed Capital - Phase III Connection Fees	14,750	14,750
Less: Accumulated Amortization	(390,979)	(337,363)
Net Contributions	1,753,892	1,807,508
Retained Earnings:		
Reserved for RUS Bond Depreciation and Contingency	114,827	103,897
Unreserved Retained Earnings:		
Designated	40,521	4,898
Undesignated	-	-
Total Retained Earnings	155,348	108,795
Total Fund Equity	1,909,240	1,916,303
Total Liabilities and Fund Equity	\$ 3,016,095	\$ 3,035,045

(Concluded)

The accompanying notes are an integral part of these statements.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

SCHEDULE 2

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED
RETAINED EARNINGS (BUDGET AND ACTUAL)-PROPRIETARY FUND TYPE
Year Ended December 31, 1998
And Actual for the Year Ended December 31, 1997**

	Enterprise Fund			
	1998 Budget	1998 Actual	Variance- Favorable (Unfavorable)	
Operating Revenues				
Water Sales	\$ 210,000	\$ 218,151	\$ 8,151	\$ 204,372
Connection Fees	8,903	8,840	(63)	9,115
Late Charges	7,535	7,518	(17)	7,651
Interest	8,903	9,505	602	9,483
Total Operating Revenues	235,341	244,014	8,673	230,621
Operating Expenses				
Salaries	8,200	8,343	(143)	6,304
Payroll Taxes	600	654	(54)	497
Per Diem - Board Members	3,000	3,250	(250)	2,600
Accounting	7,500	7,902	(402)	7,988
Bad Debts	2,640	604	2,036	1,111
Billing Costs	5,610	6,128	(518)	7,105
Chemicals	6,000	3,125	2,875	-
Contract Management	37,000	36,183	817	35,658
Depreciation	86,604	84,403	2,201	86,397
Dues	150	350	(200)	-
Insurance	4,597	4,777	(180)	4,949
Meter Installations	2,800	2,240	560	3,550
Miscellaneous	-	25	(25)	189
Office Supplies & Expense	997	920	77	1,774
Postage	2,400	2,413	(13)	585
Repairs and Maintenance	7,500	7,411	89	9,054
Supplies - Water System	6,397	5,463	934	7,635
Telephone	1,650	1,555	95	1,586
Utilities	12,000	12,634	(634)	11,071
Vehicle Expense	1,500	1,868	(368)	1,359
Total Operating Expense	197,145	190,248	6,897	189,412
Net Operating Income	38,196	53,766	15,570	41,209
Non-Operating Revenue (Expenses):				
Interest Expense	(64,811)	(62,563)	2,248	(63,427)
Miscellaneous Income	97	980	883	264
Recovery-Bad Debts	450	753	303	350
Total Non-Operating Revenue (Expenses)	(64,264)	(60,830)	3,434	(62,813)
Net Income (Loss)	\$ (26,068)	(7,064)	\$ 19,004	\$ (21,604)
Amortization of Contributed Capital		53,616		
Increase in Reserve for Contingencies		(10,929)		
Retained Earnings-Unreserved January 1, 1998		4,898		
Retained Earnings-Unreserved December 31, 1998		\$ 40,521		

The accompanying notes are an integral part of these statements.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
Greensburg, Louisiana

SCHEDULE 3

COMPARATIVE STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE
Years Ended December 31, 1998 and 1997

	<u>12/31/98</u>	<u>12/31/97</u>
Cash Flows from Operating Activities:		
Operating Income	\$ 53,766	\$ 41,209
Adjustments to Reconcile Net Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	84,403	86,397
Changes in Accounts Receivable	(7,286)	(1,310)
Changes in Prepaid Insurance	(47)	(336)
Changes in Accounts Payable and Accrued Expenses	(2,163)	(2,508)
Changes in Current Liabilities Payable from Restricted Assets	3,538	5,502
Net Cash Provided by Operating Activities	<u>78,445</u>	<u>87,745</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of property and equipment	(14,854)	-
Principal Repayments-		
RUS Bond - Original Water System	(7,684)	(7,872)
RUS Bond - RUS NE Expansion	(2,055)	(2,120)
RUS Bond - Phase III	(3,522)	(3,621)
Interest Payments - RUS Loans	(62,563)	(63,427)
Net Cash Used by Capital and Related Financing Activities	<u>(90,678)</u>	<u>(77,040)</u>
Cash Flows from Non-capital Financing Activities:		
Miscellaneous Income	980	264
Recovery of Bad Debts	753	350
Net Cash Provided by Non-capital Financing Activities	<u>1,733</u>	<u>614</u>
Net Cash Increase for Year	43,266	52,528
Cash at Beginning of Year	<u>414,448</u>	<u>361,920</u>
Cash at End of Year	\$ <u>457,714</u>	\$ <u>414,448</u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena

SCHEDULE 4

SCHEDULE OF INSURANCE COVERAGES
December 31, 1998

Insurance Company	Coverage	Effective Date	Expiration Date
Valley Forge Insurance Company Policy # BI 63587532	Employee Dishonesty - Blanket coverage of \$100,000.	01/22/98	01/22/99
Valley Forge Insurance Company Policy # BI 63587532	Business Auto Coverage of \$300,000 combined Single Limit Liability Coverage, Uninsured Motorists Coverage of \$300,000, \$250 deductible Comprehensive, \$500 deductible Collision, for 1992 Chevrolet ½ Ton P/U	01/22/98	01/22/99
Valley Forge Insurance Company Policy # BI 63587532	--Property Coverages of \$18,000 for Building; \$4,000 for contents. --Property coverages of \$109,000 for pump station and water tower at 2503 Hillsdale Rd. --Property coverages of \$3,000 for water tower and well site/pumping Station at Hwy 10, Greensburg	01/22/98	01/22/99
General Star Indemnity Company Policy # IYA602235	Public Officials Liability limits at \$1,000,000, and deductible of \$1,000.	09/02/98	09/02/99
Louisiana Workers' Compensation Policy # 17223-1	Workmen's Compensation at statutory limits, Employer's Liability at \$100,000	04/17/98	04/17/99
Valley Forge Insurance Company Policy # BI 6329732	--Premises and Operations Liability Limits at \$600,000 Aggregate limit; \$300,000 per occurrence, and personal and advertising Injury and products liability coverage limits at \$100,000 each occurrence; Fire Damage Limit at \$50,000	01/22/98	01/22/99

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena**

SCHEDULE 5

**SCHEDULE OF BOARD OF COMMISSIONERS
December 31, 1998**

<u>Board of Commissioners</u>	<u>Per Diem Payments</u>	<u>Term of Office</u>
Claude Sharkey, President Rt. 1, Box 77 Amite, Louisiana 70422	\$ 650	07/26/97 - 07/26/2003
James Ash, Vice-President Rt. 3, Box 322 Greensburg, Louisiana 70441	650	07/27/96 - 07/26/2002
Jim Hitchens, Secretary-Treasurer Rt. 1, Box 83-AA Amite, Louisiana 70422	650	07/26/94 - 07/26/1999
Leroy Jones, Sr. 16375 HWY 441 Kentwood, Louisiana 70444	650	07/27/95 - 07/26/2001
Hucy Davis Rt. 4, Box 261 Amite, Louisiana 70422	650	07/26/98 - 07/26/2004
	<u>\$ 3,250</u>	

St. Helena Parish Waterworks District No. 2
Parish of St. Helena

SCHEDULE 6

SCHEDULE OF WATER CUSTOMERS
December 31, 1998

As of December 31, 1998, the water district had the following number of customers.

Water-Residential	895
Commercial/Dairy	<u>42</u>
Total Water Customers	<u><u>937</u></u>

SCHEDULE OF WATER RATES
December 31, 1998

<u>Usage</u>	<u>Monthly Charge</u>
Residential:	
First 2,000 gallons	\$ 9.00
Next 4,000 gallons	2.50 per 1,000 gallons
Next 4,000 gallons	1.50 per 1,000 gallons
Over 10,000 gallons	1.00 per 1,000 gallons
Commercial:	
First 10,000 gallons	\$ 25.00
All over 10,000 gallons	.80 per 1,000 gallons
Dairy:	
First 20,000 gallons	\$ 25.00
All over 20,000 gallons	.80 per 1,000 gallons

**St. Helena Parish Waterworks District No. 2
Parish of St. Helena**

SCHEDULE 7

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 1998**

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 97-1

Fiscal Year Finding Initially Occurred:

Description of Finding:

During the fiscal year ending December 31, 1997, interest-bearing deposits totaling \$127,414, were secured by \$100,000 of federal deposit insurance, with the remaining balance of \$27,414 not secured by a pledge of securities at December 31, 1997.

Corrective Action Planned:

It was noted that the deposits were in a second bank in which the funds had recently been increased above the FDIC limit of \$100,000. Upon notification of the problem, the bank increased pledged security amounts to cover the deficiency.

Corrective Action Taken: Final

Section II - Management Letter

No Section II Findings.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena

SCHEDULE 8

Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 1998

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 98-1

Description of Finding:

It was noted within Footnote 12 (Year 2000 Issue) of the *Notes to the Financial Statements*, that the district has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue. It was also noted that management of the district cannot assure that parties with which the district does business will be year 2000 ready. The district relies primarily on services of outside agents for processing of accounting data and utility billings.

Corrective Action Planned (Response by Management):

The district will maintain contact with all entities providing accounting and billing services to determine that systems are year 2000 compliant.

Anticipated Completion Date:

We will check with the above described agencies immediately and throughout the remainder of the year to determine year 2000 compliance for systems and programs that process financial and management data of the water district.

Name of Contact Person:

Claude Sharkey, President
St. Helena Parish Waterworks District No. 2
Rt. 1, Box 77
Amite, Louisiana 70422
(504) 748-4657

Section II - Management Letter

No findings for Section II.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Bruce C. Harrell, CPA
Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (504) 542-6372
FAX: (504) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of CPAs
Society of Louisiana CPA's

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

Board of Commissioners
St. Helena Parish Waterworks District No. 2
Greensburg, Louisiana 70441

We have audited the component unit financial statements of the St. Helena Parish Waterworks District No. 2, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated March 5, 1999, which was qualified because insufficient audit evidence exists to support the St. Helena Parish Waterworks District No. 2's disclosure with respect to year 2000 issue. Except as discussed in the preceding sentence, we conducted our 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 St. Helena Parish Waterworks District No. 2, Louisiana's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Summary Schedule of Prior Audit Findings as Reference No. 97-1, and within the Corrective Action Plan for Current Year Audit Findings as Reference No. 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Helena Parish Waterworks District No. 2, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect St. Helena Parish Waterworks District No. 2, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
St. Helena Parish Waterworks District No. 2
Page 2

A material weakness is a reportable condition in which the design and 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. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the Legislative Auditor, and the U. S. Rural Utility Service office. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

March 5, 1999