

St. Helena Parish Waterworks District No.1
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
December 31, 1996

J. 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 depreciable 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.

K. COMPENSATED ABSENCES

At December 31, 1996, the district did not have employees that accumulate or vest benefits.

L. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

M. 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 closed to the contributed capital account and is reflected as an adjustment to net income.

Reserve

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

2. CASH AND CASH EQUIVALENTS

At December 31, 1996, the district had cash and cash equivalents (book balances) totaling \$361,900, as follows:

Demand deposits	\$ 22,468
Interest bearing demand deposits	339,431
Total	<u>\$ 361,900</u>

These deposits are rated 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, 1996, the district had \$271,608 in collateral bank balances deposited in two separate banks. For the first bank, collateral bank balances at December 31, 1996, totaled \$275,514, and consisted of \$248,907 in interest bearing accounts, and \$26,607 in non-interest bearing accounts. The interest bearing accounts, totaling \$248,917, were secured by \$180,808 of federal deposit insurance and \$178,535 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASH Category 3). The non-interest bearing accounts, totaling \$26,607, were secured by \$180,080

St. Helena Parish Waterworks District No.2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
December 31, 1996

of federal deposit insurance. In the second bank, the district had collected funds balances totaling \$96,062, and consisting of \$90,585 in interest bearing accounts and \$5,477 in non-interest bearing accounts. The interest-bearing and non-interest bearing accounts were each secured by \$100,000 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 29:3129 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, 1996, consisted of the following:

Current	\$	16,485
31 - 90		5,044
61 - 90		1,586
Over 90		727
Total		23,854
Less: Allowance for Bad Debts		(230)
Accounts Receivable, Net	\$	23,624

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 payments, 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. For 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, 1996, the district recorded bad debt expense of \$2,125.

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, 1996, accrued billings amounts were immaterial.

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

STATEMENT B

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

And Actual for the Year Ended December 31, 1999

	Enterprise Fund			
	1999 Budget	1999 Actual	Variance- Favorable (Unfavorable)	1998 Actual
Operating Revenues				
Water Sales	\$ 198,080	\$ 199,768	\$ 12,768	\$ 153,273
Concession Fees	8,427	13,768	8,738	8,880
Late Charges	3,800	3,828	2,198	8,243
Interest	6,000	7,823	1,823	8,862
Total Operating Revenues	<u>216,307</u>	<u>235,187</u>	<u>25,348</u>	<u>179,262</u>
Operating Expenses				
Salaries	25,280	29,400	(4,200)	20,832
Payroll Taxes	2,488	2,204	908	1,814
Office Supplies & Expense	204	1,757	(1,200)	878
Accounting	3,820	7,883	(2,133)	4,783
Legal	-	-	-	30
Motor Installations	2,880	4,788	(3,208)	-
Repairs and Maintenance	3,040	9,192	(4,192)	4,280
Supplies - Water System	2,400	5,877	(5,577)	2,780
Vehicle Expense	4,300	4,410	(4,210)	4,170
Utilities	11,000	10,788	211	8,651
Telephone	1,000	1,375	(375)	1,281
Insurance	3,314	5,821	(2,507)	5,400
Bad Debts	4,400	7,760	634	4,680
Bad Debts	-	3,725	(3,725)	-
Certified Operator	-	-	-	55
Per Diem - Board Members	3,000	2,800	200	2,950
Educational Expense	300	-	300	-
Advertising	-	800	(800)	-
Depreciation	64,348	60,800	145	61,680
Miscellaneous	248	372	(132)	421
Total Operating Expenses	<u>162,348</u>	<u>189,439</u>	<u>(27,291)</u>	<u>128,402</u>
Net Operating Income	<u>43,959</u>	<u>45,747</u>	<u>(1,824)</u>	<u>48,840</u>
Non-Operating Revenues (Expenses):				
Interest Expense	(64,244)	(64,244)	-	(64,888)
Miscellaneous Income	1,200	-	(1,200)	-
Recovery-Bad Debts	-	-	-	1,214
Total Non-Operating				
Revenue (Expenses)	<u>(63,044)</u>	<u>(64,244)</u>	<u>(1,200)</u>	<u>(64,244)</u>
Net Income (Loss)	<u>\$ (19,085)</u>	<u>(18,497)</u>	<u>\$ (1,241)</u>	<u>\$ 1,398</u>
Amortization of Contributed Capital		53,622		
Increase in Reserve for Contingencies		(10,713)		
Increase in Reserve for Capital Improv.		(60,288)		
(Deficit) Retained Earnings-Unreserved		<u>(20,508)</u>		
January 1, 1998				
(Deficit) Retained Earnings-Unreserved		<u>\$ (79,684)</u>		
December 31, 1998				

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
(Continued)
December 31, 1996

4. RESTRICTED ASSETS

Restricted assets were applicable to the following at December 31, 1996:

Bond Sinking Fund	\$ 135,163
Bond Contingency Fund	39,286
Bond Reserve Fund	51,570
Customers' Deposits	27,866
Phase 4 Connection Fees	3,834
Capital Improvement Fund	68,898
RECD Construction Fund	135
Total Restricted Assets	<u>\$ 396,812</u>

Of the restricted assets listed above, the restricted assets designated for the Capital Improvement Fund, totalling \$80,798 are restricted by the board of directors for future capital projects. The amount of \$3,834, for Phase 4 Connection Fees, consists of connection fees collected for the RECD Phase 4 Project, and are segregated as a liability of the district, pending final completion of the RECD project.

St. Helena Parish Waterworks District No. 2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
December 31, 1996

5. PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fixed type property, utility plant and equipment in service at December 31, 1996, follows:

Description	Life/Years	Cost	Accumulated Depreciation	Net
Land	N/A	\$ 3,000	\$ -	\$ 3,000
Buildings & Improvements	20	14,085	13,098	987
Furniture & Fixtures	10	1,383	1,383	-
Vehicles	7	32,793	18,844	13,949
Equipment	10	458	400	58
Original RECD Project:				
Water System	40	698,837	281,497	417,340
Water Well	30	157,562	89,371	68,191
Water Tank	40	124,971	55,828	69,143
Water System (RECD NE RFP):				
Water Mill	40	145,424	28,093	117,331
Water Tank	40	161,315	28,580	132,735
Water Lines	48	403,552	75,549	328,003
Water System- Highway In Relocation	40	303,569	17,829	285,740
Phase III Water System	40	1,348,172	41,508	1,306,664
Totals		\$ 3,218,084	\$ 517,486	\$ 2,681,598

Changes during the year:

Balance, Beginning of Year	\$ 3,390,647	\$ 490,883	\$ 2,901,764
Additions:	28,487	-	28,487
Deletions:	-	-	-
Depreciation	-	88,688	(88,688)
Balance, End of Year	\$ 3,218,084	\$ 517,486	\$ 2,681,598

St. Helena Parish Waterworks District No.2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
December 31, 1996

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

C. FUND ACCOUNTING

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

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized 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 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 and national banks having their principal offices in Louisiana.

F. INVENTORIES

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

G. PREPAID ITEMS

Prepaid items consist of prepaid insurance premiums.

H. RESTRICTED ASSETS

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

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

December 31, 1996

St. Helena Parish Waterworks District No.2 was established July, 1983, by an ordinance of the St. Helena Parish Police Jury, Gretnahurst, 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 incur debt, to issue bonds, and to levy taxes and assessments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

Government Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Helena Parish Police Jury for financial reporting purposes. The basic criteria 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 financially 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
Greensburg, Louisiana

STATEMENT C

COMPARATIVE STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE

Years Ended December 31, 1998 and 1999

	<u>12/31/98</u>	<u>12/31/99</u>
Cash Flows from Operating Activities:		
Operating Income	\$ <u>40,172</u>	\$ <u>40,848</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	85,800	81,888
Changes in Accounts Receivable	760	(2,282)
Changes in Prepaid Insurance	(299)	-
Changes in Other Current Assets	57,700	87,819
Changes in Accounts Payable and Accrued Expenses	1,404	3,512
Changes in Current Liabilities Payable from Restricted Assets	<u>(43,800)</u>	<u>(133,285)</u>
Net Cash Provided by Operating Activities	<u>187,837</u>	<u>18,692</u>
Cash Flows from Non-capital Financing Activities:		
Recovery of Bad Debts	-	1,274
Net Cash Provided by Non-capital Financing Activities	<u>-</u>	<u>1,274</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Payments:		
RECD Bond - Original Water System	(2,152)	(5,048)
RECD Bond - RECD Mill Expansion	(1,808)	(1,808)
RECD Bond - Phase II	(28)	(28)
Interest Payments - RECD Loan	(84,264)	(85,858)
Grant Proceeds - RECD Phase II	27,880	422,181
Capital Additions - Phase III	<u>(28,487)</u>	<u>(274,685)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(72,651)</u>	<u>(5,636)</u>
Net Cash Increase for Year	<u>68,140</u>	<u>15,730</u>
Cash at Beginning of Year	<u>202,571</u>	<u>248,738</u>
Cash at End of Year	<u>\$ <u>270,711</u></u>	<u>\$ <u>264,468</u></u>

The accompanying notes are an integral part of these statements.

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

STATEMENT A

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE

(Continued)

December 31, 1999 and 1998

	Retrospective Fund	
	1999	1998
Current Liabilities (Payable From Restricted Assets):		
Current RECD Bond Payable	\$ 12,400	\$ 11,411
Accrued RECD Bond Interest	20,880	42,544
Customer Deposits Payable	40,130	58,502
Contingency Account Payable	-	61,879
Liability for Connection Fees	3,850	-
Retainage Payable	-	5,088
Total Current Liabilities (Payable From Restricted Assets)	117,260	179,424
Long-Term Liabilities:		
Revenue Bonds Payable -		
RECD Original System	465,308	472,786
RECD ME Expansion	185,371	180,280
Phase III Expansion	360,545	358,800
Total Long-Term Liabilities	1,011,224	1,011,866
Total Liabilities	1,128,484	1,121,321
Fund Equity:		
Contributed Capital - RECD - Original System	580,800	608,080
Contributed Capital - RECD - ME Expansion	542,800	542,880
Contributed Capital - Phase III Expansion	602,500	582,581
Contributed Capital - Fire Department	5,548	8,840
Contributed Capital - Phase III Expansion	880,800	880,500
Contributed Capital - Phase III Connection Fees	14,700	14,700
Less: Accumulated Amortization	(285,742)	(338,121)
Net Contributions	1,881,106	1,882,280
Retained Earnings:		
Reserved for RECD Bond Depreciation and Contingency	82,808	82,780
Reserved for Capital Improvements	68,108	-
Unreserved - (Deficit)	(38,488)	(26,508)
Total Retained Earnings	112,428	56,272
Total Fund Equity	1,993,534	1,938,552
Total Liabilities and Fund Equity	\$ 2,000,018	\$ 2,059,873

(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 A

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE

December 31, 1996 and 1995

Assets	Enterprise Fund	
	1996	1995
Current Assets:		
Cash	\$ 32,330	\$ 33,760
Accounts Receivable	20,854	24,837
Allowance for Uncollectible Accounts	(726)	(726)
Due from RECO	-	57,300
Prepaid Insurance	688	610
Total Current Assets	42,136	85,227
Restricted Assets:		
Cash - RECO Bond Sinking Fund	195,100	195,400
Cash - RECO Depreciation & Contingency Fund	39,268	56,837
Cash - RECO Bond Reserve Fund	55,173	47,716
Cash - Customer Deposits	27,899	23,400
Cash - Customer Deposits New System	-	290
Cash - Phase 4 Connection Fees	3,024	-
Cash - Capital Improvements Fund	80,268	-
Cash - RECO Connections (Phase III)	138	2,823
Total Restricted Assets	392,967	378,811
Property, Plant and Equipment:		
Land	7,000	7,000
Buildings	24,804	24,080
Furniture and Fixtures	1,292	1,292
Vehicles	12,706	12,785
Equipment	428	428
Water System	881,110	881,110
Water Well - RECO ME Expansion	145,424	145,424
Water Tank - RECO ME Expansion	181,718	181,718
Water Lines - RECO ME Expansion	433,552	433,552
Water System - May 76 Relocation	182,599	182,599
Phase II Expansion	1,349,522	1,322,716
Total Property, Plant and Equipment	3,279,854	3,192,847
Less: Accumulated Depreciation	(537,494)	(458,883)
Net Property, Plant and Equipment	2,742,360	2,733,964
Total Assets	\$ 3,987,254	\$ 3,118,882
Liabilities and Fund Equity		
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 4,214	\$ 3,024
Sales Tax Payable	827	687
Payroll Taxes Payable	1,836	763
Total Current Liabilities (Payable From Current Assets)	6,877	4,474

Continued on the following page

The accompanying notes are an integral part of these statements.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
a professional accounting corporation

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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, 1996, and 1995, 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-128, *Audit of State and Local Governments*. These 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.

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, 1996, and 1995, 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

February 24, 1997

St. Helena Parish Waterworks District No. 1
Parish of St. Helena
Greensburg, Louisiana
Years Ended December 31, 1994 and 1995

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ST. HELENA PARISH WATERWORKS
DISTRICT NO. 1

PARISH OF ST. HELENA
GREENSBORO, LOUISIANA

ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 1994 AND 1995

THIS provides of state law, this
report is a public document. A
copy of this report is available for
inspection to all interested persons
without charge and copies may be
obtained. This report is available for
public inspection at the Public
Accounting Office of the Executive Judge
for said, whose headquarters, at the
office of the parish clerk of court.

Release Date 9-2-97

St. Helena Parish Waterworks District No.2
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
 (Continued)
December 31, 1996

Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water clarification systems use 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, 1996, totaled \$86,603.

5. LONG-TERM DEBT

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

	1994 Revenue Bonds	1995 Revenue Bonds	1996 Revenue Bonds	Total
Long-Term Liabilities Payable at Beginning of Year	\$ 478,376	\$ 189,111	\$ 399,901	\$ 1,067,388
Additions	-	-	-	-
Expirations	6,668	1,817	7	8,492
Long-Term Liabilities Payable at End of Year	<u>\$ 471,708</u>	<u>\$ 187,294</u>	<u>\$ 399,894</u>	<u>\$ 1,058,896</u>

As of December 31, 1996, there are three revenue bonds outstanding. The original bond was issued on January 26, 1984, as Five-Hundred Twenty-Four Thousand Dollars (\$524,000), numbered R-1, and issued at the rate of 7.25% to the U.S. Rural Economic Community Development (RECD) 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 28, 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 RECD 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, 1994, the expansion project was completed. Under the terms of the RECD "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 33 months from the date of the bond, with the first amortized payment of principal and interest due 3 years from the date of the bond and annually thereafter. The annual payment of principal and interest totals \$33,868.

The third bond, dated 3/24/94, totaling \$380,898, was issued at an annual interest rate of 3.0%, and provided funding for the RECD Phase III project. Under the terms of funding by the Rural Economic Community Development office, interest payments were made on January 18, 1995 of \$8,136, and \$17,965 on January 28, 1996. Installments of principal and interest, totaling \$71,244 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.

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Accountants of Louisiana (ICPA)

**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 70440

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, 1996, and 1995, and have issued our report thereon dated February 24, 1997.

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, 1996. The management of the St. Helena Parish Waterworks District No.2, Louisiana, is responsible for the district's compliance with these requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with these 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, *Justice of State and Local Governments*. These standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance 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 these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of non-compliance 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 not allowed; 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, 1996.

St. Helena Parish Waterworks District No.2
Parish of St. Helena
Greensburg, Louisiana
Years Ended December 31, 1996 and 1995

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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
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, 1998, and 1997, and have issued our report thereon dated February 24, 1999. 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 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, *Audit of State and Local Governments*. These 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

February 24, 1999

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**INDEPENDENT AUDITORS' 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 70441

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, 1998, and 1997, and have issued our report thereon dated February 24, 1997.

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*. These 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 noncompliance that are required to be reported under *Government Auditing Standards*.

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
A Professional Accounting Corporation

February 24, 1997

Management Letter - St. Helena Waterworks District No. 2
Page 2

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

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MANAGEMENT LETTER

Feb 7 24, 1997

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

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, 1996, and 1995. 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 "Weakness in Internal Controls & Current Year Audit Recommendations", followed by "Management Response to Audit Recommendations".

REVIEW OF RATE STRUCTURE

A. Weakness in Internal Controls & Current Year Audit Recommendations:

For the fiscal year ending December 31, 1996, the district has an unreserved retained earnings deficit of \$76,484. This represents an increase in the deficit of \$60,896 from the December 31, 1995 unreserved retained earnings balance of \$155,518. However, a total of \$(68,384) of the deficit is retained earnings representing a reclassification of unreserved retained earnings because of funds designated for future capital improvement projects by the board of commissioners of the district. There were funds that the district was able to accumulate as operations of the district became more profitable. Without the reclassification of retained earnings for future capital projects, the district would show a decrease in unreserved retained earnings of \$19,442. 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.

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.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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 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

February 24, 1997

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

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 100% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB 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 federal financial assistance programs, 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 to 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 used as 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

February 24, 1997

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Board of Commissioners
St. Helena Parish Waterworks District No.1
Page 2

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

February 24, 1997

St. Helena Parish Waterworks District No.2
Parish of St. Helena
NOTICE TO THE FINANCIAL STATEMENTS
(Continued)
December 31, 1996

The annual requirements to amortize all debt outstanding, including interest payments of \$1,481,677, are as follows:

Year Ending December 31,	Water System Revenues - RECD \$524,000	Water System Revenues - RECD Net Expenses \$198,808	Water System Revenues - RECD \$360,000	Total
1997	\$ 41,423	\$ 13,868	\$ 21,344	\$ 56,635
1998	41,423	13,868	21,344	56,635
1999	41,423	13,868	21,344	56,635
2000	41,423	13,868	21,344	56,635
2001	41,423	13,868	21,344	56,635
2002-2006	267,115	68,340	168,720	483,175
2007-2011	267,115	68,340	168,720	483,175
2012-2016	267,115	68,340	168,720	483,175
2017-2021	267,115	68,340	168,720	483,175
2022-2026	267,115	68,340	168,720	483,175
2027-2031	-	32,734	106,720	139,454
2032-2034	-	-	64,032	64,032
Totals	\$ 1,242,680	\$ 448,776	\$ 811,072	\$ 2,502,528

7. FLOW OF FUNDS, RESTRICTIONS ON USE

Specify legal requirements for resource 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 15th 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 Fund, dated January 28, 1984, and for the RECD Bond dated August 13, 1987, maintaining a total of \$125,163 for the fiscal year ended December 31, 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
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, 1996, and 1995, and have issued our report thereon dated February 24, 1997. We have also audited the district's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated February 24, 1997.

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-128, *Standards 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 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, 1996, we considered the internal control structure of the 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 the St. Helena Parish Waterworks District No. 2, and on the compliance of the 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-128. 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 February 24, 1997.

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 executed 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, 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.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners
St. Helena Parish Waterworks District No.1
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 the St. Helena Parish Waterworks District No.1 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 condition described above is not a material weakness.

We also noted other matters involving the internal control structure and its operations that we have reported to the management of the St. Helena Parish Waterworks District No.1, Louisiana, in a separate letter dated February 24, 1997.

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 & Company, CPAs
A Professional Accounting Corporation

February 24, 1997

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

Board of Commissioners
St. Helena Parish Waterworks District No. 2
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, 1996, and 1995, and have issued our report thereon dated February 24, 1997.

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 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.

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, and that transactions are recorded 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 the St. Helena Parish Waterworks District No. 2, Louisiana, for the years ended December 31, 1996, and 1995, 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.

B. Helena Public Worksworks District No.2
 Public of St. Helena

SCHEDULE 4

Schedule of Federal Financial Assistance
 For the Year Ended December 31, 1986

Federal Grant/Pass-through Program Title	Federal CFDA Number	Program or Account	State's Award Received at December 31, 1986	Payments or Revenues Recognized	Encumbrance Reservations	State's Award Received at December 31, 1986
U. S. Department of Agriculture Water and Waters Disposal Systems For Rural Communities						
-Loan Repayments	19.418	\$24,288	\$ 473,378	-	6,668	473,728
-Loan Repayments	19.418	188,000	188,111	-	1,912	187,209
-Loan Repayments	19.418	568,000	568,000	-	-	568,000
Total Loan Activity			\$ 1,229,489	\$ -	\$ 8,580	\$ 1,248,077
U. S. Department of Agriculture Water and Waters Disposal Systems For Rural Communities						
-Construction Funds (Phase 1)	19.418	-	2,822	24,820	47,287	128
Total Construction Activity			\$ 2,822	\$ 24,820	\$ 47,287	\$ 128

Note 1: The Schedule of Federal Assistance presented above is a summary of the cash activity of the District's federal grant programs, and does not present transactions that would be included in the financial statements of the District, based on the accrual basis.

Of the total amount of \$46,000 reported as construction funds received under the SFOP project, a total of \$27,100, was received as loan fees (SFOP at 120%); and the balance of \$18,900 was included during the fiscal year ending December 31, 1986. The total expenditures for the SFOP construction project totaled \$60,079 construction contracts payable, and \$1,000 mortgage recorded at 120% rate. \$20,000 recorded an expenditure for the fiscal year ending December 31, 1986.

The accompanying notes are an integral part of these statements.

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

SCHEDULE 3

SCHEDULE OF WATER CUSTOMERS
December 31, 1996

As of December 31, 1996, the water district had the following number of customers.

Water-Residential	965
Water-Non Residential and Schools	<u>13</u>
Total Water Customers	<u>978</u>

SCHEDULE OF WATER RATES
December 31, 1996

<u>Usage</u>	<u>Monthly Charge</u>
Residential:	
First 2,000 gallons	\$ 9.00
Next 4,000 gallons	2.50 per 1,000 gallons
Next 4,000 gallons	1.50 per 1,000 gallons
Over 10,000 gallons	1.00 per 1,000 gallons
Commercial:	
First 10,000 gallons	\$15.00
All over 10,000 gallons	.80 per 1,000 gallons
Dairy:	
First 20,000 gallons	\$21.00
All over 20,000 gallons	.80 per 1,000 gallons

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

SCHEDULE OF BOARD OF COMMISSIONERS
December 31, 1966

SCHEDULE 1

<u>Board of Commissioners</u>	<u>For Days Payments</u>	<u>Term of Office</u>
Claird Stanley, President Rt. 1, Box 71 Abita, Louisiana 70421	3 600	07/26/62 - 07/26/1967
James Ash, Vice-President Rt. 3, Box 322 Greensburg, Louisiana 70443	450	07/27/66 - 07/26/2001
Jim Hichens, Secretary-Treasurer Rt. 1, Box 83-AA Abita, Louisiana 70422	680	07/26/74 - 07/26/1999
Larry Jones, Sr. Rt. 1, Box 282 Kenswood, Louisiana 70444	350	07/27/69 - 07/26/2001
Harry Davis Rt. 4, Box 161 Abita, Louisiana 70412	600	07/26/65 - 07/26/1988
	<u>3 2,800</u>	

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

SCHEDULE 1

**SCHEDULE OF INSURANCE COVERAGES
December 31, 1996**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Effective Date</u>	<u>Expiration Date</u>
Western Surety Bond Policy # 18229816	Fidelity Bonds Issued at \$80,000 each for President & Secretary-Treasurer, and \$10,000 each for Manager and Assistant Manager.	01/06/96	01/06/97
Trinity Universal Insurance Company Policy # CA 9017839 85	Business Auto Coverage of \$500,000 combined Single Limit Liability Coverage, Uninsured Motorists Coverage of \$100,000, \$100 deductible Comprehensive, \$750 deductible Collision, for 1992 Chevrolet N Tan F10	01/06/96	01/06/97
Louisiana Workers' Compensation Policy # 77223-1	Workers' Compensation at statutory limits, Employers' Liability at \$100,000	04/17/96	04/17/97
Trinity Universal Insurance Company Policy # CA 9927878 83 85 and Policy # CPA 8598328 03 05	--Premises and Operations Liability Limits at \$200,000 Aggregate limit; Personal and Advertising Injury limits at \$100,000 each component; Fire Damage Limit at \$50,000 --Property Coverage of \$10,000 for Building; \$4,000 for contents.	01/06/96	01/06/97

SUPPLEMENTARY INFORMATION

St. Helena Parish Waterworks District No.1
Parish of St. Helena
NOTES TO THE FINANCIAL STATEMENTS
(Continued)
December 31, 1996

- b) Bond reserve requirements apply to the original bond dated January 26, 1994, to the bond for the RECD NE Expansion dated August 13, 1997, and as modified by the RECD Letter of Conditions, dated January 15, 1993, to the bond for the Phase III project.

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 so as to which there would otherwise be default.

Combined payment requirements for all RECD bond issues, as of December 31, 1996, are \$100 per month.

The twelve required monthly payments to the "Revenue Bond Fund" were made for the year 1996 with a balance maintained of \$51,578 at December 31, 1996.

- c) Funds are also to be deposited into a "Depreciation and Contingency Fund", under the terms of the bond agreements. Combined payment requirements for all RECD bond issues, as of December 31, 1996, and as modified by the RECD Letter of Conditions, dated January 15, 1993, are \$327 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds.

Combined payment requirements, for all RECD bond issues, as of December 31, 1996, are \$327 per month.

The twelve required monthly payments to the "Depreciation & Contingency Fund" were made for the year 1996. Balance in the "Depreciation and Contingency Fund" at December 31, 1996, was \$39,298.

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

8. FUND EQUITY

Reserved Retained Earnings, totaling \$92,816, is stated in conjunction with the issuance of revenue bonds and is funded by transfer from the revenue account based on assets held by the water district that are restricted for bond payments and contingency repairs. The purpose of the reserved retained earnings is to service the revenue bonds. In addition, the board of commissioners of the district at December 31, 1996 had designated a total of \$68,798 for future capital improvement projects.

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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
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, 1996, and 1995, and have issued our report thereon dated February 24, 1997.

We have applied procedures to test the St. Helena Parish Waterworks District No.2's compliance with the following requirements applicable to its federal program, which are identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1996.

Political activity
Harris-Ransom 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 States of State and Local Governments. Our procedures were substantially less in scope 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 these requirements. Also, the results of our audit procedures did not disclose any immaterial instances of noncompliance with these requirements.