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ST. HELENA PARISH WATERWORKS  
DISTRICT NO. 2

PARISH OF ST. HELENA  
GREENSBURG, LOUISIANA

ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 1983 AND 1984

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Release Date 3-14-86

St. Helena Parish Waterworks District No. 1  
Parish of St. Helena  
Greensburg, Louisiana  
Years Ended December 31, 1993 and 1994

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**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, 1995 and 1994, and for the years then ended. 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.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-129, *Audit of State and Local Governments*. Those standards and OMB Circular A-129 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. Helena Parish Waterworks District No. 2, Louisiana, as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

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 27, 1996

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**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF  
FEDERAL FINANCIAL ASSISTANCE**

To the Board of Commissioners  
St. Helena Parish Waterworks District No.2  
Georgetown, 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 years ended December 31, 1995, and 1994, and have issued our report thereon dated March 27, 1996. Those component unit financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on those component unit financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the component unit financial statements of the St. Helena Parish Waterworks District No.2, Louisiana, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the component unit financial statements. The information in that schedule 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 27, 1996

**St. Helena Parish Waterworks District No.2**  
**Parish of St. Helena**  
**Greensburg, Louisiana**  
**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE**  
**December 31, 1999 and 1998**

Assets	Enterprise Fund	
	1999	1998
<b>Current Assets:</b>		
Cash	\$ 15,180	\$ 18,738
Accounts Receivable	28,627	16,278
Allowance for Uncollectible Accounts	(720)	(720)
Due from RECD	87,180	144,819
Prepaid Insurance	480	480
<b>Total Current Assets</b>	<b>130,747</b>	<b>178,761</b>
<b>Restricted Assets:</b>		
Cash - RECD Bond Sinking Fund	188,480	120,857
Cash - RECD Depreciation & Contingency Fund	26,027	21,888
Cash - RECD Bond Reserve Fund	47,716	42,821
Cash - Customer Deposits	23,456	16,247
Cash - Customer Deposits New System	200	200
Cash - RECD Construction (Phase II)	2,823	525
<b>Total Restricted Assets</b>	<b>288,702</b>	<b>202,538</b>
<b>Property, Plant and Equipment:</b>		
Land	7,800	7,800
Buildings	24,026	24,026
Furniture and Fixtures	1,380	1,380
Vehicles	12,706	12,706
Equipment	430	430
Water System	881,118	881,118
Water Well - RECD NE Exp	145,424	145,424
Water Tank - RECD NE Exp	181,315	181,315
Water Lines - RECD NE Exp	433,842	433,842
Water System - Hwy 18 Relocation	102,898	102,898
Phase II Expansion	1,822,218	-
<b>Total Property, Plant and Equipment</b>	<b>3,492,847</b>	<b>3,880,932</b>
Construction in Progress	-	948,185
Less: Accumulated Depreciation	(450,880)	(368,277)
<b>Net Property, Plant and Equipment</b>	<b>2,941,967</b>	<b>3,470,930</b>
<b>Total Assets</b>	<b>\$ 3,115,802</b>	<b>\$ 2,829,029</b>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities:</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	\$ 5,274	\$ 686
Sales Tax Payable	807	985
Payroll Taxes Payable	703	261
<b>Total Current Liabilities (Payable From Current Assets)</b>	<b>6,784</b>	<b>1,932</b>

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

	Enterprise Fund	
	1998	1999
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current RECD Bond Payable	\$ 11,811	\$ 7,987
Accrued RECD Bond Interest	42,844	44,820
Customer Deposits Payable	38,532	49,607
Construction Account Payable	61,879	144,569
Retainage Payable	5,800	55,723
Total Current Liabilities (Payable From Restricted Assets)	<u>158,866</u>	<u>296,706</u>
<b>Long-Term Liabilities:</b>		
Reverse Bonds Payable -		
RECD Original System	472,708	476,687
RECD ME Expansion	180,209	189,011
Phase III Expansion	358,879	380,080
Total Long-Term Liabilities	<u>1,011,817</u>	<u>1,045,778</u>
Total Liabilities	<u>1,170,683</u>	<u>1,342,484</u>
<b>Fund Equity:</b>		
Contributed Capital - RECD Original System	508,800	500,080
Contributed Capital - RECD ME Expansion	540,800	540,000
Contributed Capital - Hwy 16 Police/Police	100,581	182,581
Contributed Capital - Fire Department	5,849	5,849
Contributed Capital - Phase III Expansion	892,800	930,319
Contributed Capital - Phase III Connection Fees	14,750	-
Less: Accumulated Amortization	<u>(258,121)</u>	<u>(195,494)</u>
Net Contributions	<u>1,805,259</u>	<u>1,484,945</u>
<b>Retained Earnings:</b>		
Reserved for RECD Bond Depreciation and Contingency	62,753	73,308
Unreserved - (deficit)	<u>(38,325)</u>	<u>(82,312)</u>
Total Retained Earnings	<u>24,428</u>	<u>11,396</u>
Total Fund Equity	<u>1,829,687</u>	<u>1,496,341</u>
Total Liabilities and Fund Equity	<u>\$ 3,115,800</u>	<u>\$ 3,838,825</u>

(Continued)

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED  
RETAINED EARNINGS (BUDGET AND ACTUAL), PROPRIETARY FUND TYPE**  
Year Ended December 31, 1995  
And Actual for the Year Ended December 31, 1994

	Enterprise Fund			
	1995 Budget	1995 Actual	Variance Favorable (Unfavorable)	1994 Actual
<b>Operating Revenues</b>				
Water Sales	\$ 181,822	\$ 183,773	\$ (8,000)	\$ 177,808
Connection Fees	5,508	5,580	(70)	5,519
Late Charges	5,742	4,340	1,402	5,443
Miscellaneous	862	-	(862)	12
Interest	4,410	6,982	2,572	5,674
<b>Total Operating Revenues</b>	<u>190,344</u>	<u>191,655</u>	<u>(2,311)</u>	<u>184,856</u>
<b>Operating Expenses</b>				
Salaries	15,428	20,622	(5,194)	19,448
Payroll Taxes	1,328	1,814	(486)	1,794
Office Supplies & Expense	1,258	828	328	825
Accounting	5,685	6,750	(1,065)	5,328
Legal	-	20	(20)	-
Repairs and Maintenance	5,795	4,380	1,415	5,408
Supplies - Water System	3,975	2,728	1,247	3,261
Vehicle Expense	3,277	4,175	(898)	2,291
Utilities	7,037	8,881	(1,844)	4,288
Telephone	1,080	1,251	(171)	655
Insurance	4,718	5,418	(700)	4,224
Billing Costs	4,482	6,488	(2,006)	4,617
Bad Debts	1,580	-	1,580	847
Certified Operator	-	55	(55)	-
Professional Fees	-	-	-	244
Per Diem - Board Members	3,188	2,820	318	2,728
Educational Expense	580	-	580	-
Advertising	280	-	280	-
Depreciation	32,227	31,668	559	32,428
Miscellaneous	862	432	430	-
<b>Total Operating Expense</b>	<u>128,827</u>	<u>128,428</u>	<u>399</u>	<u>128,717</u>
<b>Net Operating Income</b>	<u>61,517</u>	<u>63,227</u>	<u>(1,710)</u>	<u>56,139</u>
<b>Non-Operating Revenue (Expense)</b>				
Interest Expense	(78,224)	(68,558)	24,679	(47,576)
Recovery/Bad Debts	-	1,214	1,214	350
<b>Total Non-Operating Revenue (Expense)</b>	<u>(78,224)</u>	<u>(67,344)</u>	<u>25,893</u>	<u>(47,226)</u>
<b>Net Income (Loss)</b>	<u>\$ (16,707)</u>	<u>1,200</u>	<u>\$ (27,927)</u>	<u>\$ (7,087)</u>
Allocation of Contributed Capital		34,827		
Income in Reserve for Contingencies		(9,848)		
(Deficit) Retained Earnings-Unreserved				
January 1, 1995		<u>(62,218)</u>		
(Deficit) Retained Earnings-Unreserved				
December 31, 1995		<u>\$ (29,328)</u>		

The accompanying notes are an integral part of these statements.

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

**COMPARATIVE STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE**  
Years Ended December 31, 1995 and 1994

	12/31/95	12/31/94
<b>Cash Flows from Operating Activities:</b>		
Operating Income	\$ 45,245	\$ 29,228
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	61,680	63,458
Changes in Accounts Receivable	(9,260)	558
Changes in Prepaid Insurance	-	47
Changes in Other Current Assets	87,819	(164,818)
Changes in Accounts Payable and Accrued Expenses	3,515	(1,324)
Changes in Current Liabilities Payable from Restricted Assets	(153,865)	284,247
Net Cash Provided by Operating Activities	18,819	172,168
<b>Cash Flows from Non-capital Financing Activities:</b>		
Relief of Bad Debt	1,214	558
Net Cash Provided by Non-capital Financing Activities	1,214	558
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal Repayments:		
RECO Bond - Original Water System	(3,945)	(8,628)
RECO Bond - RECO Mill Expansion	(7,660)	(1,844)
RECO Bond - Phase II	(88)	-
Interest Payments - RECO Loan	(41,188)	(87,378)
Loan Proceeds - RECO Phase II	-	268,800
Grant Proceeds - RECO Phase II	422,181	538,318
Payments for Construction in Progress - RECO Phase II	(278,870)	(848,104)
Net Cash Provided by Capital and Related Financing Activities	(3,644)	(113,834)
<b>Net Cash Increase for Year</b>	51,785	58,164
<b>Cash at Beginning of Year</b>	243,785	205,620
<b>Cash at End of Year</b>	\$ 295,570	\$ 263,784

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

December 31, 1985

St. Helena Parish Waterworks District No.2 was established July, 1882, 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 3-member governing board of commissioners appointed by the St. Helena Police Jury.

St. Helena Parish Waterworks District No.2 was then created and constituted a public corporation and political subdivision of the State of Louisiana, and has all the powers and privileges granted by the Constitution and statutes of this state to such subdivisions, including the authority to issue 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)**  
**December 31, 1995**

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 financial and operated in a manner similar to a private enterprise, where the intent of the governing body is that the cost (expense, 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 as 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 other 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 and national banks having their principal offices in Louisiana.

**F. INVENTORIES**

Purchases of various spanning 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 monies 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)  
December 31, 1995

**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 substantial 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, 1995, 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, contributions, 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 charged 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.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1995, the district had cash and cash equivalents (book balances) totaling \$262,371, as follows:

Demand deposits	\$	4,308
Interest bearing demand deposits		258,063
Total	\$	<u>262,371</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting book 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, 1995, the district had \$31,004 in collected bank balances deposited in one bank secured by \$100,000 of federal deposit insurance. In a second bank, the district had collected bank balances totaling \$267,365. Of the \$267,365, a total of \$3,448 were non-interest bearing demand deposits, and were secured by \$100,000 of federal deposit insurance. The remaining balance of \$263,917 (of the

**St. Helena Parish Waterworks District No.2**  
**Parish of St. Helena**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 (Continued)  
 December 31, 1995

\$267,189) was secured by \$108,000 of federal deposit insurance and \$159,734 of pledged securities held by the collateral bank in the name of the fiscal agent bank (GASB Category 3), resulting in a total of \$300,004 uncollateralized bank deposits. The \$10,004 in uncollateralized bank deposits is a violation of state law.

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 collateral 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, 1995, consisted of the following:

Current	\$	15,706
91 - 90		5,687
61 - 90		2,094
Over 90		1,170
Total		24,657
Less: Allowance for Bad Debt		(729)
Accounts Receivable, Net		23,927

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 \$50 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, 1995, the district did not record bad debt expense since the amount of uncollectible accounts at fiscal year end were immaterial.

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, 1995, accrued billings accounts were immaterial.

In addition to customer receivables, the district, at December 31, 1995, received \$57,160, due from U.S. Rural Economic Community Development. These funds are restricted for construction under the RPOCD funded "Phase III" project for water system expansion.

St. Helena Parish Waterworks District No.2  
Parish of St. Helena  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
December 31, 1995

4. RESTRICTED ASSETS

Restricted assets were applicable to the following as December 31, 1995:

Road Sinking Fund	\$	165,080
Road Contingency Fund		10,007
Road Reserve Fund		43,716
Customers' Deposits		23,635
RECD-Construction Fund		2,903
Total Restricted Assets	\$	<u>245,341</u>

**St. Helena Parish Waterworks District No.2**  
**Parish of St. Helena**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**  
**December 31, 1995**

**5. PROPERTY, PLANT AND EQUIPMENT**

A summary of proprietary fund-type property, utility plant and equipment in service at December 31, 1995, follows:

Description	Life/Years	Cost	Accumulated Depreciation	Net
Land	50+	\$ 7,000	\$ -	\$ 7,000
Buildings & Improvements	30	24,000	12,685	11,315
Furniture & Fixtures	10	1,000	1,500	50
Vehicles	5	12,700	8,362	4,338
Equipment	10	450	485	25
Original RECD Project				
Water System	40	688,657	183,880	504,777
Water Mill	30	157,503	81,888	75,615
Water Tank	40	124,973	32,884	92,089
Water System (RECD MILEXP)				
Water Well	40	145,424	33,420	112,004
Water Tank	40	181,719	24,257	157,462
Water Lines	40	453,952	64,710	389,242
Water System - Highway 16 Relocation	40	183,508	80,358	103,150
Phase II Water System	40	1,223,715	8,208	1,214,447
<b>Totals</b>		<b>\$ 3,183,642</b>	<b>\$ 490,883</b>	<b>\$ 2,741,764</b>

**Changes during the year:**

Balance, Beginning of Year	\$ 1,889,552	\$ 389,217	\$ 1,490,335
Additions:	1,323,715	-	1,323,715
Deletions:	-	-	-
Depreciation	-	61,666	(61,666)
<b>Balance, End of Year</b>	<b>\$ 3,183,642</b>	<b>\$ 490,883</b>	<b>\$ 2,741,764</b>

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, 1995, totaled \$61,666.

St. Helena Parish Waterworks District No.2  
Parish of St. Helena  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)  
December 31, 1995

The annual requirements to amortize all debt outstanding, including interest payments of \$1,525,441 are as follows:

Year Ending December 31,	Water System Revenue - RECD \$524,000	Water System Revenue - RECD NE Expansion \$398,000	Water System Revenue- RECD \$340,000	Total
1996	\$ 41,423	\$ 13,868	\$ -	\$ 55,291
1997	41,423	13,868	21,344	76,635
1998	41,423	13,868	21,344	76,635
1999	41,423	13,868	21,344	76,635
2000	41,423	13,868	21,344	76,635
2001-2005	307,115	68,340	186,720	562,175
2006-2010	307,115	68,340	186,720	562,175
2011-2015	307,115	68,340	186,720	562,175
2016-2020	307,115	68,340	186,720	562,175
2021-2025	307,115	68,340	186,720	562,175
2026-2030	61,823	46,086	166,720	274,629
2031-2034	-	-	85,276	85,276
<b>Total</b>	<u>\$ 1,384,313</u>	<u>\$ 457,648</u>	<u>\$ 811,673</u>	<u>\$ 2,653,634</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 RECD Bond, dated January 26, 1984, and for the RECD Bond dated August 15, 1987, maintaining a total of \$140,488 for the fiscal year ended December 31, 1995.

**St. Helena Parish Waterworks District No.2**  
**Parish of St. Helena**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**(Continued)**  
**December 31, 1995**

- b) **Bond Reserve Requirements** apply to the original bond dated January 28, 1984, to the bond for the RECD NE Expansion dated August 13, 1987, and as modified by the RECD Letter of Conditions, dated January 19, 1993, for the bond for the Phase II project.

There shall be set aside into a "Utility Systems 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 RECD bond issues, as of December 31, 1995, are \$320 per month.

Twelve monthly payments to the "Revenue Bond Fund" were made for the year 1995 with a balance maintained of \$47,714 at December 31, 1995.

- c) Funds are also to be deposited into a "Depreciation and Contingency Fund", under the terms of the bond agreements. Combined payment requirements for the all RECD bond issues, as of December 31, 1993, and as modified by the RECD Letter of Conditions, dated January 19, 1993, are \$337 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.

Combined payment requirements, for all RECD bond issues, as of December 31, 1995, are \$337 per month.

Twelve monthly payments to the "Depreciation & Contingency Fund" were made for the year 1995. Balance in the "Depreciation and Contingency Fund" at December 31, 1995, was \$25,001.

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

**4. PLUMBING**

Reserved Retained Earnings 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. The purpose of the reserved retained earnings is to service the revenue bonds.

**5. DEFICIT RETAINED EARNINGS**

The water district has a retained earnings deficit of \$25,528. During the current year, the water district reduced its deficit retained earnings by \$28,792.



**St. Helena Parish Waterworks District No.2**  
**Parish of St. Helena**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**  
**December 31, 1998**

**18. 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, and collects payments from customers, and performs routine maintenance work for the district.

**19. CONSTRUCTION COMMITMENTS**

As of December 31, 1998, the district had expended \$1,122,715, for construction of "Phase III" water system expansion, under a project funded by the U. S. Rural Economic Community Development. The project was substantially complete at December 31, 1998, and this segment of the water system became revenue-producing in October, 1998.

## SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF INSURANCE COVERAGES**

December 31, 1993

Insurance Company	Coverage	Effective Date	Expiration Date
Western Surety Bond 05219050	Fidelity Bonds issued at \$50,000 for President & Secretary-Treasurer, and \$10,000 for Manager	07/01/93	07/01/96
Trinity Universal Insurance Company Policy # CA 9827409	Business Auto Coverage of \$100,000 combined Single Limit Liability Coverage, Uninsured Motorists Coverage of \$100,000, \$100 deductible Comprehensive, \$150 deductible Collision, for 1991 Chevrolet 1/2 Ton PU	01/01/93	01/01/96
Louisiana Workers' Compensation Policy # 07223-1	Workers' Compensation at statutory limits, Employer's Liability at \$500,000	04/17/93	04/17/96
Trinity Universal Insurance Company Policy # GLA 9027818-01 and Policy # GLA 9027818-02	—Premises and Operations Liability Limits at \$200,000 Aggregate limit; Personal and Advertising Injury limit at \$100,000 each occurrence; Fire Damage Limit at \$50,000 —Property Coverage of \$10,000 for Building; \$4,000 for contents.	01/01/93	01/01/96

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

SCHEDULE OF BOARD OF COMMISSIONERS  
December 31, 1999

<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	\$ 600	Until Re-elected
James Ash, Vice-President Rt. 2, Box 222 Greensburg, Louisiana 70441	600	Until Re-elected
Tim Hitchcock, Secretary-Treasurer Rt. 1, Box 82-AA Amite, Louisiana 70422	500	Until Re-elected
Leroy Jones Rt. 1, Box 282 Kennerwood, Louisiana 70444	600	Until Re-elected
Holly Davis Rt. 4, Box 261 Amite, Louisiana 70422	600	Until Re-elected
	<u>\$ 2,900</u>	

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

SCHEDULE OF WATER CUSTOMERS  
December 31, 1995

As of December 31, 1995, the water district had the following number of customers.

Water Residential	527
Water-Non Residential and Schools	<u>28</u>
Total Water Customers	<u>555</u>

WATER RATE SCHEDULE  
December 31, 1995

<u>Usage</u>	<u>Monthly Charge</u>
<b>Residential:</b>	
First 1,000 gallons	\$ 9.00
Next 4,000 gallons	2.10 per 1,000 gallons
Next 4,000 gallons	1.50 per 1,000 gallons
Over 10,000 gallons	1.00 per 1,000 gallons
<b>Commercial:</b>	
First 10,000 gallons	\$15.00
All over 10,000 gallons	.80 per 1,000 gallons
<b>Industry:</b>	
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

Statement of Federal Financial Assistance  
For the Year Ended December 31, 1994

Federal Grant/Pass-Through Grant Program Title U. S. Department of Agriculture Water and Waters Disposal Systems For Rural Communities	Federal CFDA Number	Program or Account	Cash Account Balance at December 31, 1994	Receipts or Revenues Recognized	Disbursement Expenditures	Cash Account Balance at December 31, 1994
-Loan Repayments	18-418	\$ 524,200	\$ 485,204	\$ -	\$ 5,996	\$ 479,208
-Loan Repayments	18-418	190,200	190,120	-	1,680	188,440
-Loan Repayments	18-418	340,200	295,084	-	88	245,364
Total Loan Activity			\$ 1,010,604	\$ -	\$ 7,364	\$ 723,012
U. S. Department of Agriculture Water and Waters Disposal Systems For Rural Communities -Construction Funds (Note 5) Total Construction Activity	18-418	-	-	\$ 210,800	\$ 871,817	\$ 2,028
				\$ 210,800	\$ 871,817	\$ 2,028
Cash received for the fiscal year ending December 31, 1994			\$ 818,200			
Less revenue account at December 31, 1994			(144,878)			
Plus revenue account at December 31, 1993			57,180			
Grant receipts - Actual Basis			\$ 730,502			

Note 1: Cash receipts on an accrual basis for the fiscal year ending December 31, 1994, consisted of the following:

Cash received for the fiscal year ending December 31, 1994	\$ 818,200
Less revenue account at December 31, 1994	(144,878)
Plus revenue account at December 31, 1993	57,180
Grant receipts - Actual Basis	\$ 730,502

The accompanying notes are an integral part of these statements.

**BRUCE HARRELL & CO.**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT  
OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED BY ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
St. Helena Parish Waterworks District No.2  
Crescentburg, 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 years ended December 31, 1993, and 1994, and have issued our report thereon dated March 27, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audit of State and Local Governments*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The management of St. Helena Parish Waterworks District No.2, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of St. Helena Parish Waterworks District No.2, Louisiana, for the years ended December 31, 1993, and 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not, to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

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CERTIFIED PUBLIC ACCOUNTANTS

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

It was noted that St. Helena Parish Waterworks District No.2 has a lack of segregation of duties in its system of internal controls. This deficiency in the internal control structure is caused by the small number of personnel that handle the operations of the district.

A material weakness is a reportable condition in which the design and operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 as defined above. However, we believe the reportable conditions described above is not a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the St. Helena Parish Waterworks District No.2, Louisiana, in a separate letter dated March 27, 1996.

This report is intended for the information of management, the Legislative Authority, and the Federal Cognizant Agency. However, this report is a matter of public record and its distribution is not limited.

  
Bruce Harrill & Company, CPAs  
A Professional Accounting Corporation

March 27, 1996



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**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN  
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

**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 years ended December 31, 1993, and 1994, and have issued our report thereon dated March 27, 1995. We have also audited the district's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 27, 1995.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement and about whether the St. Helena Parish Waterworks District No.2, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1995, we considered the internal control structure of St. Helena Parish Waterworks District No.2, Louisiana, in order to determine our auditing procedures for the purpose of expressing our opinions on the component unit financial statements of St. Helena Parish Waterworks District No.2, and on the compliance of St. Helena Parish Waterworks District No. 2 with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the component unit financial statements in a separate report dated March 27, 1995.

The management of the St. Helena Parish Waterworks District No.2, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure,

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

errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering Federal financial assistance programs in the following categories:

- 1) Cash Receipts
- 2) Utility Billing
- 3) Payables and Disbursements
- 4) Fixed Assets

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1996, the district expended 180% of its total Federal financial assistance under major Federal assistance programs.

We performed tests of controls, as required by SAS Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the St. Helena Parish Waterworks District No.2, major field of financial assistance program, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material in a Federal financial assistance program 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the Legislative Auditor and the Rural Economic Community Development office. However, this report is a matter of public record, and its distribution is not limited.



Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

March 27, 1999

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE  
COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Board of Commissioners**

St. Helena Parish Waterworks District No. 2  
Greensburg, Louisiana 70442

We have audited the accompanying component unit financial statements of the St. Helena Parish Waterworks District No. 2, Louisiana, as of and for the years ended December 31, 1995, and 1994, and have issued our report thereon dated March 27, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Audit of State and Local Governments*. Those standards and the OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the St. Helena Parish Waterworks District No. 2, Louisiana, is the responsibility of the St. Helena Parish Waterworks District No. 2, Louisiana, management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the St. Helena Parish Waterworks District No. 2, Louisiana, compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

We noted the following immaterial instances of non-compliance:

**Finding**

The St. Helena Parish Waterworks District No. 2 did not comply with the cash management requirements of LSA 29:1251-45. At December 31, 1995, the St. Helena Parish Waterworks District No. 2 had uncollateralized bank deposits of \$10,804.

**Recommendation**

We recommend that the district ascertain that its funds are adequately collateralized at all times.

**BRUCE HARRELL & CO,**  
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Board of Commissioners  
St. Helena Parish Waterworks District No.2  
Page 2

**Response:**

The district has contacted the respective bank and will review bank balances on a monthly basis to insure that accounts are properly collateralized.

This report is intended for the information of management, the Legislative Auditor, and the Rural Economic Community Development office. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Bruce Harrell and Company, CPAs  
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March 27, 1996

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Commissioners  
St. Helena Parish Waterworks District No. 2  
Greensburg, Louisiana 70041

We have audited the component unit financial statements of the St. Helena Parish Waterworks District No. 2, Louisiana, as of and for the years ended December 31, 1993, and 1994, and have issued our report thereon dated March 27, 1996.

We have also audited the St. Helena Parish Waterworks District No. 2's compliance with the requirements governing types of services allowed or not allowed, matching, level of effort, or cost-sharing; reporting, and special tests and provisions; financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1993. The management of the St. Helena Parish Waterworks District No. 2, Louisiana, is responsible for the district's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Quality of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the St. Helena Parish Waterworks District No. 2, compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any material instances of noncompliance with the requirements referred to above.

In our opinion, the St. Helena Parish Waterworks District No. 2, Louisiana, complied, in all material respects, with the requirements governing types of services allowed or unallowed, matching, level of effort, or cost-sharing; reporting, special tests and provisions, claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended December 31, 1993.

This report is intended for the information of management, the Legislative Auditors and the Rural Economic Community Development office. However, this report is a matter of public record, and its distribution is not limited.



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March 27, 1996

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS  
APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Commissioners  
St. Helena Parish Waterworks District No. 2  
Cochonburg, 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 years ended December 31, 1993, and 1994, and have issued our report thereon dated March 27, 1995.

We have applied procedures to test the St. Helena Parish Waterworks District No. 2's compliance with the following requirements applicable to its field of program, which are identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1993.

Political activity  
Davis-Bacon Act  
Civil rights  
Cash management  
Federal financial reports  
Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less intrusive than an audit, the objective of which is the expression of an opinion on the St. Helena Parish Waterworks District No. 2, Louisiana's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the St. Helena Parish Waterworks District No. 2, Louisiana, has not complied, in all material respects, with those requirements. Also, the results of our audit procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of management, the Legislative Auditor, and the Rural Economic Community Development office. However, this report is a matter of public record, and its distribution is not limited.

  
Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

March 27, 1995

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## MANAGEMENT LETTER

March 27, 1994

Board of Commissioners  
St. Helena Parish Waterworks District No. 2  
Greensburg, Louisiana 70044

We have examined the component unit financial statements of St. Helena Parish Waterworks District No. 2, Louisiana, as of and for the years ended December 31, 1993, and 1994. In planning and performing our audit, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, we noted certain weaknesses in the internal control structure, that, if corrected, could improve the ability of management of St. Helena Parish Waterworks District No. 2, to record, process, summarize, and report financial data consistent with the assertions of management. The format below lists "Weaknesses in Internal Controls," "Current Year Audit Recommendations", followed by "Management Response to Audit Recommendations".

### REVIEW OF RATE STRUCTURE

#### A. Weaknesses in Internal Controls & Current Year Audit Recommendations:

For the fiscal year ending December 31, 1993, the deficit in retained earnings decreased by \$26,762, and the district showed a net income of \$1,208. Although this is a significant improvement by the district, the district should continue to monitor the level of revenues and expenses incurred at the current rate level. Part of the reason that the district showed a positive net income is that a total of \$18,800 was capitalized as construction period interest on the Phase III project. This means for the fiscal year ending December 31, 1993, the construction period interest was not recorded on the District's Statement of Revenues and Expenses, and therefore was not deducted as an expense when computing net income. In the next fiscal year the district must accumulate funds for payment of the bond payable on the Phase III project, and an additional approximate amount of \$18,800 will be recorded as an expense in computing net income.

#### B. Management Response to Audit Recommendations:

The board of commissioners of St. Helena Parish Waterworks District No. 2, will continue to monitor the level of revenues and expenses at the current rate level.

### REVIEW OF FIDELITY BOND LIMITS

#### A. Weaknesses in Internal Controls & Current Year Audit Recommendations:

We noted in the review of insurance records that limits on the fidelity bonds had not been increased for several years. In particular, we recommended that the limit of \$10,000, for the manager be increased. We feel that this increase is necessary since the duties of the manager have been expanded, and the district is now larger and has had substantial increases in cash collections and bank balances. Also, the board of commissioners should review current positions covered to make certain that each individual with access to cash and bank accounts is covered under the fidelity bond. In addition, we recommended that the classification of manager, and other fidelity bond classifications, be reviewed with the insurance company, to make certain that the covered positions are described correctly on the fidelity bond. For example, a manager described on the bond as a contract manager, may not have coverage for financial losses if he is actually an employee. The classification is important since the insurance company will pay for covered financial losses of the district only for covered employees or positions as described in the fidelity bond insurance policy.

#### B. Management Response to Audit Recommendations:

The board of commissioners of St. Helena Parish Waterworks District No. 2 will review current fidelity bonds for adequacy of coverage and will obtain clarification from the insurance company on the classification covered by the fidelity bond.

It has been our pleasure to perform this financial audit for you. We will be glad to meet with you in trying to provide assistance in implementing the above recommendations.

Respectfully submitted,



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation