

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

**Annual Financial Statements
As of and for the Years Ended
December 31, 2010 and 2009**

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 8/31/11

ANTHONY B. BAGLIO, CPA
A Professional Accounting Corporation

Waterworks District No. 2 of St. Helena Parish

**Annual Financial Statements
As of and for the years Ended December 31, 2010 and 2009
With Supplemental Information Schedules**

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Anthony B Baglio, CPA
A Professional Accounting Corporation
2011 Rue Simone
Hammond, Louisiana 70403

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the business-type activities of Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana, a component unit of the St. Helena Parish Police Jury, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Waterworks District No. 2 of St. Helena Parish's management. My responsibility is to express an opinion on these financial statements based on my audit.

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 misstatements. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District No. 2 of St. Helena Parish as of December 31, 2010 and 2009, and the respective changes in financial position and cash flows for the years 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 June 5, 2011, on my consideration of the Waterworks District No. 2 of St. Helena Parish's 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 assessing the results of my audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 2 of St. Helena Parish financial statements as a whole. The supplemental information schedules on Pages 38-40 are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and, in my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Anthony B Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana

June 14, 2011

Management's Discussion and Analysis

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2010 and 2009

Introduction

The Waterworks District No. 2 of St. Helena Parish (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (GASB 34)*, and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2010, total assets were \$4,894,870, and exceeded liabilities in the amount of \$3,620,228 (i.e., net assets). Of the total net assets, \$299,711 was unrestricted and available to support short-term operations, \$182,916 was restricted for capital projects and debt service, with the balance invested in capital assets, net of related debt.
- For the year ended December 31, 2010, user fee revenues (water sales) increased by \$110,920 to \$667,239 as compared to \$556,319 for the fiscal year ending December 31, 2009.
- The District's operating expenses, other than depreciation expense, increased by \$127,839 to \$525,116 as compared to \$397,277 for the prior fiscal year. The increase is due primarily to increases in salaries, repairs and maintenance, and utilities expenses.
- Total bonds payable decreased \$44,419 at December 31, 2010 as principal payments were made for fiscal year 2010.
- The District acquired the Darlington Waterworks Association Inc. on March 31, 2010 with a net increase to capital assets of \$530,157. Debt of \$172,112 was acquired and paid off in the acquisition. The net asset value of the acquisition was \$520,995.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2010 and 2009

Overview of the 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 Waterworks District No. 2 of St. Helena Parish'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 Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets 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 and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Waterworks District No. 2 of St. Helena Parish is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Assets, 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.

Waterworks District No. 2 of St. Helena Parish

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2010 and 2009**

**Condensed Statement of Net Assets
2010 and 2009**

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 662,634	\$ 735,257	\$ (72,623)	-9.88%
Capital Assets	<u>4,232,236</u>	<u>3,702,079</u>	<u>530,157</u>	14.32%
Total Assets	<u>4,894,870</u>	<u>4,437,336</u>	<u>457,534</u>	10.31%
Liabilities:				
Long-Term Debt Outstanding	1,094,635	1,139,054	(44,419)	-3.90%
Other Liabilities	<u>180,007</u>	<u>162,245</u>	<u>17,762</u>	10.95%
Total Liabilities	<u>1,274,642</u>	<u>1,301,299</u>	<u>(26,657)</u>	-2.05%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	3,137,601	2,563,025	574,576	22.42%
Restricted for Capital Activity and Debt Service	182,916	156,586	26,330	16.82%
Unrestricted	<u>299,711</u>	<u>416,426</u>	<u>(116,715)</u>	-28.03%
Total Net Assets	<u>\$ 3,620,228</u>	<u>\$ 3,136,037</u>	<u>\$ 484,191</u>	15.44%

The major component of change for "Current and Other Assets" is an decrease in cash and cash equivalents. The primary reason is a decrease of \$76,697 in operating cash, reflecting primarily increased cash requirements for the cost of acquiring water systems.

"Capital Assets" increased for the fiscal year ending December 31, 2010, with the additions of the Darlington utility system increasing capital assets by a total of approximately \$647,000. Actual purchased additions included a vehicle of approximately \$19,000 and an excavator for \$39,700. "Long-Term Debt Outstanding" decreased by \$44,419 as principal payments were made for the fiscal year ended.

"Total Net Assets" (total assets less total liabilities) decreased by \$36,804 before the net asset increase of \$520,995 related to the acquisition of the Darlington utility system for the fiscal year ending December 31, 2010. Net assets was also increased in the prior fiscal year by \$5,101 for the effect of a prior period adjustment correcting meter deposits payable.

Waterworks District No. 2 of St. Helena Parish

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2010 and 2009**

**Condensed Statement of Revenues, Expenses and Changes in Net Assets
2010 and 2009**

	<u>Year ended December 31, 2010</u>	<u>Year ended December 31, 2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 762,389	\$ 684,083	\$ 78,306	11.45%
Nonoperating Revenues	530,389	697,050	(166,661)	-23.91%
Total Revenues	<u>1,292,778</u>	<u>1,381,133</u>	<u>(88,355)</u>	-6.40%
Expenses:				
Depreciation Expense	225,224	181,556	43,668	24.05%
Other Operating Expense	525,116	397,277	127,839	32.18%
Nonoperating Expense	58,247	58,358	(111)	-0.19%
Total Expenses	<u>808,587</u>	<u>637,191</u>	<u>171,396</u>	26.90%
Changes in Net Assets	484,191	743,942	(259,751)	-34.92%
Beginning Net Assets	<u>3,136,037</u>	<u>2,392,095</u>	<u>743,942</u>	31.10%
Ending Net Assets	\$ <u>3,620,228</u>	\$ <u>3,136,037</u>	\$ <u>484,191</u>	15.44%

While the Statement of Net Assets 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 Waterworks District No. 2 of St. Helena Parish is being conservatively managed.

Total "Operating Revenues" increased by \$78,306 (11 percent), reflecting the addition of 126 customers from the Darlington system acquisition. The "Non-Operating Revenues" decrease of \$166,661 reflects the difference from the increases from the Crossroads and Dennis Mills Waterworks system acquisitions acquired in 2009 in excess of the acquisition of Darlington Waterworks system acquisition in the current year, which increased net assets by \$520,995.

"Total Expenses" increased \$171,396 reflecting general increases in numerous categories led by depreciation of \$43,668 and repairs and maintenance of \$24,066.

Waterworks District No. 2 of St. Helena Parish

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2010 and 2009**

Budgetary Highlights

Waterworks District No. 2 of St. Helena Parish 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, 2010

	Budget Year ended December 31, 2010	Actual Year ended December 31, 2010	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 744,306	\$ 762,389	\$ 18,083
Nonoperating Revenues	8,350	530,389	522,039
Total Revenues	<u>752,656</u>	<u>1,292,778</u>	<u>540,122</u>
Expenses:			
Depreciation Expense	220,000	225,224	(5,224)
Other Operating Expense	508,984	525,116	(16,132)
Nonoperating Expense	69,000	58,247	10,753
Total Expenses	<u>797,984</u>	<u>808,587</u>	<u>(10,603)</u>
Capital Contributions	-	-	-
Change in Net Assets	<u>\$ (45,328)</u>	<u>\$ 484,191</u>	<u>\$ 529,519</u>

There were no significant variations from budgeted revenues or expenditures, other than the increase of \$520,995 to net assets in "Nonoperating Revenues", reflecting the gain recorded on the acquisition of the Darlington Water System, since the budget was not amended at fiscal year end to reflect the change.

Waterworks District No. 2 of St. Helena Parish

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2010 and 2009**

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

As of December 31, 2010 and 2009, the District had the following number of customers:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>Increase (Decrease)</u>
Customers			
Residential	2,210	2,059	151
Commercial and Dairy	67	67	-
Total Customers	<u>2,277</u>	<u>2,126</u>	<u>151</u>

Number of customers having a meter size larger than the residential size (3/4") 36

One key measure of the 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. The acquisition of Darlington Waterworks increased customers by 126 in March of 2010. Presented below is an aged receivable listing for the fiscal years ending December 31, 2010 and 2009.

	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 43,160	\$ 44,493	\$ (1,333)
31-60 Days Past Due	15,550	13,646	1,904
61-90 Days Past Due	3,217	5,055	(1,838)
Over 90 Days Past Due	4,236	1,666	2,570
Subtotal	<u>66,163</u>	<u>64,860</u>	<u>1,303</u>
Allowance for Uncollectible Accounts	<u>-1,100</u>	<u>-1,100</u>	-
Net Accounts Receivable	<u>\$ 65,063</u>	<u>\$ 63,760</u>	<u>\$ 1,303</u>

Waterworks District No. 2 of St. Helena Parish

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2010 and 2009**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2010, Waterworks District No. 2 of St. Helena Parish had \$4,232,236 (net of accumulated depreciation) recorded in capital assets. This includes water systems and improvements, investment in an office building, land, vehicles and maintenance equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 23,211	\$ 23,111	\$ 100	0%
Building & Improvements	305,016	238,341	66,675	28%
Equipment	169,248	74,616	94,632	127%
Furniture and Fixtures	12,549	12,457	92	1%
Vehicles	79,310	58,670	20,640	35%
Utility System	6,793,070	6,031,345	761,725	13%
Construction in Progress	<u>22,530</u>	<u>9,216</u>	<u>13,314</u>	144%
Subtotal	<u>7,404,934</u>	<u>6,447,756</u>	<u>957,178</u>	15%
Less: Accumulated Depreciation	<u>(3,172,698)</u>	<u>(2,745,677)</u>	<u>(427,021)</u>	-16%
Net Capital Assets	<u>\$ 4,232,236</u>	<u>\$ 3,702,079</u>	<u>\$ 530,157</u>	14%

"Capital Assets" increased by \$530,157 for the fiscal year ending December 31, 2010, with the primary additions including the Darlington Waterworks System with a net value of \$647,511. Construction in progress at year end included engineering costs on Phase V and CWF.

Waterworks District No. 2 of St. Helena Parish

Management's Discussion and Analysis As of and for the Years Ended December 31, 2010 and 2009

Long-Term Debt

The primary source of long-term financing for Waterworks District No. 2 of St. Helena Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS) in addition to one revenue bond, which 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, 2010, range from 4.5% to 6.375%, with initial payment terms for bonds generally at 40 years.

Bonds financed for Waterworks District No. 2 of St. Helena Parish 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. As indicated, the ratio is 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 District.

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Total Long-Term Debt	\$ 1,094,635	\$ 1,139,054
Total Net Assets	\$ 3,620,228	\$ 3,136,037
Total Long-Term Debt to Net Assets Ratio	0.30	0.36

The board of commissioners of Waterworks District No. 2 of St. Helena Parish has managed the District conservatively, maintaining a favorable ratio of debt to water system assets.

Future Economic Plans

The Waterworks District No. 2 of St. Helena Parish's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. The board's emphasis is on managing operating costs and generating the level of revenues that provides for the most efficient operation of the District. The Board continues to strive for better service for customers.

Financial Statements

Statement A

Waterworks District No. 2 of St. Helena Parish
 Comparative Statement of Net Assets
 As of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 212,042	\$ 288,739
Receivables, Net :		
Accounts	65,063	63,760
Other	30,478	30,678
Inventory	33,924	26,316
Prepaid Insurance	3,471	2,418
Total Current Assets	<u>344,978</u>	<u>411,911</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	260,175	255,469
Restricted Investments	54,964	64,964
Total Restricted Assets	<u>315,139</u>	<u>320,433</u>
Property, Plant, and Equipment		
Land	23,211	23,111
Construction in Progress	22,530	9,216
Property, Plant and Equipment, Net	4,186,495	3,669,752
Total Property, Plant, and Equipment	<u>4,232,236</u>	<u>3,702,079</u>
Other Assets		
Bond Issue Cost, Net	2,517	2,913
Total Other Assets	<u>2,517</u>	<u>2,913</u>
Total Assets	<u>4,894,870</u>	<u>4,437,336</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	30,949	20,368
Other Accrued Payables	41,280	38,095
Total Current Liabilities (Payable From Current Assets)	<u>72,229</u>	<u>58,463</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	79,819	76,924
Revenue Bonds Payable	45,375	43,516
Accrued Interest - RUS Bonds	27,959	26,858
Total Current Liabilities (Payable From Restricted Assets)	<u>153,153</u>	<u>147,298</u>
Long Term Liabilities:		
Bonds Payable	1,049,260	1,095,538
Total Long Term Liabilities	<u>1,049,260</u>	<u>1,095,538</u>
Total Liabilities	<u>1,274,642</u>	<u>1,301,299</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,137,601	2,563,025
Restricted for:		
Capital Projects and Debt Service	182,916	156,586
Unrestricted	299,711	416,426
Total Net Assets	<u>\$ 3,620,228</u>	<u>\$ 3,136,037</u>

See accompanying notes.

Statement B

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Revenues, Expenses, and Changes in Net Assets

For the years ended December 31, 2010 and 2009

	2010	2009
Operating Revenues		
Water Sales	\$ 667,239	\$ 556,319
Other Water Sales	1,014	17,617
Service and Connection Fees	56,610	35,213
Contract Services	5,075	35,709
Penalties	25,136	19,637
Grants - Federal	-	19,022
Other Revenues	7,315	566
Total Operating Revenues	<u>762,389</u>	<u>684,083</u>
Operating Expenses		
Advertising	3,537	2,345
Amortization	396	396
Bad Debts	8,499	6,780
Billing	15,825	14,519
Postage	6,823	5,943
Chemicals/Chlorination	16,279	8,117
Deferred Compensation	10,465	-
Depreciation	225,224	181,556
Director's Expense	2,800	2,950
Educational Expense	1,570	780
Fuel	905	284
HRA Expense	14,580	10,166
Insurance	35,117	26,821
Meter Installations	18,083	5,640
Other	8,874	278
Payroll Taxes	14,129	12,381
Professional Fees:		
Accounting	14,763	16,523
Auditing	8,500	5,910
Legal Fees	423	1,386
Repairs and Maintenance	52,852	28,786
Salaries and Wages	177,736	164,755
Supplies - Office	4,203	3,367
Supplies - Water System	29,953	19,350
Telephone	4,475	4,128
Testing - Water	1,700	340
Travel	120	1,025
Utilities	50,407	38,554
Vehicle Expenses	22,102	15,753
Total Operating Expenses	<u>750,340</u>	<u>578,833</u>
Operating Income (Loss)	<u>12,049</u>	<u>105,250</u>
Nonoperating Revenues (Expenses)		
Interest Income	3,984	7,558
Interest Expense	(58,247)	(58,358)
Bad Debt Recovery	1,172	582
Gain on Acquisition of Water Systems	520,995	685,858
Other Income	4,238	3,052
Total Nonoperating Revenues (Expenses)	<u>472,142</u>	<u>638,692</u>
Change in Net Assets	484,191	743,942
Total Net Assets, Beginning (Note 14)	3,136,037	2,392,095
Total Net Assets, Ending	<u>\$ 3,620,228</u>	<u>\$ 3,136,037</u>

See accompanying notes.

Statement C

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 738,231	\$ 605,787
Received for Meter Deposit Fees	(2,206)	(1,398)
Other Receipts	12,590	62,915
Payments for Operations	(302,705)	(195,672)
Payments to Employees	(206,445)	(187,302)
Net Cash Provided by Operating Activities	<u>239,465</u>	<u>284,330</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	1,172	582
Other Receipts	4,238	3,052
Net Cash Provided by Noncapital Financing Activities	<u>5,410</u>	<u>3,634</u>
Cash Flows From Capital and Related Financing Activities		
Cash Received in Acquisition of Water Districts	36,907	19,396
Cash Paid to Relieve Liabilities of Acquired Water Districts	(172,112)	(90,716)
(Payments for) Capital Acquisitions	(94,080)	(30,161)
Principal Proceeds from (Repayments for) Long Term Debt	(44,419)	(42,817)
Interest Payments for Long Term Debt	(57,146)	(58,966)
Net Cash Used by Capital and Related Financing Activities	<u>(330,850)</u>	<u>(203,264)</u>
Cash Flows From Investing Activities		
Receipt of Interest	3,984	7,558
Proceeds from sale (Payments) for Investments	10,000	(64,964)
Net Cash Provided (Used) by Investing Activities	<u>13,984</u>	<u>(57,406)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(71,991)	27,294
Cash and Cash Equivalents, Beginning of Year	544,208	516,914
Cash and Cash Equivalents, End of Year	<u>\$ 472,217</u>	<u>\$ 544,208</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Cash Equivalents, Unrestricted	\$ 212,042	\$ 288,739
Cash and Cash Equivalents, Restricted	260,175	255,469
Total Cash and Cash Equivalents	<u>\$ 472,217</u>	<u>\$ 544,208</u>

(Continued)

See accompanying notes.

Waterworks District No. 2 of St. Helena Parish
Comparative Statement of Cash Flows
Proprietary Fund Type
For the years ended December 31, 2010 and 2009

	<u>12/31/10</u>	<u>12/31/09</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 12,049	\$ 105,250
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation and Amortization	225,620	181,952
(Increase) decrease in Accounts Receivable	(1,303)	(22,999)
(Increase) decrease in Other Receivable	200	7,618
(Increase) decrease in Inventory	(7,608)	(7,616)
(Increase) decrease in Prepaid Insurance	(1,053)	(795)
Increase (decrease) in Accounts Payable	10,581	3,302
Increase (decrease) in Accrued Expenses	3,185	19,016
Increase (decrease) in Customer Deposits	(2,206)	(1,398)
Net Cash Provided by Operating Activities	<u>\$ 239,465</u>	<u>\$ 284,330</u>

Noncash Investing, Capital, and Financing Activities:

During the fiscal year ended, the District acquired a water system through an agreement whereby the debt with the United States Department of Agriculture (USDA) was retired with cash received from the acquired entities and cash from St. Helena Water District. The net value of the water system acquired was recorded as a gain on the acquisition of water systems, as described in *Footnote 12: Acquisition of Water Systems*.

(Concluded)

See accompanying notes.

Notes to the Financial Statements

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

Introduction

Waterworks District No. 2 of St. Helena Parish 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 five-member governing board of commissioners appointed by the St. Helena Parish Police Jury. The District currently serves 2,277 customers as of December 31, 2010, 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. The total of 2,277 customers also includes 126 customers added during the fiscal year ending December 31, 2010, with acquisition of the water system of the Darlington Waterworks Association, Inc.

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

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

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. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service 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 District'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. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- The District had one certificate of deposit as a restricted investment at December 31, 2010.
- There is no involuntary participation in an external investment pool.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

D. 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.

E. 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.

F. 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 because their use is limited by applicable bond covenants.

G. 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:

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 Years
Equipment	5 - 7 Years
Furniture and Fixtures	5 - 7 Years
Vehicles	5 - 7 Years
Utility 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.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

H. Compensated Absences

The District has the following policy related to vacation and sick leave:

During the fiscal year ending December 31, 2010, the Board of Commissioners approved a change in policy that allows the accumulation of vacation and sick leave as wages are paid every two weeks. The previous policy allowed all regular employees to earn four hours of vacation leave and eight hours of sick leave per month. Under the new policy, 1.85 hours of vacation and 3.7 hours of sick leave are earned per two-week pay period. Unused annual and sick leave is paid upon termination

In accordance with GASB-16, *Accounting for Compensated Absences*, vacation and sick leave has been accrued for unused employee leave.

I. Long-Term Obligations

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.

J. 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.
- 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".

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. Cash and Cash Equivalents

At December 31, 2010, the District has cash and cash equivalents (book balances) as follows:

Demand Deposits	\$ <u>472,217</u>
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These deposits are stated at cost, which approximates market. 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, 2010, the district has \$459,187 in deposits (collected bank balances) for cash and cash equivalents, consisting of \$245,105 in one bank, and \$214,082 in a second bank. For each separate bank the demand deposits are secured from risk by \$250,000 of federal deposit insurance. The District also has \$54,964 in a time and savings account (certificate of deposit), categorized as an investment at the second bank, which is secured from risk by \$250,000 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 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.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

The District did hold one certificate of deposit in restricted investments at December 31, 2010 which is expected to mature within a year of year end. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments, when held, are carried at fair market value, with the estimated fair market value based on quoted market prices.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

4. Receivables

The following is a summary of receivables at December 31, 2010 and 2009:

	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 43,160	\$ 44,493	\$ (1,333)
31-60 Days Past Due	15,550	13,646	1,904
61-90 Days Past Due	3,217	5,055	(1,838)
Over 90 Days Past Due	<u>4,236</u>	<u>1,666</u>	<u>2,570</u>
Subtotal	66,163	64,860	1,303
Allowance for Uncollectible Accounts	<u>-1,100</u>	<u>-1,100</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 65,063</u>	<u>\$ 63,760</u>	<u>\$ 1,303</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount 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 un-collectability. In 2010, the board authorized write-offs for the fiscal year of \$8,499.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

“Other Receivables” totaled \$30,478 for the fiscal year ending December 31, 2010 and include primarily estimated unbilled revenues (accrued billings). Accrued billings amounts were \$28,505 and \$28,090 at December 31, 2010 and 2009 respectively. The “Other Receivables” balance for the fiscal year ending December 31, 2010 also included \$372 in NSF receivables and \$1,601 due from the Internal Revenue Service.

5. Restricted Assets

Restricted assets were applicable to the following sources at December 31, 2010 and 2009:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Restricted Cash and Cash Equivalents		
Customer Deposits	\$ 25,258	\$ 18,556
Bond Reserve Account - Rural Utility Service (RUS)	34,732	79,473
Bond Depreciation and Contingency Account - RUS	19,917	14,756
Bond Sinking Account - RUS	155,715	142,476
Construction Account - Phase IV RUS	108	208
Accumulated Leave Account	24,445	-
Restricted Investments		
Customer Deposits	-	10,000
Bond Reserve Account - Rural Utility Service (RUS)	54,964	54,964
Total Restricted Assets	<u>\$ 315,139</u>	<u>\$ 320,433</u>

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2010 is as follows:

	<u>Beginning Balance 12/31/09</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Other Adjustments</u>	<u>Ending Balance 12/31/10</u>
Capital Assets					
Land	\$ 23,111	\$ 100	\$ -	\$ -	\$ 23,211
Building & Improvements	238,341	66,675	-	-	305,016
Equipment	74,616	94,632	-	-	169,248
Furniture and Fixtures	12,457	92	-	-	12,549
Vehicles	58,670	20,640	-	-	79,310
Utility System	<u>6,031,345</u>	<u>761,725</u>	<u>-</u>	<u>-</u>	<u>6,793,070</u>
Total Capital Assets in Service	6,438,540	943,864	-	-	7,382,404
Less Accumulated Depreciation	<u>(2,745,677)</u>	<u>(225,224)</u>	<u>-</u>	<u>(201,797)</u>	<u>(3,172,698)</u>
Total Capital Assets being Depreciated	3,692,863	718,640	-	(201,797)	4,209,706
Construction in Progress	9,216	13,314	-	-	22,530
Total Capital Assets, Net	<u>\$ 3,702,079</u>	<u>\$ 731,954</u>	<u>\$ -</u>	<u>\$ (201,797)</u>	<u>\$ 4,232,236</u>

Depreciation expense for the fiscal year ending December 31, 2010, totaled \$225,224. The capital assets added by acquisition of a water system are more fully described in *Footnote 12: Acquisition of Water System*.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

7. Accounts Payable and Accrued Liabilities

Payables at December 31, 2010 and 2009 were as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Accounts Payable:		
Vendors	\$ 16,449	\$ 8,824
Accrued Audit Fees	8,500	5,910
Accrued Accounting Fees	6,000	5,634
Total Accounts Payable	\$ <u>30,949</u>	\$ <u>20,368</u>
Accrued Liabilities:		
Accrued Vacation Leave	\$ 5,891	\$ 6,053
Accrued Sick Leave	21,821	18,342
Other Accrued Liabilities	13,568	13,700
Total Accrued Liabilities	\$ <u>41,280</u>	\$ <u>38,095</u>

The District maintains a cash account, totaling \$24,445 at December 31, 2010, to fund the related accrued leave obligation of \$27,712.

8. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2010:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
1987 Water Revenue Bonds	\$ 149,813	\$ -	\$ 4,317	\$ 145,496	\$ 4,211
1994 Water Revenue Bonds	300,293	-	6,330	293,963	6,073
1999 Water Revenue Bonds	179,154	-	2,831	176,323	2,969
2000 Water Revenue Bonds	250,794	-	3,941	246,853	4,122
2001 Water Revenue Bonds	259,000	-	27,000	232,000	28,000
Total Long-Term Debt	\$ <u>1,139,054</u>	\$ <u>-</u>	\$ <u>44,419</u>	\$ <u>1,094,635</u>	\$ <u>45,375</u>

Waterworks District No! 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

Bonds payable balances as of December 31, 2010 are as follows:

	Bonds Payable	Due Within One
	End of Year	Year
Revenue Bond \$ 198,000		
Water System- RUS Bonds 91-03 sold to Rural Utility Service		
Dated 9/12/1988 due in annual installments of principal and interest of		
\$ 13,868 through 1/26/2028 interest at 6.375%	\$ 145,496	\$ 4,211
Revenue Bond \$ 360,000		
Water System- RUS Bonds 91-05 sold to Rural Utility Service		
Dated 5/26/1994 due in annual installments of principal and interest of		
\$ 21,344 through 1/26/2034 interest at 5.0%	293,963	6,073
Revenue Bond \$ 200,000		
Water System- RUS Bonds 91-07 sold to Rural Utility Service		
Dated 8/26/1999 due in monthly installments of principal and interest of		
\$ 940 through 8/26/2039 interest at 4.75%	176,323	2,969
Revenue Bond \$ 278,000		
Water System- RUS Bonds 91-09 sold to Rural Utility Service		
Dated 7/1/2000 due in monthly installments of principal and interest of		
\$ 1,262 through 7/26/2040 interest at 4.5%	246,853	4,122
Revenue Bond \$ 416,000		
Water Revenue Refunding Bonds Series 2001 sold to Iberia Bank		
Dated 11/20/2001 due in annual installments of principal and biannual		
installments of interst at 5.2% through 2017	232,000	28,000
	\$ 1,094,635	\$ 45,375

Waterworks District No: 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

The annual requirements to amortize all debt outstanding as of December 31, 2010, including interest payments of \$714,112 are as follows:

Year Ending 12/31/10	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
2011	\$ 13,868	\$ 21,344	\$ 11,280	\$ 15,145	\$ 39,336	\$ 100,973
2012	13,868	21,344	11,280	15,145	39,828	101,465
2013	13,868	21,344	11,280	15,145	39,242	100,879
2014	13,868	21,344	11,280	15,145	39,578	101,215
2015	13,868	21,344	11,280	15,145	39,810	101,447
2016 to 2020	69,340	106,722	56,400	75,727	78,926	387,115
2021 to 2025	69,340	106,722	56,400	75,727	-	308,189
2026 to 2030	41,604	106,722	56,400	75,727	-	280,453
2031 to 2035	-	85,376	56,400	75,727	-	217,503
2036 to 2040	-	-	41,360	68,148	-	109,508
	<u>\$ 249,624</u>	<u>\$ 512,262</u>	<u>\$ 323,360</u>	<u>\$ 446,781</u>	<u>\$ 276,720</u>	<u>\$ 1,808,747</u>

9. Flow of Funds, Restrictions on Use

Specific legal requirements for reserve accounts are as follows:

- **Bond Sinking Fund**
 - 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.
 - b. 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 \$155,715 at December 31, 2010.
- **Bond Reserve Fund**
 - a. 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.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

- b. There shall be set aside into a "Utility System Revenue Bond Reserve Fund" a sum equal to five percent 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 five percent 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.
 - c. Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month on February 20, 2002.
 - d. The twelve required monthly payments to the "Revenue Bond Reserve Fund" were made for the year 2010 with a balance maintained of \$34,732 at December 31, 2010, as compared to a balance of \$79,473 at December 31, 2009.
- **Bond Depreciation and Contingency Fund**
- a. 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 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 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 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.
 - b. Combined payment requirements for the RUS bond issues and the 2001 Water Revenue Refunding Bonds increased to \$426 per month beginning February 20, 2002.
 - c. The twelve required monthly payments to the "Depreciation & Contingency Fund" were made for the year 2010. The balance in the "Depreciation and Contingency Fund" at December 31, 2010 was \$19,917, as compared to \$14,756 at December 31, 2009.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

- d. 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 now maintained in separate checking accounts and a certificate of deposit, with the balances accounted for separately in the financial statements.

10. Restricted and Designated Net Assets

At December 31, 2010, Waterworks District No. 2 of St. Helena Parish recorded \$182,916 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, legal obligation of the District to fund accounts, 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.

11. Health Reimbursement Account

During the fiscal year ending December 31, 2007, the District implemented a Health Reimbursement Arrangement (HRA) to help employees provide for medical expenses. Under this plan, the District for 2010 contributed a total of \$400 per month for each full-time employee, and \$200 per month for each part-time employee. Plan documentation for the HRA account is maintained by an outside administrator that processes claims based on documentation provided by the participant. The Health Reimbursement Account expenses for the district increased from \$10,166 to \$14,580 from the fiscal year ending December 31, 2009 to December 31, 2010.

12. Acquisitions of Water Systems

During the fiscal year ending December 31, 2010, the District acquired the Darlington water system. The assets and liabilities of the water system were acquired by the retirement of United States Department of Agriculture (USDA) loans, with the pay-off of USDA loans made from cash of the acquired entity and cash from the District. The Darlington Waterworks Association, Inc., payoff of \$172,112 of USDA loans was made from \$36,907 of cash from the Darlington water system, and \$135,205 in cash from the District.

The transactions for recording acquisition of the water systems involve characteristics of both exchange transactions related to the private sector and to exchange and non-exchange transactions related to governmental accounting standards.

Private sector standards include Financial Accounting Standards Board (FASB) Statement No. 141 for Business Combinations, which require that an acquisition be recorded at Fair Market Value, and that goodwill be recorded for identifying and recognizing intangible assets separately from goodwill. In the governmental sector there is often not an identifiable basis for valuing the transfer of assets and goodwill is generally not recognized. Governmental Accounting Standards Board (GASB) Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis-For State and Local Governments), requires that capital assets be recorded at historical cost. Further, GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, notes that the transfer of assets, generally between government agencies, is not a donation and that the transfer of such assets should be reported at the same net book value previously reported by the transferring entity.

Waterworks District No. 2 of St. Helena Parish
Notes to the Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

In conformance with the above standards, the acquisition of the water system is recorded at historical cost, with the residual value (total book value of the transfer less actual cost) recorded as a gain on the acquisition of water system. A total of 126 customers was added from the Darlington system at a net capital asset value (capital assets net of depreciation) \$520,995.

13. Subsequent Events

During the fiscal year ending December 31, 2010, and subsequent to fiscal year end, improvements to the water system were made with funds obtained by the St. Helena Parish Police Jury under the Community Water Enrichment Fund (CWEF) under a project entitled "CWEF Water Distribution System Addition". Funding totaled \$100,000 for the CWEF grant and it is anticipated that the St. Helena Parish Police Jury will, in the second quarter of 2011, process the formal donation to the District of the water system improvements. At December 31, 2010, the District had also recorded \$9,200 in engineering costs related to this project.

14. Prior Period Adjustment

During the fiscal year ending December 31, 2010, the client updated meter deposit records, correcting meter deposits payable to an ending balance of \$79,819. The effect of the adjustment decreased meter deposits payable by \$5,101, correcting the beginning net assets (for the fiscal year ending December 31, 2009), from \$3,130,936, to \$3,136,037.

Required Supplemental Information (Part II)

Schedule 1

Waterworks District No. 2 of St. Helena Parish
 Budgetary Comparison Schedule
 For the year ended December 31, 2010
 With comparative amounts for the fiscal year ended December 31, 2009

	2010 Budget	2010 Actual	Variance Favorable (Unfavorable)	2009 Actual
Operating Revenues				
Water Sales	\$ 660,000	\$ 667,239	\$ 7,239	\$ 556,319
Other Water Sales	1,500	1,014	(486)	17,617
Service and Connection Fees	55,000	56,610	1,610	35,213
Contract Services	5,075	5,075	-	35,709
Late Payment Penalties	22,000	25,136	3,136	19,637
Grants - Federal	-	-	-	19,022
Other	731	7,315	6,584	566
Total Operating Revenues	<u>744,306</u>	<u>762,389</u>	<u>18,083</u>	<u>684,083</u>
Operating Expenses				
Advertising	3,000	3,537	(537)	2,345
Amortization	-	396	(396)	396
Bad Debts	4,000	8,499	(4,499)	6,780
Billing	16,500	15,825	675	14,519
Postage	7,200	6,823	377	5,943
Chemicals/Treatment	17,000	16,279	721	8,117
Deferred Compensation	11,100	10,465	635	-
Depreciation	220,000	225,224	(5,224)	181,556
Director's Expense	2,800	2,800	-	2,950
Educational Expense	1,500	1,570	(70)	780
Fuel	1,000	905	95	284
HRA Expense	22,080	14,580	7,500	10,166
Insurance	35,000	35,117	(117)	26,821
Meter Installations	12,000	18,083	(6,083)	5,640
Other	5,004	8,874	(3,870)	278
Payroll Taxes	15,000	14,129	871	12,381
Professional Fees:				
Accounting	18,000	14,763	3,237	16,523
Auditing	7,800	8,500	(700)	5,910
Legal Fees	1,500	423	1,077	1,386
Repairs and Maintenance	42,000	52,852	(10,852)	28,786
Salaries and Wages	185,000	177,736	7,264	164,755
Supplies - Office	4,000	4,203	(203)	3,367
Supplies - Water System	27,000	29,953	(2,953)	19,350
Telephone	4,500	4,475	25	4,128
Testing - Water	-	1,700	(1,700)	340
Travel	1,000	120	880	1,025
Utilities	45,000	50,407	(5,407)	38,554
Vehicle Expenses	20,000	22,102	(2,102)	15,753
Total Operating Expenses	<u>728,984</u>	<u>750,340</u>	<u>(21,356)</u>	<u>578,833</u>
Operating Income (Loss)	<u>15,322</u>	<u>12,049</u>	<u>(3,273)</u>	<u>105,250</u>
Nonoperating Revenues (Expenses)				
Interest Income	4,200	3,984	(216)	7,558
Interest Expense	(69,000)	(58,247)	10,753	(58,358)
Bad Debt Recovery	750	1,172	422	582
Gain on Acquisition of Water Systems	-	520,995	520,995	685,858
Other Income	3,400	4,238	838	3,052
Total Nonoperating Revenues (Expenses)	<u>(60,650)</u>	<u>472,142</u>	<u>532,792</u>	<u>638,692</u>
Income (Loss) Before Contributions and Transfers	<u>(45,328)</u>	<u>484,191</u>	<u>529,519</u>	<u>743,942</u>
Capital Contributions	-	-	-	-
Change in Net Assets	(45,328)	484,191	529,519	743,942
Total Net Assets, Beginning (Note 14)	<u>3,136,037</u>	<u>3,136,037</u>	<u>-</u>	<u>2,392,095</u>
Total Net Assets, Ending	<u>\$ 3,090,709</u>	<u>\$ 3,620,228</u>	<u>\$ 529,519</u>	<u>\$ 3,136,037</u>

See accountant's report.

Supplemental Information Schedules

Waterworks District No. 2 of St. Helena Parish
Schedule of Insurance
For the year ended December 31, 2010

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>	
Arch Insurance Company- Policy # GWPKG0079904	Crime Coverage Part Supplemental Declarations:		1/22/2010 to 1/22/2011	
	Employee Dishonesty Coverage	\$ 110,000		
	Forgery or Alteration Coverage	100,000		
	Theft - Inside and Outside	25,000		
	Computer Fraud Coverage	50,000		
	Business Auto Coverage - Combined Single Limit Liability:	1,000,000		
	Uninsured Motorists Coverage	1,000,000		
	Comprehensive and Collision Coverage, as Scheduled	Scheduled		
	Property coverages - Building and Contents Blanket Coverage	1,459,814		
	Property/Inland Marine Coverage - per Filed Statement of Values	Scheduled		
	Commercial General Liability:	3,000,000		
	Aggregate Policy Limit			
	Per Occurance	1,000,000		
	Personal Injury and Product Liability	1,000,000		
	Damage to Rented Property	100,000		
	Professional Liability:			
	Per Claim	1,000,000		
	Aggregate	3,000,000		
	Employment Practices Liability	1,000,000		
	Aggregate	3,000,000		
	Arch Insurance Company- Policy # GWUFP0079901	Excess Insurance Coverage	1,000,000	3/17/2010 to 3/17/2011
	Louisiana Workers' Compensation 17223-B	Workmen's Compensation at statutory limits Employer's Liability	100,000	4/17/2010 to 4/17/2011

See accountant's report.

Waterworks District No. 2 of St. Helena Parish
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2010

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Jim Hitchens, President (985) 748-7741	6914 Highway 441 Amite, LA 70422	\$ 600	7/26/11
Evelyn Jones, Secretary-Treasurer (225) 222-6826	16375 Highway 441 Kentwood, LA 70444	500	7/26/12
Nancy Holland (985) 748-4879	11853 Hwy 441 Amite, LA 70422	600	7/26/15
Wilbert Knox (225) 222-4401	11491 Hwy 38 Greensburg, LA 70441	550	7/26/14
Lea Vern Sims (225) 222-4367	1595 Pumping Station Rd Greensburg, LA 70441	550	7/26/13
		\$ 2,800	

See accountant's report.

Waterworks District No. 2 of St. Helena Parish
Schedule of Water Rates
For the year ended December 31, 2010

Water	
Residential Rates	Commercial Rates
\$ 12.00 - First 2,000 Gallons	\$ 29.40 - First 10,000 Gallons
2.50 - Per 1,000 Gallons of Water up to 6,000 Gallons	\$ 1.85 - Per 1,000 Gallons of Water over 10,000 Gallons
1.85 - Per 1,000 Gallons of Water over 6,000 Gallons	

Waterworks District No. 2 of St. Helena Parish
Schedule of Water Customers
For the year ended December 31, 2010

As of December 31, 2010 and 2009, the District had the following number of customers:

	December 31, 2010	December 31, 2009	Increase (Decrease)
Customers			
Residential	2,210	2,059	151
Commercial and Dairy	67	67	-
Total Customers	2,277	2,126	151

Number of customers having a meter size larger than the residential size (3/4") 36

See accountant's report.

Other Independent Auditor's Reports

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

June 05, 2011

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

I have audited the financial statements of the business-type activities of the Waterworks District No. 2 of St. Helena Parish, Greensburg, Louisiana, as of and for the year ended December 31, 2010, which comprise the Waterworks District No. 2 of St. Helena Parish's basic financial statements and have issued my report thereon dated June 05, 2011. 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 Waterworks District No 2 of St. Helena Parish's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 2 of St. Helena Parish's, Greensburg, Louisiana internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 2 of St. Helena Parish's Greensburg, Louisiana internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of St. Helena Parish's, Greensburg, Louisiana 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 is required to be reported under *Government Auditing Standards*.

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 24:513, this report is distributed by the Legislative Auditor as a public document.

Anthony B. Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana

June 14, 2011

Status of Prior Year Audit Findings

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

Status of Prior Year Audit Findings
Year Ended December 31, 2010

Ref No	Fiscal Year Finding Initially Occurred	Description of Finding	Management's Corrective Action Taken	Planned Corrective Action/Partial Corrective Action Taken
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Section I - Internal Control and Compliance Material to the Financial Statements:

Internal Control

2009-01	Dec-07	Utility Deposit Records	Corrected
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Compliance and Other Matters

2009-02	Dec-09	Insufficient Pledged Securities	Corrected
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