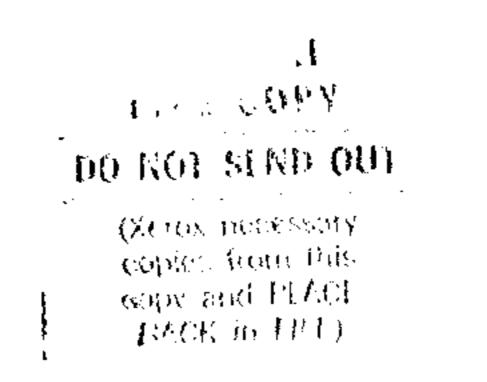
YEAR ENDED DECEMBER 31, 1999

ANNUAL FINANCIAL REPORT

PARISH OF ST. HELENA GREENSBURG, LOUISIANA

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



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PUCEIVED

LECISLA DE ARRIDE

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 4/19/00

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St. Helena Parish Waterworks District No. 2 Parish of St. Helena Greensburg, Louisiana Year Ended December 31, 1999

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St. Helena Parish Waterworks District No. 2 Parish of St. Helena Greensburg, Louisiana Year Ended December 31, 1999

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

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

Bruce C. Harrell, CPA

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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 general purpose 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, 1999, and for the year then ended, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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.

In our opinion, the St. Helena Parish Waterworks District No. 2's, general purpose financial statements present fairly, in all material respects, the financial position of the St. Helena Parish Waterworks District No. 2, as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

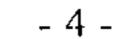
In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2000, on our consideration of the St. Helena Parish Waterworks District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

The Janell \$ 6.

Bruce Harrell and Company, CPAs **A Professional Accounting Corporation**

February 18, 2000



STATEMENT A

BALANCE SHEET - PROPRIETARY FUND TYPE December 31, 1999

ASSETS Current Assets: Cash \$ 39,558 Accounts Receivable (Net) 28,957 Accrued Billings 5,226 Duc From Rural Utility Service 40,000 Prepaid Insurance 1,018 **Total Current Assets** 114,759 **Restricted Assets:** Cash - RUS Bond Sinking Fund 166,369 Cash - RUS Depreciation & Contingency Fund 55,564 Cash - RUS Bond Reserve Fund 72,780 Cash - Customer Deposits 29,574 Cash - Phase IV Construction 1,720 Cash - Capital Improvements Fund 145,075

Total Restricted Assets		471,082
Property, Plant and Equipment:		
Land		12,350
Buildings		24,005
Furniture and Fixtures		1,591
Vchicles		12,705
Equipment		6,250
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	_	406,574
Total Property, Plant and Equipment		3,646,353
Less: Accumulated Depreciation	_	(793,501)
Net Property, Plant and Equipment	-	2,852,852
Total Assets	\$_	3,438,693

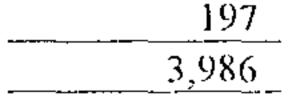
LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets): Accounts Payable

\$

Sales Tax Payable Payroll Taxes Payable Total Current Liabilities (Payable From Current Assets)



Continued on the following page The accompanying notes are an integral part of these statements. - 5 -

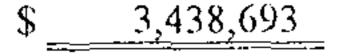
STATEMENT A

BALANCE SHEET - PROPRIETARY FUND TYPE (Continued) December 31, 1999

Current Liabilities (Payable From Restricted Assets):	
Current RUS Bond Payable	\$ 15,426
Accrued RUS Bond Interest	56,925
Customer Deposits Payable	45,036
Accrued Construction Interest	2,548
Construction Accounts Payable	38,000
Construction Retainage Payable	32,658
Liability for Connection Fees	 12,000
Total Current Liabilities (Payable From Restricted Assets)	202,593
Long-Term Liabilities:	
Revenue Bonds Payable -	
•	

RUS Original System	441,190
RUS NE Expansion	178,944
Phase III Expansion	345,651
Phase IV Expansion	199,553
Total Long-Term Liabilities	1,165,338
Total Liabilities	1,371,917
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
Contributed Capital - Phase IV Construction	173,000
Less: Accumulated Amortization	(443,133)
Net Contributions	1,874,738
Retained Earnings:	
Reserved for RUS Bond Depreciation and Contingency	128,343
Unreserved Retained Earnings:	
Designated	63,695
Undesignated	
Total Retained Earnings	192,038
Total Fund Equity	2,066,776

Total Liabilities and Fund Equity



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(Concluded) The accompanying notes are an integral part of these statements.

- 6 -

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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, 1999

Operating Revenues		
Water Sales	\$	219,572
Connection Fees		12,915
Late Charges		7,993
Interest		14,464
Total Operating Revenues	_	254,944
Operating Expenses		
Salaries		7,782
Payroll Taxes		610
Per Diem - Board Members		2,650
Accounting		10,170
Bad Debts		569
Billing Costs		6,276
Chemicals		2,168
Contract Management & Operations		40,965

Depreciation	85,215
Dues	150
Insurance	5,352
Meter Installations	6,475
Miscellancous	196
Office Supplies & Expense	1,142
Postage	2,464
Repairs and Maintenance	8,126
Supplies - Water System	10,136
Telephone	1,677
Utilities	13,923
Advertising	979
Contract Labor	125
Vehicle Expense	1,917
Total Operating Expense	209,067
Net Operating Income	45,877
Non-Operating Revenue (Expenses):	
Interest Expense	(61,720)
Bond Commission	(130)
Miscellancous Income	45
Recovery-Bad Debts	471
Total Non-Operating	
Revenue (Expenses)	(61,334)
Net Income (Loss)	<u>(61,334)</u> (15,457)
Retained Earnings-Unreserved, Beginning	40,521

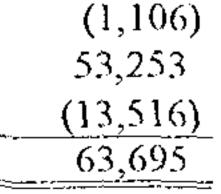
Prior Period Adjustment (Note 12) Amortization of Contributed Capital Increase in Reserve for Contingencies Retained Earnings-Unreserved

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The accompanying notes are an integral part of these statements. - 7 -

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STATEMENT C

STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE Year Ended December 31, 1999

Cash Flows from Operating Activities:	
Operating Income \$	45,877
Adjustments to Reconcile Net Operating Income to Net Cash	<u></u>
Provided by Operating Activities:	
Depreciation	85,215
Changes in Accounts Receivable	(3,064)
Changes in Accrued Billings	611
Changes in Due From Rural Utiltiy Service	(40,000)
Changes in Prepaid Insurance]]
Changes in Accounts Payable and Accrued Expenses	2,363
Changes in Current Liabilities Payable from Restricted Assets	79,701
Net Cash Provided by Operating Activities	124,837

Cash Flows from Capital and Related Financing Activities:

- - - - - ..

Acquisition of property and equipment	(412,445)
Phase IV RUS Bond Proceeds	199,553
Phase IV RUS Capital Contribution	173,000
Principal Repayments-	-
RUS Bond - Original Water System	(9,379)
RUS Bond - RUS NE Expansion	(3,198)
RUS Bond - Phase III	(3,985)
Interest Payments - RUS Loans	(61,720)
Net Cash Used by Capital and Related Financing Activities	(118,174)
Cash Flows from Non-capital Financing Activities:	
Miscellaneous Income	45
Bond Commission	(130)
Recovery of Bad Debts	471
Net Cash Provided by Non-capital Financing Activities	386
Net Cash Increase for Year	52,926
Cash at Beginning of Year	457,714
Cash at End of Year	\$ <u>510,640</u>

The accompanying notes are an integral part of these statements.

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As of and for the Year Ended December 31, 1999

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 Parish 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

The district is a component unit of the St. Helena Parish Police Jury, the financial reporting entity. The police jury is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

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 financial 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 carned 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.

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As of and for the Year Ended December 31, 1999 (Continued)

CASH AND CASH EQUIVALENTS AND INVESTMENTS E.

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.

INVENTORIES F.

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.

PREPAID ITEMS G.

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.

FIXED ASSETS I.

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.

COMPENSATED ABSENCES J.

At December 31, 1999, the district did not have employees that accumulate or vest benefits.

LONG-TERM LIABILITIES Κ.

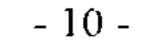
Long-term liabilities are recognized within the Enterprise Fund.

FUND EQUITY L.

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.







As of and for the Year Ended December 31, 1999 (Continued)

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.

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As of and for the Year Ended December 31, 1999 (Continued)

2. CASH AND CASH EQUIVALENTS

At December 31, 1999, the district had cash and cash equivalents (book balances) totaling \$510,640, as follows:

Demand Deposits	\$ 195,465
Time and Savings Accounts	315,075
Other	100
Total	\$510,640

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, 1999, the district had \$515,018 in collected bank balances deposited in two separate banks. For the first bank, collected bank balances at December 31, 1999, totaled \$339,270, and consisted of \$179,270 in demand deposit accounts, and \$160,000 in time and savings accounts. The demand deposit accounts, totaling \$179,270, were secured by \$100,000 of federal deposit insurance and \$79,270 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings accounts, totaling \$160,000, were secured by \$100,000 of federal deposit insurance, and \$60,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). In the second bank, the district had collected bank balances totaling \$175,748, and consisting of \$20,673 in demand deposit accounts and \$155,075 in time and savings accounts. The demand deposit accounts, totaling \$20,673, were secured by \$100,000 of federal deposit insurance. The time and savings accounts, totaling \$155,075, were secured by \$100,000 of federal deposit insurance and \$55,075 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.

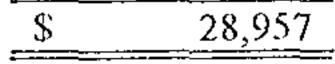
3. RECEIVABLES

The Water Enterprise Fund customer accounts receivable at December 31, 1999, consisted of the following:

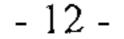
Current	\$ 23,581
31 - 60	2,851
61 - 90	792
Over 90	2,302
Total	\$ 29,526
Less: Allowance for Bad Debts	(569)

Less. Anomance for Data Debts





Accounts Receivable, Net



As of and for the Year Ended December 31, 1999 (Continued)

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 \$220 per month, the amount based on past experience in customer collections. 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, 1999, the district recorded bad debt expense of \$569.

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, 1999, accrued billings amounts were \$5,226.

4. RESTRICTED ASSETS

Restricted assets were applicable to the following at December 31, 1999:

Bond Sinking Fund

166,369

\$

Bond Contingency Fund	55,564
Bond Reserve Fund	72,780
Customers' Deposits	29,574
Phase IV Construction	1,720
Capital Improvement Fund	145,075
Total Restricted Assets	\$ 471,082

Of the restricted assets listed above, the restricted assets designated for the Capital Improvement Fund, totaling \$145,075 are restricted by the board of directors for future capital projects. The amount of \$1,720, for Phase IV Construction, consists of funds restricted for construction expenditures for the United States Department of Agriculture, Rural Utilities Service (RUS) Phase IV Project.

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As of and for the Year Ended December 31, 1999 (Continued)

5. PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund type property, utility plant and equipment in service at December 31, 1999, follows:

Description	Life/Years	 Cost	Accumulated Depreciation	Net	
Land	N/A	\$ 12,350	\$ -	\$ 12,350	
Buildings &				-	
Improvements	20	24,005	17,496	6,509	
Furniture & Fixtures	10	1,591	1,422	169	
Vehicles	5	12,705	12,705	-	
Equipment	10	6,250	1,231	5,019	
Chemical Storage Tank	10	9,356	156	9,200	
Original RUS Project:					
Water System	40	698,637	253,971	444,666	
Water Well	20	157,502	112,559	44,943	
Water Tank	40	124,971	45,301	79,670	
Water System (RUS NE EXP):				·	
Water Well	40	145,424	36,962	108,462	
Water Tank	40	161,715	40,429	121,286	
Water Lines	40	433,552	108,065	325,487	
Water System- Highway 16					
Relocation	40	102,599	20,520	82,079	
Phase III Water System	40	1,349,122	142,684	1,206,438	
Construction in Progress	-	 406,574	-	406,574	
Totals		\$ 3,646,353	\$ 793,501	\$ 2,852,852	

Included in the above total is construction in progress of \$406,574, for the Rural Utilities Service Phase IV project. The total of \$406,574 includes \$2,548 in construction period interest expense as of December 31, 1999.

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, 1999, totaled \$85,215.

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As of and for the Year Ended December 31, 1999 (Continued)

6. LONG-TERM DEBT

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

]	1984 Revenue Bonds]	1987 Revenuc <u>Bonds</u>		1994 Revenue <u>Bonds</u>	1999 Revenue Bonds	• 	Total
Long-Term Liabilities Payable at Beginning of Year	\$	457,684	\$	183,251	\$	352,924	-	\$	993,859
Additions		-		-		-	200,000		200,000
Deletions		7,695	.	1,994		3,406		-	13,095

Long Town Lightlition

Long-I cim Liaonnies						
Payable at						
End of Year	\$ 449 989	\$ 181.257	\$ 349 518	\$ 200.000	\$	1,180,764
	 		 		====:::	1,100,704

As of December 31, 1999, there are four 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.

The fourth bond, dated 8/26/99, totaling \$200,000, was issued at an annual interest rate of 4.75%, and provided funding for the RUS Phase IV project, under construction at December 31, 1999. Under the terms of funding by the Rural Utilities Service, an interest payment only is due on August 26, 2000, with monthly principal and interest payments of \$940 to begin on September 26, 2000, with the loan to be repaid over a period not exceeding 40 years from the date of the bond.

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As of and for the Year Ended December 31, 1999 (Continued)

The annual requirements to amortize all debt outstanding, including interest payments of \$1,443,943, are as follows:

Year Ending December 31,	S Re	Water System Revenue - RUS \$524,000		Water System Revenue - RUS NE Expansion \$198,000		Water System evenue- US Phase III 360,000	א R R	Water System evenue- JS Phase IV 200,000	Total
2000	\$	41,423	\$	13,868	\$	21,344	\$	3,760	\$ 80,395
2001		41,423		13,868		21,344		11,280	87,915
2002		41,423		13,868		21,344		11,280	87,915

2003	41,423	13,868	21,344	11,280	87,915
2004	41,423	13,868	21,344	11,280	87,915
2005-2009	207,115	69,340	106,720	56,400	439,575
2010-2014	207,115	69,340	106,720	56,400	439,575
2015-2019	207,115	69,340	106,720	56,400	439,575
2020-2024	207,115	69,340	106,720	56,400	439,575
2025-2029	-	55,472	106,720	56,400	218,592
2030-2034	-	-	106,720	56,400	163,120
2035-2039	- -			52,640	52,640
Totals	<u>\$ 1,035,575</u>	\$ 402,172	\$ 747,040	<u>\$ 439,920</u>	\$ 2,624,707

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.

- 16 -

As of and for the Year Ended December 31, 1999 (Continued)

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 \$166,369 for the fiscal year ended December 31, 1999.

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 the first three RUS bond issues, as of December 31, 1999, are \$320 per month. Upon completion of construction for the RUS Phase IV project, anticipated for the fiscal year ending

December 31, 2000, and as the Phase IV project becomes operational, the monthly payment requirement will increase from \$320 per month to \$367 per month.

The twelve required monthly payments to the "Revenue Bond Reserve Fund" were made for the year 1999 with a balance maintained of \$72,780 at December 31, 1999.

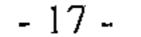
c) Funds are also to be deposited into a "Depreciation and Contingency Fund", under the terms of the bond agreement. Combined payment requirements for the first three RUS bond issues, as of December 31, 1999, and as modified by the RUS Letter of Conditions, dated January 15, 1993, are \$327 per month. Upon completion of construction for the RUS Phase IV project, anticipated for the fiscal year ending December 31, 2000, and as the Phase IV project becomes operational, the monthly payment requirement will increase from \$327 per month to \$369 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 1999. The balance in the "Depreciation and Contingency Fund" at December 31, 1999, was \$55,564.

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 \$128,343, 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.



As of and for the Year Ended December 31, 1999 (Continued)

9. UNRESERVED RETAINED EARNINGS-DESIGNATED

The board of commissioners of the district at December 31, 1999 had designated a total of \$63,695 for future capital improvement projects.

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 provides 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. Construction for this project, the RUS Phase IV project, commenced during fiscal year 1999, with a total of \$406,574 in construction expenditures recorded as of December 31, 1999.

12. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$1,106 was made to correct the beginning unreserved retained earnings balance. The adjustment is to correct accumulated amortization for the fiscal year ending December 31, 1998. The correction to the beginning unreserved retained earnings account balance for the district is as follows:

12/31/98	Unreserved Retained Earnings (Designated) Balance (Before Prior Period Adjustment)	\$ 40,521
	Correction of an Error: Correcting Accumulated Amortization	 (1,106)
12/31/98	Unreserved Retained Earnings (Designated) Balance (After Prior Period Adjustment)	 39,415

- 18 -

SUPPLEMENTARY INFORMATION

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

SCHEDULE 1

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE December 31, 1999 and 1998

		Enterpris	se Fund
ASSETS		1999	1998
Current Assets:		······································	
Cash	\$	39,558 \$	19,262
Accounts Receivable (Net)		28,957	25,893
Accrued Billings		5,226	5,837
Due From Rural Utility Service		40,000	-
Prepaid Insurance		1,018	1,029
Total Current Assets		114,759	52,021
Restricted Assets:		<u> </u>	
Cash - RUS Bond Sinking Fund		166,369	182,963
Cash - RUS Depreciation & Contingency Fund		55,564	49,400
Cash - RUS Bond Reserve Fund		72,780	65,426
Cash - Customer Deposits		29,574	28,963
Cash - Phase IV Connection Fees		-	11,154
Cash - Phase IV Construction		1,720	, _
Cash - Capital Improvements Fund		145,075	100,546
Total Restricted Assets	•	471,082	438,452
Property, Plant and Equipment:			
Land		12,350	12,350
Buildings		24,005	24,005
Furniture and Fixtures		1,591	1,392
Vehicles		12,705	12,705
Equipment		6,250	430
Chemical Storage Tank		9,356	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		406,574	148
Total Property, Plant and Equipment		3,646,353	3,233,908
Less: Accumulated Depreciation		(793,501)	(708,286)
Net Property, Plant and Equipment		2,852,852	2,525,622
Total Assets	\$	3,438,693 \$	3,016,095

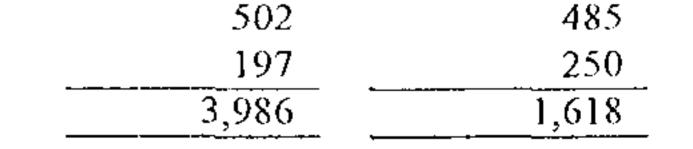
LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets):

- Accounts Payable
- Sales Tax Payable

Payroll Taxes Payable Total Current Liabilities (Payable From Current Assets)



883

3,287 \$

\$

- - -

Continued on the following page The accompanying notes are an integral part of these statements.

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SCHEDULE 1

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE (Continued) December 31, 1999 and 1998

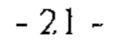
		Enterprise Fund			
		1999		1998	
Current Liabilities (Payable From Restricted Assets):					
Current RUS Bond Payable	\$	15,426	\$	11,513	
Accrued RUS Bond Interest		56,925		58,742	
Customer Deposits Payable		45,036		41,886	
Accrued Construction Interest		2,548		-	
Construction Accounts Payable		38,000		-	
Construction Retainage Payable		32,658		-	
Liability for Connection Fees		12,000		10,750	
Total Current Liabilities (Payable From Restricted Assets)	_	202,593		122,891	
Long-Term Liabilities:	•				
Revenue Bonds Payable -					
RUS Original System		441,190		450,568	
RUS NE Expansion		178,944		182,142	
Phase III Expansion		345,651		349,636	
Phase IV Expansion		199,553		, -	
Total Long-Term Liabilities	<u> </u>	1,165,338		982,346	
Total Liabilities		1,371,917	•	1,106,855	
Fund Equity:				<u></u>	
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	
Contributed Capital - Phase IV Expansion		173,000		-	
Less: Accumulated Amortization		(443,133)		(390,979)	
Net Contributions		1,874,738		1,753,892	
Retained Earnings:					
Reserved for RUS Bond Depreciation and Contingency		128,343		114,827	
Unreserved Retained Earnings:					
Designated		63,695		40,521	
Undesignated					
Total Retained Earnings	 	192,038		155,348	
Total Fund Equity		2,066,776		1,909,240	
Total Liabilities and Fund Equity	\$	3,438,693	\$	3,016,095	

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(Concluded) The accompanying notes are an integral part of these statements.

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SCHEDULE 2

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED RETAINED EARNINGS (BUDGET AND ACTUAL)-PROPRIETARY FUND TYPE Year Ended December 31, 1999 And Actual for the Year Ended December 31, 1998

	99 dget	1999 Actual	Variance- Favorable	1998
			Favorable	1998
ГЭ.,	dget	Actual		1770
Bu			(Unfavorable)	Actual
Operating Revenues				
Water Sales \$ 217	7,703 \$	219,572	\$ 1,869 \$	218,151
Connection Fees 12	2,665	12,915	250	8,840
Late Charges	7,960	7,993	33	7,518
Interest12	2,000	14,464	2,464	9,505
Total Operating Revenues 250),328	254,944	4,616	244,014
Operating Expenses				
	3,500	7,782	718	8,343
Payroll Taxes	650	610	40	654
Per Diem - Board Members	3,000	2,650	350	3,250
Accounting	3,500	10,170	(1,670)	7,902
Bad Debts 2	2,640	569	2,071	604
Billing Costs	5,800	6,276	(476)	6,128
Chemicals	5,000	2,168	3,832	3,125
Contract Management & Operations 41	,000,	40,965	35	36,183
Depreciation 86	5,604	85,215	1,389	84,403
Dues	150	150	-	350
Insurance 4	1,500	5,352	(852)	4,777
Meter Installations 4	,000	6,475	(2,475)	2,240
Miscellaneous	125	196	(71)	25
Office Supplies & Expense	,000	1,142	(142)	920
Postage 2	2,400	2,464	(64)	2,413
Repairs and Maintenance	,500	8,126	(626)	7,411
Supplies - Water System 9	,000	10,136	(1,136)	5,463
Telephone	,750	1,677	73	1,555
Utilities 13	,000	13,923	(923)	12,634
Advertising	-	979	(979)	-
Contract Labor	-	125	(125)	-
Vehicle Expense	,800	1,917	(117)	1,868
Total Operating Expense 207	,919	209,067	(1,148)	190,248
Net Operating Income 42	,409	45,877	3,468	53,766

(Continued) The accompanying notes are an integral part of these statements.

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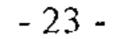
SCHEDULE 2

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED RETAINED EARNINGS (BUDGET AND ACTUAL)-PROPRIETARY FUND TYPE Year Ended December 31, 1999 And Actual for the Year Ended December 31, 1998

	ł			
	1999 Budget	1999 Actual	Variance- Favorable (Unfavorable)	1998 Actual
Non-Operating Revenue (Expenses):				
Interest Expense	(64,811)	(61,720)	3,091	(62,563)
Bond Commission	-	(130)	(130)	-
Miscellancous Income	45	45	-	980
Recovery-Bad Debts	450	471	21	753
Total Non-Operating	— —			
Revenue (Expenses)	(64,316)	(61,334)	2,982	(60,830)
Net Income (Loss)	\$ (21,907)	(15,457)	\$ 6,450 \$	(7,064)

Retained Earnings-Unreserved, Beginning	40,521
Prior Period Adjustment (Note 12)	(1,106)
Amortization of Contributed Capital	53,253
Increase in Reserve for Contingencies	(13,516)
Retained Earnings-Unreserved, Ending	\$ 63,695

(Concluded) The accompanying notes are an integral part of these statements.



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SCHEDULE 3

COMPARATIVE SCHEDULE OF CASH FLOWS-PROPRIETARY FUND TYPE Years Ended December 31, 1999 and 1998

		12/31/99	12/31/	'98
Cash Flows from Operating Activities:				<u></u>
Operating Income	\$	45,877	\$ 53,7	766
Adjustments to Reconcile Net Operating Income to Net Cash	-	······································	•··· ··· ·	
Provided by Operating Activities:				
Depreciation		85,215	84,4	103
Changes in Accounts Receivable		(3,064)	(7,2	286)
Changes in Accrued Billings		611		-
Changes in Due From Rural Utility Service		(40,000)		-
Changes in Prepaid Insurance		11	((47)
Changes in Accounts Payable and Accrued Expenses		2,363	(2,1	63)
Changes in Current Liabilities Payable from Restricted Assets		79,701	3,5	38
Net Cash Provided by Operating Activities		124,837	78,4	45

Cash Flows from Capital and Related Financing Activities:

Acquisition of property and equipment	(412,445)	(14,854)
Phase IV RUS Bond Proceeds	199,553	-
Phase IV RUS Capital Contribution	173,000	-
Principal Repayments-		
RUS Bond - Original Water System	(9,379)	(7,684)
RUS Bond - RUS NE Expansion	(3,198)	(2,055)
RUS Bond - Phase III	(3,985)	(3,522)
Interest Payments - RUS Loans	(61,720)	(62,563)
Net Cash Used by Capital and Related Financing Activities	(118,174)	(90,678)
Cash Flows from Non-capital Financing Activities:		
Miscellaneous Income	45	980
Bond Commission	(130)	_
Recovery of Bad Debts	47)	753
Net Cash Provided by Non-capital Financing Activities	386	1,733
Net Cash Increase for Year	52,926	43,266
Cash at Beginning of Year	457,714	414,448
Cash at End of Year	\$ <u>510,640</u>	457,714

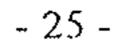
The accompanying notes are an integral part of these statements.

- 24 -

SCHEDULE OF INSURANCE COVERAGES December 31, 1999

Insurance Company	Coverage	Effective Date	Expiration Date
Valley Forge Insurance Company Policy # B1 63629732	Employee Dishonesty - Blanket coverage of \$100,000.	01/22/99	01/22/00
Valley Forge Insurance Company Policy # B1 63629732	Business Auto Coverage of \$350,000 combined Single Limit Liability Coverage, Uninsured Motorists Coverage of \$350,000, \$250 deductible Comprehensive, \$500 deductible Collision, for scheduled unit.	01/22/99	01/22/00
Valley Forge Insurance Company Policy # BI 63587532	 -Property Coverage of \$20,140 for Building; \$4,000 for contents. -Property coverages of \$109,180 for pump station and water tower at 2503 Hillsdale Rd. -Property coverages of \$109,180 for water tower and well site/pumping Station at Hwy 10, Greensburg -Property Coverages of \$59,180 for pumping station/generator and ground tank at Hwy. 38, Greensburg, LA. 	01/22/99	01/22/00
General Star Indomnity Company Policy # IYA602235B	Public Officials Liability limits at \$1,000,000, and deductible of \$1,000.	09/02/99	09/02/00
Louisiana Workers' Compensation Policy # 17223-1	Workmen's Compensation at statutory limits, Employer's Liability at \$100,000	04/17/99	04/17/00
Valley Forge Insurance Company Policy # BI 63629732	-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	01/22/99	01/22/00

SCHEDULE 4



SCHEDULE 5

SCHEDULE OF BOARD OF COMMISSIONERS December 31, 1999

Board of Commissioners	Per Diem Payments		Term of Office
Claude Sharkey, President Rt. 1, Box 77 Amite, Louisiana 70422	\$	600	07/26/97 - 07/26/2003
James Ash, Vice-President Rt. 3, Box 322 Greensburg, Louisiana 70441		350	07/27/96 - 07/26/2002
Jim Hitchens, Secretary-Treasurer Rt. 1, Box 83-AA Amite, Louisiana 70422		600	07/26/99 - 07/26/2005
Leroy Jones, Sr. 16375 HWY 441 Kentwood, Louisiana 70444		500	07/27/95 - 07/26/2001

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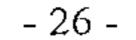
Hucy Davis Rt. 4, Box 261 Amite, Louisiana 70422

600

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2,650 \$



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SCHEDULE 6

SCHEDULE OF WATER CUSTOMERS December 31, 1999

As of December 31, 1999, the water district had the following number of customers.

Water-Residential	922
Commercial/Dairy	50
	972

SCHEDULE OF WATER RATES December 31, 1999

Usage

Residential:

First 2,000 gallons

Next 4,000 gallons

Next 4,000 gallons

Over 10,000 gallons

Commercial:

First 10,000 gallons

All over 10,000 gallons

Dairy:

First 20,000 gallons All over 20,000 gallons Monthly Charge

\$ 9.00

2.50 per 1,000 gallons

1.50 per 1,000 gallons

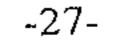
1.00 per 1,000 gallons

\$ 25.00

.80 per 1,000 gallons

\$ 25.00

.80 per 1,000 gallons



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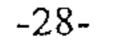
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SUPPLEMENTAL INFORMATION SCHEDULES December 31, 1999

GENERAL

EXPENDITURES OF FEDERAL AWARDS AND AUDIT FINDINGS RESOLUTION

In accordance with Office of Management and Budget Circular A-133, schedules of expenditures of federal awards, follow-up and corrective action taken on prior audit findings, and corrective action plan for current year audit findings are presented.



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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 1999

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Program or Amount	Loan Balance at December 31, 1998		Receipts or Revenue Recognized
U. S. Department of Agriculture		 · · · · · · · · · · · · · · · · · · ·		• -	
Water and Waste Disposal Systems					
For Rural Communities					
Loan Repayments	10.760	\$ 524,000	\$ 457,684	\$	-
Loan Repayments	10.760	198,000	183,251		-
Loan Repayments	10.760	360,000	352,924		_
Loan Repayments	10.760	200,000	-	_	200,000
Total Loan Activity			\$ 993,859	\$_	200,000

U. S. Department of Agriculture

Water and Waste Disposal Systems For Rural Communities --Construction (Phase IV) 10.760 \$ 621,500

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the St. Helena Waterworks District No. 2 and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Expenditures below are presented on a cash basis and reconciled to the accrual basis of accounting:

	Expenditure of federal loan grant funds (cash basis)	\$	331,480
_	Expenditure of local funds for construction project		1,888
	Subtotal - cash expenditures		333,368
_	Accrual of construction payables at 12/31/99		32,658
	Accrual of construction retainage at 12/31/99		38,000
	Accrual of construction period interest expense at 12/31/99	<u> </u>	2,548
	Total Construction Expenditures - 12/31/99	\$	406,574

The accompanying notes are an integral part of these statements.

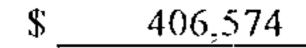
- 29 -

SCHEDULE 7

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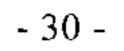
	Loan
	Balance at
Disbursements/	December 31,
Expenditures	1999

\$ 7,695	\$	449,989
1,994		181,257
3,406		349,518
 -		200,000
\$ 13,095	\$_	1,180,764



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SCHEDULE 8

Summary Schedule of Prior Year Audit Findings For the Year Ended December 31, 1999

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

Reference Number: 98-1 Fiscal Year Finding Initially Occurred:

Description of Finding:

It was noted within Footnote 12 (Year 2000 Issue) of the *Notes to the Financial Statements* for the fiscal year ending December 31, 1998, 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 docs 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 Taken: Final

Description of Corrective Action Taken:

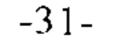
The district maintained contact with all entities providing accounting and billing services to determine that systems were year 2000 compliant. Year 2000 problems were not encountered.

Section IJ-Internal Control and Compliance Material to Federal Awards

No Findings for Section II.

Section III - Management Letter

No findings for Section III.



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SCHEDULE 9

Corrective Action Plan for Current Year Audit Findings For the Year Ended December 31, 1999

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

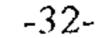
No Section I findings.

Section II-Internal Control and Compliance Material to Federal Awards

No Findings for Section II.

Section III - Management Letter

No findings for Section III.



SCHEDULE 10

Schedule of Findings and Questioned Costs For the Year Ended December 31, 1999

I. Type of Report Issued on the Financial Statements.

A unqualified opinion was issued on the financial statements for the St. Helena Parish Waterworks District No. 2, for the fiscal year ending December 31, 1999.

II. Disclosure of Reportable Conditions in Internal Control.

There were no reportable conditions disclosed by the audit of the financial statements of the district.

III. Disclosure of noncompliance material to the financial statements.

There were no material instances of noncompliance disclosed by the audit of the financial statements of the district, which are required to be reported in accordance with Government Auditing Standards.

IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.

- There were no reportable conditions for the Major Program for the district for the fiscal year ending December 31, 1999.
- V. Type of Report Issued for Major Programs.

Unqualified.

VI. Disclosure of Audit Findings Required to be Reported under S____. 510 Audit Findings.

There were no findings to be reported under $S_{--}.510$ Audit Findings.,

VII. Identification of Major Programs.

The Major Programs for the St. Helena Parish Waterworks District No. 2 was the "Water and Waste Disposal Systems for Rural Communities" loan/grant program (CFDA 10,760).

VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.

Expenditures of \$300,000.

IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under S_{1} . 530.

No.. The St. Helena Parish Waterworks District No. 2 did not qualify as a low-risk auditee under the provisions of S = .530, since the major program had not been audited in the prior two years.



> SCHEDULE 10 (Continued)

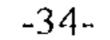
Schedule of Findings and Questioned Costs For the Year Ended December 31, 1999

X. Findings - Financial Statement Audit.

There were no findings to be reported in accordance with GAGAS for the fiscal year ending December 31, 1999.

XI. Findings and Questioned Costs for Federal Awards.

There were no findings or questioned costs for the St. Helena Parish Waterworks District No. 2 for the fiscal year ending December 31, 1999.



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

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

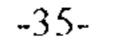
We have audited the general purpose financial statements of the St. Helena Parish Waterworks District No. 2, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 18, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. 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. 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



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

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.

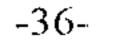
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Bruce Harrell & Company, CPAs A Professional Accounting Corporation

February 18, 2000



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

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

Compliance

We have audited the compliance of the St. Helena Parish 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, 1999. The St. Helena Parish Waterworks District No. 2's major federal programs are identified in the accompanying schedule of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the St. Helena Parish Waterworks District No. 2's management. Our responsibility is to express an opinion on the St. Helena Parish Waterworks District No. 2's compliance based on our audit.

We conducted our 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 we 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 St. Helena Parish Waterworks District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the St. Helena Parish Waterworks District No. 2's compliance with those requirements are provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the St. Helena Parish Waterworks District No. 2's compliance with those requirements.

In our opinion, the St. Helena Parish 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, 1999.

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

Internal Control Over Compliance

The management of the St. Helena Parish 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 our audit, we considered the St. Helena Parish Waterworks District No. 2's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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. 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

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Bruce Harrell & Company, CPAs A Professional Accounting Corporation

February 18, 2000

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