

RECEIVED
LEGISLATIVE AUDITOR
05 JUN 17 AM 11: 21

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

Annual Financial Statements
December 31, 2004 and 2003

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

Release Date 6-29-05

ANTHONY B. BAGLIO, CPA
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

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

**Annual Financial Statements
December 31, 2004 and 2003
With Supplemental Information Schedules**

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Auditor's Report.			2
Management's Discussion and Analysis (Required Supplemental Information):			
Financial Highlights			6
Overview of Annual Financial Report			7
Financial Analysis			7
Condensed Balance Sheet			8
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			9
Budgetary Highlights			10
Other Significant Trends and Account Changes			11
Capital Assets			12
Long-Term Debt Activity			13
Future Economic Plans			14
Business-Type Financial Statements:			
Balance Sheet	A		15
Statement of Revenues, Expenses, and Changes in Net Assets	B		17
Statement of Cash Flows	C		19
Notes to the Financial Statements			21
Supplemental Information Schedules:			
Budgetary Comparison Schedule		1	34
Schedule of Insurance		2	36
Schedule of Compensation Paid Board of Commissioners		3	38
Schedule of Water Customers and Schedule of Water Rates		4	39
Other Independent Auditor's Reports and Schedule of Findings & Questioned Costs:			
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.			42
Management Letter.			44
Corrective Action Plan for Prior Year Audit Findings			47
Corrective Action Plan for Current Year Audit Findings			48

ANTHONY B. BAGLIO, CPA
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation
Hammond, Louisiana

Independent Auditor's Report

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

I have audited the accompanying financial statements of the business-type activities of St. Helena Parish Waterworks District No. 2, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the year ended December 31, 2004, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the St. Helena Parish Waterworks District No. 2's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of the business-type activities of the St. Helena Parish Waterworks District No. 2, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the year ended December 31, 2003 were audited by other auditors whose report dated May 21, 2004, expressed an unqualified opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the St. Helena Parish Waterworks District No. 2 as of December 31, 2004 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 23, 2005, on my consideration of the St. Helena Waterworks District No. 2, Greensburg, Louisiana internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 14 and page 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

St. Helena Parish Waterworks District No. 2
Greensburg, Louisiana
Independent Auditor's Report
Page 2

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Helena Parish Waterworks District No. 2. The supplemental information schedules on page 36 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the St. Helena Parish Waterworks District No. 2. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Anthony B. Baglio, CPA
A Professional Accounting Corporation
May 23, 2005

This Page Intentionally Left Blank

Management's Discussion and Analysis

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

Management's Discussion and Analysis

Introduction

St. Helena Parish Waterworks District No. 2 is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets for the year were \$3,861,275 at December 31, 2004, and exceeded liabilities in the amount of \$2,433,976 (i.e., net assets). Of the total net assets, \$220,167 was unrestricted and available to support short-term operations, with the balance invested in capital assets, net of related debt, or restricted for capital activity and debt service.
- User fee revenues (water sales) for the fiscal year ending December 31, 2004 remained relatively constant increasing to \$275,749 representing an increase of approximately 3% from the total user fees of \$267,083 for the fiscal year ending December 31, 2003. One of the reasons for the increase in total water sales was that the total customers increased by 34 from the prior fiscal year, totaling 1,243 at December 31, 2004.
- The District's operating expenses increased by \$16,836 to \$308,347 as compared to \$291,511 for the prior fiscal year. The increase is due primarily to increases in contract management of \$8,352, accounting and auditing of \$1,463, chemicals of \$1,742, insurance of \$1,024, line relocation of \$2,521 and utilities of \$1,092.
- Interest income for the fiscal year ended December 31, 2004, totaled \$10,863 representing an increase of \$2,385 from the prior fiscal year.
- Total indebtedness for water revenue bonds decreased by \$13,656 from \$1,343,185 at December 31, 2003, to \$1,329,529 at December 31, 2004. The decrease is due primarily to the payment of principal on outstanding bonds.

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

Management's Discussion and Analysis

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of St. Helena Parish Waterworks District No. 2's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets, accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether St. Helena Parish Waterworks District No. 2 is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

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

Management's Discussion and Analysis

Condensed Balance Sheet

	December 31, 2004	December 31, 2003	Dollar Change	Percent Change
Current and Other Assets	\$ 675,049	\$ 637,330	\$ 37,719	5.92%
Capital Assets	3,186,226	3,287,130	(100,904)	-3.07%
Total Assets	<u>\$ 3,861,275</u>	<u>\$ 3,924,460</u>	<u>\$ (63,185)</u>	-1.61%
Long-Term Debt Outstanding	\$ 1,329,529	\$ 1,343,185	\$ (13,656)	-1.02%
Other Liabilities	97,770	93,303	4,467	4.79%
Total Liabilities	<u>1,427,299</u>	<u>1,436,488</u>	<u>(9,189)</u>	-0.64%
Invested in Capital Assets, Net of Related Debt	1,856,697	1,943,945	(87,248)	-4.49%
Restricted for Capital Activity and Debt Service	357,112	322,093	35,019	10.87%
Unrestricted	220,167	221,934	(1,767)	-0.80%
Total Net Assets	<u>2,433,976</u>	<u>2,487,972</u>	<u>(53,996)</u>	-2.17%
Total Liabilities and Net Assets	<u>\$ 3,861,275</u>	<u>\$ 3,924,460</u>	<u>\$ (63,185)</u>	-1.61%

The major components of change for "Current and Other Assets" are a \$46,671 increase in restricted cash, and a \$10,279 decrease in operating cash.

"Capital Assets" decreased by \$100,904, reflecting \$18,757 in total purchases for water system capital assets, less the depreciation recorded on capital assets of \$119,661 for the fiscal year ending December 31, 2004.

The decrease in "Long-Term Debt Outstanding" of \$13,656 is due to payment of principal on existing water revenue bonds for the District. A more detailed analysis of the changes in long-term debt is included in a following section entitled "Long-Term Debt Activity".

"Total Net Assets" (total assets less total liabilities) decreased by \$53,996 for the fiscal year ending December 31, 2004, primarily because of the decreases to "Capital Assets" of \$100,904 and the related decrease in "Long-Term Debt Outstanding" of \$13,656. These two categories combined are responsible for a \$87,248 decrease in "Net Assets-Invested in Capital Assets, Net of Related Debt".

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

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31, 2004	Year Ended December 31, 2003	Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 309,995	\$ 302,417	\$ 7,578	2.51%
Nonoperating Revenues	11,945	9,392	2,553	27.18%
Total Revenues	321,940	311,809	10,131	3.25%
Expenses:				
Depreciation Expense	119,661	120,125	464	0.39%
Other Operating Expense	188,686	171,386	(17,300)	-10.09%
Nonoperating Expense	67,589	69,845	2,256	3.23%
Total Expenses	375,936	361,356	(14,580)	-4.03%
Income (Loss) Before Contributions	(53,996)	(49,547)	(4,449)	
Capital Contributions	-	3,200	(3,200)	
Changes in Net Assets	(53,996)	(46,347)	(7,649)	
Beginning Net Assets	2,487,972	2,534,319	(46,347)	
Ending Net Assets	\$ 2,433,976	\$ 2,487,972	\$ (53,996)	

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how St. Helena Water District is being conservatively managed. Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) remained fairly constant, increasing by \$7,578, (2.51%). Nonoperating Revenues, consisting of interest income, increased by \$2,553 due primarily to an increase in total cash of \$36,392. Total expenses increased by \$14,580 from the prior fiscal year. "Depreciation Expense" remained constant for fiscal year ending December 31, 2004. For the category of expense most controllable by the District, "Other Operating Expense", there was a \$16,836 increase from the prior year. "Other Operating Expense" includes expenditures for operations, other than for "Depreciation Expense". The increase is due primarily to increases in contract management of \$8,352, accounting and auditing of \$1,463, chemicals of \$1,742, insurance of \$1,024, line relocation of \$2,521 and utilities of \$1,092. The final category, "Nonoperating Expense" includes interest expense and decreased by \$2,256 from the prior fiscal year.

The District showed a loss of \$53,996 for the fiscal year ended December 31, 2004, primarily due to the effect of \$119,661 recorded for "Depreciation Expense", as compared to a loss of \$49,547 for the fiscal year ended December 31, 2003.

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

Management's Discussion and Analysis

Budgetary Highlights

St. Helena Parish Waterworks District No. 2 adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year Ended December 31, 2004

	Budget Year Ended December 31, 2004	Actual Year Ended December 31, 2004	Favorable (Unfavorable) Variance
Revenues:			
Operating	\$ 302,200	\$ 309,995	\$ 7,795
Nonoperating	11,200	11,945	745
Total Revenues	<u>313,400</u>	<u>321,940</u>	<u>8,540</u>
Operating Expenses:			
Accounting & Auditing	14,400	16,773	(2,373)
Advertising	1,400	1,337	63
Bad Debt Expense	2,500	2,586	(86)
Bank Service Charge	100	135	(35)
Billing Costs	8,900	8,487	413
Chemicals	4,500	5,128	(628)
Contract Labor	76,000	78,860	(2,860)
Depreciation	120,000	119,661	339
Diesel Generator	-	331	(331)
Dues	200	400	(200)
Insurance	7,700	7,308	392
Loan Amortization Costs	400	418	(18)
Line Relocation	-	2,521	(2,521)
Meter Installations	6,000	6,717	(717)
Miscellaneous Expense	400	-	400
Office & Computer Expense	1,200	1,608	(408)
Payroll Tax Expense	400	545	(145)
Per Diem Board Members	2,700	2,650	50
Postage	3,600	3,897	(297)
Repairs & Maintenance	11,000	12,527	(1,527)
Salaries	5,300	5,348	(48)
Supplies-Water System	9,500	9,022	478
Telephone/Answering Service	2,000	1,950	50

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

Management's Discussion and Analysis

Budget vs. Actual - Fiscal Year Ended December 31, 2004 (Continued)

	Budget Year Ended December 31, 2004	Actual Year Ended December 31, 2004	Favorable (Unfavorable) Variance
Testing Water	\$ -	\$ 640	\$ (640)
Travel	-	67	(67)
Utilities	18,000	18,154	(154)
Vehicle Expense	<u>1,500</u>	<u>1,277</u>	<u>223</u>
Total Operating Expenses	<u>297,700</u>	<u>308,347</u>	<u>(10,647)</u>
Non-Operating Expenses:			
Interest Expense	<u>68,200</u>	<u>67,589</u>	<u>611</u>
Total Nonoperating Exp.	<u>68,200</u>	<u>67,589</u>	<u>611</u>
Total Expenses	<u>365,900</u>	<u>375,936</u>	<u>(10,036)</u>
Change in Net Assets	<u>\$ (52,500)</u>	<u>\$ (53,996)</u>	<u>\$ (1,496)</u>

Operating expenses were above projected budget by \$10,647. The major variations between budgeted and actual Operating expenses include accounting and auditing \$2,373 over budget, contract labor \$2,860 over budget, line relocation \$2,521 over budget and repairs and maintenance \$1,527 over budget.

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2004	December 31, 2003	Increase (Decrease)
Customers:			
Residential	1,199	1,169	30
Commercial	<u>44</u>	<u>40</u>	<u>4</u>
Total	<u>1,243</u>	<u>1,209</u>	<u>34</u>

The above table shows no significant change, with an increase of thirty-four customers.

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

Management's Discussion and Analysis

Other Significant Account Changes and Financial Trends (Continued)

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2004, and 2003.

	Year Ended December 31, 2004	Year Ended December 31, 2003	Increase (Decrease)
0 - 30 Days Past Due	\$ 19,506	\$ 19,695	\$ (189)
31 - 60 Days Past Due	6,532	6,316	216
61 - 90 Days Past Due	2,079	3,165	(1,086)
Over 90 Days Past Due	777	2,156	(1,379)
Total Accounts Receivable for Water (Before Allowance for Bad Debts)	<u>\$ 28,894</u>	<u>\$ 31,332</u>	<u>\$ (2,438)</u>

Total receivables for the water district decreased by \$2,438 from the period of December 31, 2003, to December 31, 2004, with decreases in all categories except "31-60 days past due.

Capital Assets

At the end of the fiscal year ending December 31, 2004, St. Helena Parish Waterworks District No. 2 had \$3,186,226 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, the District's investment for the office building and storage for water system equipment and supplies, land owned for the office building site and for water well locations, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2004	December 31, 2003	Dollar Change	Percent Change
Land	\$ 19,611	\$ 12,350	\$ 7,261	58.79%
Buildings	25,460	24,005	1,455	6.06%
Vehicles	12,705	12,705	-	0.00%
Equipment	7,222	7,222	-	0.00%
Furniture and Fixtures	2,458	1,591	867	54.49%
Water Distribution System	4,459,239	4,459,239	-	0.00%
Construction in Progress	11,466	2,292	9,174	0.41%
Subtotal	4,538,161	4,519,404	18,757	
Less: Accumulated Depreciation	(1,351,935)	(1,232,274)	(119,661)	9.71%
Net Capital Assets	<u>\$ 3,186,226</u>	<u>\$ 3,287,130</u>	<u>\$ (100,904)</u>	-3.07%

Purchases of capital assets consist of land purchased for \$7,261, two sheds constructed for \$1,455, a file cabinet and air conditioner totaling \$867 and engineering cost of \$9,174 for new office building.

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

Management's Discussion and Analysis

Long-Term Debt Activity

The primary source of long-term financing for St. Helena Parish Waterworks District No. 2 water system improvements is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS), although one of the revenue bonds was refunded by a private lending institution as Revenue Refunding Bonds, Series 2002. Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2004, range from 4.5% to 6.375%, with initial payment terms for bonds generally at 40 years.

Bonds financed for St. Helena Parish Waterworks District No. 2 do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its water rates at a level necessary to fund debt service requirements and to pay for the normal operating expenses of the District. One measure of the operating performance of the District is the Debt to Net Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and management should analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. Two variations of the Debt to Assets Ratio, Total Debt to Net Assets and also Total Long-Term Debt to Net Assets, are presented below. As indicated, the ratios are only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the water District.

	December 31, 2004	December 31, 2003
Total Debt	\$ 1,329,529	\$ 1,343,185
Total Long-Term Debt	1,296,255	1,330,170
Total Net Assets	2,433,976	2,487,972
Total Debt to Net Assets Ratio	0.55	0.54
Total Long-Term Debt to Net Assets Ratio	0.53	0.53

Future Economic Plans

The St. Helena Water District's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. Although only preliminary construction costs of \$11,466 have been incurred, the District is evaluating plans to construct a new office or renovate existing buildings in order to enhance customer services.

Financial Statements

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

Statement A

Balance Sheet
December 31, 2004 and 2003

Assets	<u>2004</u>	<u>Restated 2003</u>
Current Assets:		
Cash - Operating	\$ 68,630	\$ 86,050
Cash - Capital Improvements	117,191	110,050
Accounts Receivable (Net)	27,609	30,047
Accrued Billings	5,578	3,605
Other Receivable	2,437	-
Inventory Supplies	6,672	6,672
Prepaid Insurance	1,581	1,809
Total Current Assets	<u>229,698</u>	<u>238,233</u>
Restricted Assets:		
Cash - RUS Bond Sinking Fund	222,414	187,993
Cash - RUS Depreciation & Contingency Fund	80,129	74,414
Cash - RUS Bond Reserve Fund	102,191	96,315
Cash - Customer's Deposits	31,445	30,795
Cash - Phase IV Construction	4,309	4,300
Total Restricted Assets	<u>440,488</u>	<u>393,817</u>
Capital Assets:		
Land	19,611	12,350
Buildings	25,460	24,005
Furniture and Fixtures	2,458	1,591
Vehicles	12,705	12,705
Equipment	7,222	7,222
Chemical Storage Tank	9,356	9,356
Water System	1,117,987	1,117,987
Water Well - RUS NE Expansion	145,424	145,424
Water Tank - RUS NE Expansion	161,715	161,715
Water Lines - RUS NE Expansion	433,552	433,552
Phase III Expansion	1,349,122	1,349,122
Phase IV Water Distribution System	1,242,083	1,242,083
Phase IV CIP	11,466	2,292
Total Capital Assets	<u>4,538,161</u>	<u>4,519,404</u>
Less: Accumulated Depreciation	<u>(1,351,935)</u>	<u>(1,232,274)</u>
Net Capital Assets	<u>3,186,226</u>	<u>3,287,130</u>
Other Assets:		
Bond Issue Cost	<u>4,863</u>	<u>5,280</u>
Total Other Assets	<u>4,863</u>	<u>5,280</u>
Total Assets	<u>3,861,275</u>	<u>3,924,460</u>

(Continued)

See accompanying notes.

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

Statement A

Balance Sheet
December 31, 2004 and 2003

	<u>2004</u>	<u>Restated 2003</u>
Liabilities		
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 4,420	\$ 2,497
Accrued Auditing & Accounting Fees	9,675	8,900
Sales Tax Payable	65	74
Payroll Taxes Payable	234	108
Total Current Liabilities (Payable From Current Assets)	<u>14,394</u>	<u>11,579</u>
Current Liabilities (Payable From Restricted Assets):		
Current Bonds Payable	33,274	13,015
Accrued RUS Bond Interest	31,257	31,145
Customer Deposits Payable	52,119	50,579
Total Current Liabilities (Payable From Restricted Assets)	<u>116,650</u>	<u>94,739</u>
Long-Term Liabilities:		
1987 Water Revenue Bonds	164,757	167,821
1994 Water Revenue Bonds	323,368	327,837
1999 Water Revenue Bonds	189,229	191,463
2000 Water Revenue Bonds	264,901	268,049
2001 Water Revenue Refunding Bonds	354,000	375,000
Total Long-Term Liabilities	<u>1,296,255</u>	<u>1,330,170</u>
Total Liabilities	<u>1,427,299</u>	<u>1,436,488</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,856,697	1,943,945
Restricted for Capital Activity and Debt Service	357,112	322,093
Unrestricted	220,167	221,934
Total Net Assets	<u>\$ 2,433,976</u>	<u>\$ 2,487,972</u>

(Concluded)

See accompanying notes.

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

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Water Sales	\$ 275,749	\$ 267,083
Connection Fees	19,333	21,299
DHH Fees	393	323
Late Charges	9,918	10,087
Other	4,602	3,625
Total Operating Revenues	309,995	302,417
 Operating Expenses		
Salaries	5,348	7,115
Payroll Taxes	545	554
Per Diem - Board Members	2,650	2,950
Accounting	16,773	15,310
Advertising	1,337	1,582
Amortization of Bond Issue Costs	418	342
Bad Debts	2,586	2,284
Bank Charges	135	120
Billing Costs	8,487	7,944
Chemicals	5,128	3,386
Contract Management & Operations	78,860	70,508
Depreciation	119,661	120,125
Diesel For Generator	331	-
Dues	400	200
Insurance	7,308	6,284
Line Relocation	2,521	-
Meter Installations	6,717	7,126
Miscellaneous Expense	-	288
Office Supplies & Expense	1,608	1,082
Postage	3,897	3,207
Repairs and Maintenance	12,527	11,477
Supplies - Water System	9,022	8,493
Travel	67	-
Telephone	1,950	1,665
Testing Water	640	-
Utilities	18,154	17,062
Vehicle Expense	1,277	2,407
Total Operating Expenses	308,347	291,511
 Operating Income (Loss)	 1,648	 10,906

(Continued)

See accompanying notes.

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

Statement B

Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Nonoperating Revenues (Expenses)		
Interest Income	\$ 10,863	\$ 8,478
Recovery of Bad Debts	1,082	914
Interest Expense	<u>(67,589)</u>	<u>(69,845)</u>
Total Nonoperating Revenues (Expenses)	<u>(55,644)</u>	<u>(60,453)</u>
Income (Loss) Before Contributions	(53,996)	(49,547)
Capital Contributions	<u>-</u>	<u>3,200</u>
Change in Net Assets	(53,996)	(46,347)
Net Assets, Beginning of Year	<u>2,487,972</u>	<u>2,534,319</u>
Net Assets, End of Year	<u>\$ 2,433,976</u>	<u>\$ 2,487,972</u>

(Concluded)

See accompanying notes.

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

Statement C

Statement of Cash Flows
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 308,024	\$ 304,253
Received (Paid) for Meter Deposit Fees	1,540	1,867
Paid for Operations	(176,810)	(162,379)
Paid to Employees	<u>(8,417)</u>	<u>(10,628)</u>
Net Cash Flows From Operating Activities	<u>124,337</u>	<u>133,113</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	<u>1,082</u>	<u>914</u>
Net Cash Flows From Noncapital Financing Activities	<u>1,082</u>	<u>914</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	-	3,200
Paid for Capital Acquisitions	(18,757)	(10,130)
Principal Payments - Long-Term Debt	(13,656)	(51,265)
Interest Payments - Long-Term Debt	<u>(67,477)</u>	<u>(70,398)</u>
Net Cash Flows Used Capital and Related Financing Activities	<u>(99,890)</u>	<u>(128,593)</u>
Cash Flows From Investing Activities		
Receipt of Interest and Dividends	<u>10,863</u>	<u>8,478</u>
Net Cash Flows From Investment Activities	<u>10,863</u>	<u>8,478</u>
Net Change in Cash and Cash Equivalents	36,392	13,912
Cash and Cash Equivalents - Beginning of Year	<u>589,917</u>	<u>576,005</u>
Cash and Cash Equivalents - End of Year	<u>\$ 626,309</u>	<u>\$ 589,917</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash	185,821	196,100
Restricted Cash	<u>440,488</u>	<u>393,817</u>
Cash and Cash Equivalents - End of Year	<u>\$ 626,309</u>	<u>\$ 589,917</u>

(Continued)

See accompanying notes.

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

Statement C

Statement of Cash Flows
Years Ended December 31, 2003 and 2002

	2004	2003
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income (Loss)	\$ 1,648	\$ 10,906
Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation Expense	119,661	120,125
Changes in Assets and Liabilities:		
Decrease (Increase) in Customer Receivables	466	1,836
Decrease (Increase) in Other Receivable	(2,437)	-
Decrease (Increase) in Prepaid Insurance	227	(76)
Decrease (Increase) in Bond Issue Cost	417	343
Increase (Decrease) in Accounts Payable	1,923	(1,204)
Increase (Decrease) in Accrued Auditing and Accounting Fees	775	-
Increase (Decrease) in Sales Tax Payable	(9)	(675)
Increase (Decrease) in Payroll Taxes Payable	126	(9)
Increase (Decrease) in Customer Deposits Payable	1,540	1,867
Net Cash Flows From Operating Activities	\$ 124,337	\$ 133,113

(Concluded)

See accompanying notes.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Introduction

St. Helena Parish Waterworks District No. 2 was established July, 1983, by an ordinance of the St. Helena Parish Police Jury, Greensburg, Louisiana. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a 5-member governing board of commissioners appointed by the St. Helena Parish Police Jury. The District currently serves 1,243 customers as of December 31, 2004, and operates in an area extending from Livingston Parish on the southern boundary and extending northward through Ward 5, Ward 3 north of Montpelier (bounded on the south by Ward 4), north to most of Ward 2, and parts of Ward 1 and 6.

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

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the St. Helena Parish Waterworks District No. 2 is considered a component unit of the St. Helena Parish Police Jury.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of St. Helena Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

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

C. Inventories

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

D. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

E. 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, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

F. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 - 30 years
Equipment & Furniture	5 - 7 years
Water System	20 - 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

G. Compensated Absences

At December 31, 2004, the District did not have employees that accumulate or vest benefits.

H. Long-term Liabilities

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

J. Use of Estimates

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

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

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2004**

2. Cash and Cash Equivalents

At December 31, 2004, the District had cash and cash equivalents (book balances) totaling as follows:

	2004	2003
Demand Deposit Accounts	\$ 339,118	\$ 309,867
Time and Savings Accounts	287,191	280,050
Total Cash and Cash Equivalents	\$ 626,309	\$ 589,917

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the District had \$637,532 in collected bank balances deposited in two separate banks. For the first bank, collected bank balances at December 31, 2004, totaled \$487,978, and consisted of \$327,978 in demand deposit accounts, and \$160,000 in time and savings accounts. The demand deposit accounts, totaling \$327,978 were secured by \$100,000 of federal deposit insurance and \$204,021 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings accounts, totaling \$160,000, were secured by \$100,000 of federal deposit insurance, and \$60,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). In the second bank, the District had collected bank balances totaling \$149,554, and consisting of \$22,363 in demand deposit accounts and \$127,191 in time and savings accounts. The demand deposit accounts, totaling \$22,363, were secured by \$100,000 of federal deposit insurance. The time and savings accounts, totaling \$127,191, were secured by \$100,000 of federal deposit insurance and \$27,191 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

At December 31, 2003, the District had \$603,402 in collected bank balances deposited in two separate banks. For the first bank, collected bank balances at December 31, 2003, totaled \$457,543, and consisted of \$297,543 in demand deposit accounts, and \$160,000 in time and savings accounts. The demand deposit accounts, totaling \$297,543 were secured by \$100,000 of federal deposit insurance and \$197,543 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings accounts, totaling \$160,000, were secured by \$100,000 of federal deposit insurance, and \$60,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). In the second bank, the District had collected bank balances totaling \$145,859, and consisting of \$25,809 in demand deposit accounts and \$120,050 in time and savings accounts. The demand deposit accounts, totaling \$25,809, were secured by \$100,000 of federal deposit insurance. The time and savings accounts, totaling \$120,050, were secured by \$100,000 of federal deposit insurance and \$20,050 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

3. Receivables

The following is a summary of receivables at December 31, 2004, and 2003:

	2004	2003
Current	\$ 19,506	\$ 19,695
31 - 60 Past Due	6,532	6,316
61 - 90 Past Due	2,079	3,165
Over 90 Past Due	777	2,156
Total	28,894	31,332
Less: Allowance for Uncollectible Accounts	(1,285)	(1,285)
Net Accounts Receivable	\$ 27,609	\$ 30,047

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The board of commissioners of St. Helena Parish Waterworks District No. 2 established a monthly allowance for uncollectible accounts, at \$220 per month, the amount based on past experience in customer collections. Periodically, the board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 2004, the District recorded bad debt expense of \$2,586, as compared to bad debt expense of \$2,284 for the fiscal year ending December 31, 2003.

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, 2004, accrued billings amounts were \$5,578 and \$3,605 at December 31, 2003.

4. Restricted Assets

Restricted assets were applicable to the following at December 31, 2004, and 2003:

	December 31, 2004	December 31, 2003
Cash-Bond Sinking Fund	\$ 222,414	\$ 187,993
Cash-RUS Depreciation and Contingency	80,129	74,414
Cash-RUS Bond Reserve	102,191	96,315
Cash-Customer Deposits	31,445	30,795
Cash-Phase IV Construction	4,309	4,300
Total Restricted Assets	\$ 440,488	\$ 393,817

The amounts for Phase IV Construction consist of funds restricted for construction expenditures for the United States Department of Agriculture, Rural Utilities Service (RUS) Phase IV Project.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2004 is as follows:

	Balance December 31, 2003	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2004
Land	\$ 12,350	\$ 7,261	\$ -	\$ 19,611
Building	24,005	1,455	-	25,460
Vehicles	12,705	-	-	12,705
Equipment	7,222	-	-	7,222
Furniture and Fixtures	1,591	867	-	2,458
Chemical Storage Tank	9,356	-	-	9,356
Water Distribution System:				
Original RUS Syst-Water System	1,117,987	-	-	1,117,987
RUS N/E Expansion-Water Well	145,424	-	-	145,424
RUS N/E Expansion-Water Tank	161,715	-	-	161,715
RUS N/E Expansion-Water Lines	433,552	-	-	433,552
Phase III Expansion	1,349,122	-	-	1,349,122
Phase IV Water System	1,242,083	-	-	1,242,083
Capital Assets in Service	4,517,112	9,583	-	4,526,695
Construction in Progress	2,292	9,174	-	11,466
Total Capital Assets	4,519,404	18,757	-	4,538,161
Less: Accumulated Depreciation	(1,232,274)	(119,661)	-	(1,351,935)
Net Capital Assets	<u>\$ 3,287,130</u>	<u>\$ (100,904)</u>	<u>\$ -</u>	<u>\$ 3,186,226</u>

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, 2004, totaled \$119,661.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

6. Long-term Debt

The following is a summary of the long-term liability transactions during the fiscal year ending December 31, 2004:

<u>Description</u>	<u>Long-Term Liabilities Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Long-Term Liabilities End of Year</u>	<u>Due Within One Year</u>
1987 Water Revenue Bonds	\$ 170,922	\$ -	\$ (3,301)	\$ 167,621	\$ 2,864
1994 Water Revenue Bonds	332,612	-	(5,215)	327,397	4,028
1999 Water Revenue Bonds	193,593	-	(2,131)	191,462	2,234
2000 Water Revenue Bonds	271,058	-	(3,009)	268,049	3,148
2001 Water Revenue Bonds	375,000	-	-	375,000	21,000
Total	<u>\$ 1,343,185</u>	<u>\$ -</u>	<u>\$ (13,656)</u>	<u>\$ 1,329,529</u>	<u>\$ 33,274</u>

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

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2004**

Bonds Payable at December 31, 2004 and 2003 comprise the following issues:

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Water System Revenue Bonds - RUS Bonds 91-03: \$198,000 revenue bonds sold to Rural Utility Service, dated 09/12/88, due in installments of \$13,867.92 through 01/26/28; interest at 6.375%	\$ 167,621	\$ 170,922
Water System Revenue Bonds - RUS Bonds 91-05: \$360,000 revenue bonds sold to Rural Utility Service, dated 5/26/94, due in annual installments of \$21,344.00 through 01/26/34; interest at 5.0%	327,397	332,612
Water System Revenue Bonds - RUS Bonds 91-07: \$200,000 revenue bonds sold to Rural Utility Service, dated 08/26/99, due in monthly installments of \$940.00 through 08/26/39; interest at 4.75%	191,462	193,593
Water System Revenue Bonds - RUS Bonds 91-09: \$278,000 revenue bonds sold to Rural Utility Service, dated 07/17/00, due in monthly installments of \$1,262.12 through 07/26/40; interest at 4.5%	268,049	271,058
Water Revenue Refunding Bonds, Series 2001: \$416,000 revenue refunding bonds sold to Iberia Bank, dated 11/20/01, interest at 5.2% payable January 26 and July 26 of each year, commencing January 26, 2002, with principal being payable annually on January 26 of the years 2002 through 2017	375,000	375,000
Total Bonds Payable	<u>\$ 1,329,529</u>	<u>\$ 1,343,185</u>

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$1,089,115 are as follows.

Year Ending December 31,	1987 Water Revenue Bonds \$198,000	1994 Water Revenue Bonds \$360,000	1999 Water Revenue Bonds \$200,000	2000 Water Revenue Bonds \$278,000	2001 Refunding Bonds \$416,000	Total
2005	\$ 13,868	\$ 21,344	\$ 11,280	\$ 15,145	\$ 39,954	\$ 101,591
2006	13,868	21,344	11,280	15,145	39,836	101,473
2007	13,868	21,344	11,280	15,145	39,666	101,303
2008	13,868	21,344	11,280	15,145	39,444	101,081
2009	13,868	21,344	11,280	15,145	40,144	101,781
2010-2014	69,340	106,720	56,400	75,727	197,750	505,937
2015-2019	69,340	106,720	56,400	75,727	118,736	426,923
2020-2024	69,340	106,720	56,400	75,727	-	308,187
2025-2029	55,472	106,720	56,400	75,727	-	294,319
2030-2034	-	106,720	56,400	75,727	-	238,847
2035-2039	-	-	52,640	75,727	-	128,367
2039	-	-	-	8,835	-	8,835
Totals	<u>\$ 332,832</u>	<u>\$ 640,320</u>	<u>\$ 391,040</u>	<u>\$ 538,922</u>	<u>\$ 515,530</u>	<u>\$ 2,418,644</u>

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

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 RUS Bonds and for the 2001 Water Revenue Refunding Bonds, issued in parity with the RUS bonds, maintaining a total of \$222,414 at December 31, 2004, and a balance of \$187,993 for the fiscal year ended December 31, 2003.

- b) Bond reserve deposit requirements are as modified by the RUS letter of conditions dated February 10, 2000, and by bond reserve requirements of the 2001 Water Revenue Refunding Bonds.

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 succeeding annual debt service payment in any future year. The actual required deposit for any given year is calculated by multiplying the annual debt service requirement times 5%, with the total deposit requirement being \$102,537.76 through year 2015 and reducing to \$15,145.44 for year 2039 per the "Combined Monthly Payment Schedule" for all revenue bonds of the District. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.

Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month on February 20, 2002.

The twelve required monthly payments to the "Revenue Bond Reserve Fund" were made for the year 2004 with a balance maintained of \$102,191 at December 31, 2004, as compared to a balance of \$96,315 at December 31, 2003.

- c) Funds are also to be deposited into a "Depreciation and Contingency Fund," under the terms of the RUS Bond issues and the 2001 Water Revenue Refunding Bonds. Funds in the Depreciation and Contingency Fund are to be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System by transferring from the Water Revenue Fund to the regularly designated fiscal agent bank of the Issuer (or such other bank designated by the Issuer with the approval of the Government), monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent (5%) of the amount to be paid monthly into the Sinking Fund. Upon the Reserve Fund being funded to the Reserve Fund Requirement, the monthly deposit into the Contingency Fund will increase to an amount equal to ten percent (10%) of the amount paid monthly into the Sinking Fund with respect to the Bonds, all as required by the Government, which monthly payments will be in addition to those required to be made into the Contingency Fund by the Parity Bond Resolutions. Moneys in the Contingency Fund shall also be used to pay the principal of and interest on any bond for the payment of which there is not sufficient money in the

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Sinking Fund or the Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter out of the earnings of the System after making the required payments into the respective funds and accounts herein above set out.

Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month beginning February 20, 2002.

The twelve required monthly payments to the "Depreciation & Contingency Fund" were made for the year 2004. The balance in the "Depreciation and Contingency Fund" at December 31, 2004 was \$80,129, as compared to \$74,414 at December 31, 2003.

All the revenues received in any year and not required to be paid in such year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose. Deposits for the "Utility System Revenue Bond Reserve Fund" and deposits for the "Depreciation and Contingency Fund" are maintained in the same checking account and a certificate of deposit, however, the balances are accounted for separately in the financial statements.

8. Restricted and Designated Net Assets

At December 31, 2004, St. Helena Parish Waterworks District No. 2 recorded \$357,112 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

In addition, for the fiscal year ending December 31, 2004, the Board of Commissioners of the District designated a total of \$117,191 as cash reserved for future capital improvement projects. Since this designation represents an internally imposed restriction, the amount designated for capital improvements is included within the category of Unrestricted Net Assets, totaling \$220,167 at December 31, 2004.

9. Prior Period Adjustment

A prior period adjustment was made to correct the 2003 beginning Net Assets. The adjustment recorded an inventory for supplies for the prior fiscal years. The correction to the beginning Net Asset balance is as follows:

<u>Description</u>	<u>Amount</u>
Beginning Net Assets, Before Prior Period Adjustment	\$ 2,527,647
Prior Period Adjustments:	
– Record Inventory for Supplies	6,672
Beginning Net Assets, After Prior Period Adjustment	<u><u>\$ 2,534,319</u></u>

10. Water System Management

The water system, under the direction of the board of commissioners of St. Helena Parish Waterworks District No.2, is operated under a contract with an outside party. The contract manager receives customer service calls, collects payments from customers, and performs routine maintenance work for the District.

Supplementary Information Schedules

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

Schedule 1

Budgetary Comparison Schedule
Year Ended December 31, 2004
(With Comparative Amounts for the Fiscal Year Ended December 31, 2003)

	2004 Budget	2004 Actual	Variance- Favorable (Unfavorable)	2003 Actual
Operating Revenues				
Water Sales	\$ 274,700	\$ 275,749	\$ 1,049	\$ 267,083
Connection Fees	17,000	19,333	2,333	21,299
DHH Fees	400	393	(7)	323
Late Charges	10,000	9,918	(82)	10,087
Other	100	4,602	4,502	3,625
Total Operating Revenues	<u>302,200</u>	<u>309,995</u>	<u>7,795</u>	<u>302,417</u>
Operating Expenses				
Salaries	5,300	5,348	(48)	7,115
Payroll Taxes	400	545	(145)	554
Per Diem - Board Members	2,700	2,650	50	2,950
Accounting	14,400	16,773	(2,373)	15,310
Advertising	1,400	1,337	63	1,582
Amortization of Bond Issue Costs	400	418	(18)	342
Bad Debts	2,500	2,586	(86)	2,284
Bank Charges	100	135	(35)	120
Billing Costs	8,900	8,487	413	7,944
Chemicals	4,500	5,128	(628)	3,386
Contract Management & Operations	76,000	78,860	(2,860)	70,508
Depreciation	120,000	119,661	339	120,125
Diesel Generator	-	331	(331)	-
Dues	200	400	(200)	200
Insurance	7,700	7,308	392	6,284
Line Relocation	-	2,521	(2,521)	-
Meter Installations	6,000	6,717	(717)	7,126
Miscellaneous	400	-	400	288
Office Supplies & Expense	1,200	1,608	(408)	1,082
Postage	3,600	3,897	(297)	3,207
Repairs and Maintenance	11,000	12,527	(1,527)	11,477
Supplies - Water System	9,500	9,022	478	8,493
Travel	-	67	(67)	-
Telephone	2,000	1,950	50	1,665
Testing Water	-	640	(640)	-
Utilities	18,000	18,154	(154)	17,062
Vehicle Expense	1,500	1,277	223	2,407
Total Operating Expense	<u>297,700</u>	<u>308,347</u>	<u>(10,647)</u>	<u>291,511</u>
Operating Income	<u>4,500</u>	<u>1,648</u>	<u>(2,852)</u>	<u>10,906</u>

(Continued)

See accountant's report.

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

Schedule 1

**Budgetary Comparison Schedule
Year Ended December 31, 2004
(With Comparative Amounts for the Fiscal Year Ended December 31, 2003)**

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>2003 Actual</u>
Nonoperating Revenues (Expenses)				
Interest Income	\$ 10,000	\$ 10,863	\$ 863	\$ 8,478
Recovery of Bad Debts	1,200	1,082	(118)	914
Interest Expense	<u>(68,200)</u>	<u>(67,589)</u>	<u>611</u>	<u>(69,845)</u>
Total Non-Operating Revenue (Expenses)	<u>(57,000)</u>	<u>(55,644)</u>	<u>1,356</u>	<u>(60,453)</u>
Income (Loss) Before Contributions	(52,500)	(53,996)	(1,496)	(49,547)
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,200</u>
Change in Net Assets	<u>(52,500)</u>	<u>(53,996)</u>	<u>(1,496)</u>	<u>(46,347)</u>
Net Assets, Beginning	<u>2,487,972</u>	<u>2,487,972</u>	<u>-</u>	<u>2,534,319</u>
Net Assets, End of Year	<u>\$ 2,435,472</u>	<u>\$ 2,433,976</u>	<u>\$ (1,496)</u>	<u>\$ 2,487,972</u>

(Concluded)
See accountant's report.

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

Schedule 2

**Schedule of Insurance Coverages
December 31, 2004**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Effective Date</u>	<u>Expiration Date</u>
Travelers Property Casualty Insurance Company Policy # I-660-566X4874-TIA-04	Employee Dishonesty - Blanket coverage of \$110,000	01/22/04	01/22/05
Travelers Property Casualty Insurance Company Policy # I-810-510H2160-IND-04	Business Auto Coverage of \$1,000,000 combined Single Limit Liability Coverage, Uninsured Motorists Coverage of \$1,000,000 Comprehensive and Collision of lesser of actual cash value or cost of repair	01/22/04	01/22/05
Travelers Property Casualty Insurance Company Policy # I-660-566X4874-TIA-04	-Property coverage of \$21,582 for Building; \$4,286 for contents. 2503 Hillsdale Rd, Greensburg, LA -Property coverages of \$3,408 for pump station at Hwy 10, Greensburg, LA -Property coverages of \$113,591 for water tower at Hwy 10, Greensburg, LA -Property coverages of \$3,408 for pumping station at Hwy 38, Greensburg, LA -Property coverage of \$59,022 for tank at Hwy 38, Greensburg, LA -Property coverage of \$28,933 for generator building at Hwy 38, Greensburg, LA -Property coverage of \$157,590 for tanks, bins and silos at Hwy 38, Greensburg, LA	01/22/04	01/22/05
Travelers Property Casualty Insurance Company Policy # I-660-566X4874-TIA-03	-Commercial General Liability Limits at \$1,000,000 Aggregate; \$1,000,000 per occurrence; personal and advertising injury and products liability coverage limits at \$1,000,000; \$100,000 fire damage limit	01/22/04	01/22/05

(Continued)
See accountant's report.

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

Schedule 2

Schedule of Insurance Coverages
December 31, 2004

<u>Insurance Company</u>	<u>Coverage</u>	<u>Effective Date</u>	<u>Expiration Date</u>
Travelers Casualty and Surety Company of America Policy # 104375879	Directors & Officers Liability limits at \$1,000,000 and deductible of \$2,500	09/02/04	09/02/05
Louisiana Workers' Compensation Policy # 17223-A	Workmen's Compensation at statutory limits, Employer's Liability at \$100,000	04/17/04	04/17/05

(Concluded)
See accountant's report.

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

Schedule 3

**Schedule of Compensation Paid Board of Commissioners
December 31, 2004**

<u>Board of Commissioners</u>	<u>Per Diem Payments</u>	<u>Term of Office</u>
Claude Sharkey, President 8178 Hwy. 441 Amite, Louisiana 70422 985-748-4847	\$ 600	07/26/03 - 07/26/08
James Ash, Vice-President 228 Red Bluff Ch. Rd. Greensburg, Louisiana 70441 225-222-6235	400	07/27/02 - 07/26/2008
Jim Hitchens, Secretary-Treasurer 6914 Hwy. 441 Amite, Louisiana 70422 985-748-7741	600	07/26/99 - 07/26/2005
Evelyn Jones 16375 Hwy 441 Kentwood, Louisiana 70444 225-222-6826	500	07/27/01 - 07/26/2007
Huey Davis 4520 Hwy 441 Amite, Louisiana 70422 985-748-6154	550	07/26/04 - 07/26/2010
	<u>\$ 2,650</u>	

See accountant's report.

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

Schedule 4

Schedule of Water Customers
December 31, 2004

As of December 31, 2004, the water district had the following number of customers.

Water-Residential	1,199
Commercial/Dairy	<u>44</u>
Total Customers	<u><u>1,243</u></u>

Number customers having a meter size larger than the residential size (3/4")	<u><u>23</u></u>
---	------------------

Schedule of Water Rates
December 31, 2004

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

See accountant's report.

**Other Independent Auditor's Reports and
Schedule of Findings and Questioned Costs**

Report on Internal Control Over Financial
Reporting and on Compliance and Other
Matters Based On An Audit of Financial
Statements Performed In Accordance with
Government Auditing Standards

ANTHONY B. BAGLIO
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155 or (985) 542-4186

May 23, 2005

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

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

I have audited the financial statements of the business-type activities of the St. Helena Parish Waterworks District No. 2, Greensburg, Louisiana, as of and for the year ended December 31, 2004, which comprise the District's basic financial statements and have issued my report thereon dated May 23, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered St. Helena Parish Waterworks District No. 2's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Helena Parish Waterworks District No. 2's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However I noted a certain matter that I reported to management of St. Helena Parish Waterworks District No. 2 in a separate letter dated May 23, 2005.

St. Helena Parish Waterworks District No.2
Greensburg, Louisiana
Report on Internal Control and Compliance
Page 2

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and the Rural Utilities Service office. Under Louisiana Revised Statute 24:515, this report is distributed by the Legislative Auditor as a public document.



Anthony B. Baglio, CPA
Hammond, Louisiana

ANTHONY B. BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155 or (985) 542-4186

MANAGEMENT LETTER

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

Gentlemen:

In planning and performing my audit of the financial statements of the business-type activities of the St. Helena Parish Waterworks District No. 2, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the year ended December 31, 2004, I considered the St. Helena Parish Waterworks District No. 2's internal control structure to plan my auditing procedures of the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. I previously reported on the St. Helena Parish Waterworks District No. 2's internal control structure in my report dated May 23, 2005. This letter does not affect my report dated May 23, 2005 on the financial statements of the St. Helena Parish Waterworks District No. 2.

I will review the status of these comments during my next audit engagement. My comments and recommendations all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you or your CPA in implementing the recommendations. My comments are summarized as follows:

FINDING ML 04-01

Funds not being deposited by the 20th of the month in the Water System Revenue Bond and Sinking Fund and Depreciation and Contingency Fund

The St. Helena Parish Waterworks District No. 2 has legal requirements to make certain deposits in the above accounts by the 20th of each month. The deposits are being made towards the end of the month.

Controls should be established to insure the deposits to the accounts are made by the 20th of each month.

FINDING ML 04-02

Cash Management Law

The St. Helena Waterworks District No. 2 had \$23,957 of unsecured deposits at year end.

The Fiscal Agency and Cash Management Law require the St. Helena Waterworks District No. 2 to make sure the bank deposits are secured by federal deposit insurance or the pledged of securities by the fiscal agent bank.

It is recommended that the St. Helena Waterworks District No. 2 receive a copy of the pledge inventory report and compare it to the cash at the end of each month to insure that cash is adequately collateralized. The St. Helena Waterworks District No. 2 needs to be sure the bank is also monitoring the security that is being pledged for the deposits and for the bank to correct the recent shortage.

I would like to thank you and your staff for the helpful cooperation I received during my audit.

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


Anthony B. Baglio, CPA
Hammond, Louisiana
May 23, 2005

Corrective Action Plan

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

Schedule 5

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 2004**

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

Reference number 2003-01, adjustment to utility billing accounts receivable.

Corrective Action:

Corrected.

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II

Section II - Management Letter

No Findings for Section III

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

Schedule 6

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2004**

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

Internal Control

No Findings for Section I

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II

Section II - Management Letter

Finding ML 04-01

Funds not being deposited by the 20th of the month in the Water System Revenue Bond and Sinking Fund and Deprecation and Contengency Fund.

Corrective Action Plan (Response by Management)

We will make the deposits by the 20th of the month.

Finding ML 04-02

Cash Management Law - The Water District had \$23,957 of unsecured deposits at year end.

Corrective Action Planned (Response by Management)

The deposits are now secure. The bank will send us a copy of the security agreement each month for us to verify the security. The bank has also set up controls to be sure this will not happen again.