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LIVINGSTON PARISH
SEWERAGE DISTRICT NO. 2
DENHAM SPRINGS, LOUISIANA

ANNUAL FINANCIAL REPORT

DECEMBER 31, 1997 AND 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 MAY 06 1998

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Denham Springs, Louisiana 70726

Annual Financial Statements with Independent Auditor's Report
For the Years Ended December 31, 1997 and 1996

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INDEPENDENT AUDITOR'S REPORT

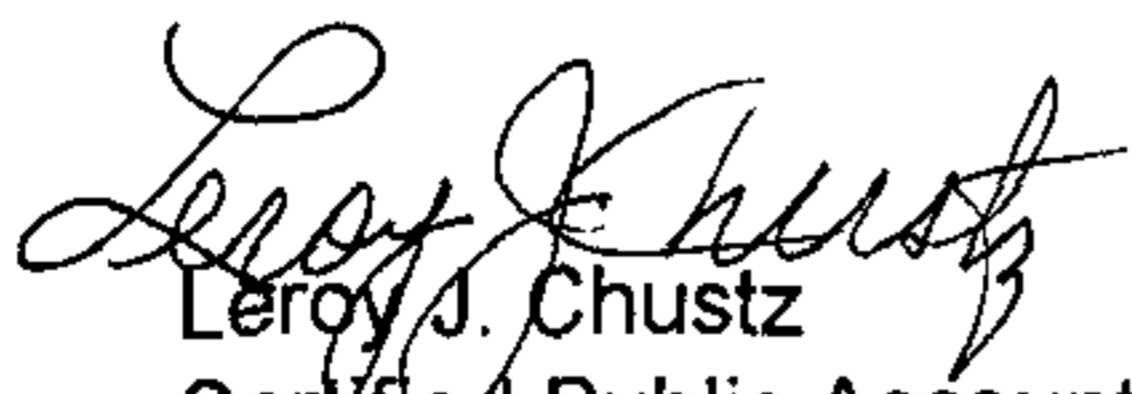
Board of Commissioners
Livingston Parish Sewerage District No. 2
Denham Springs, Louisiana

I have audited the accompanying general purpose financial statements of Livingston Parish Sewerage District No. 2, Denham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the years ended December 31, 1997 and 1996, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Livingston Parish Sewerage District No. 2's management. My responsibility is to express an opinion on these general purpose financial statements based on my audits.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Livingston Parish Sewerage District No. 2 as of December 31, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 30, 1998, on my consideration of Sewerage District No 2's internal control structure and a report dated March 30, 1998, on its compliance with laws and regulations.


Leroy J. Chustz
Certified Public Accountant, APAC
March 30, 1998

LEROY J. CHUSTZ, CPA, APAC

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DENHAM SPRINGS, LA 70726
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Livingston Parish Sewerage District No. 2
Denham Springs, Louisiana

I have audited the financial statements of Livingston Parish Sewerage District No. 2, Denham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the year ended December 31, 1997, and have issued my report thereon dated March 30, 1998. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

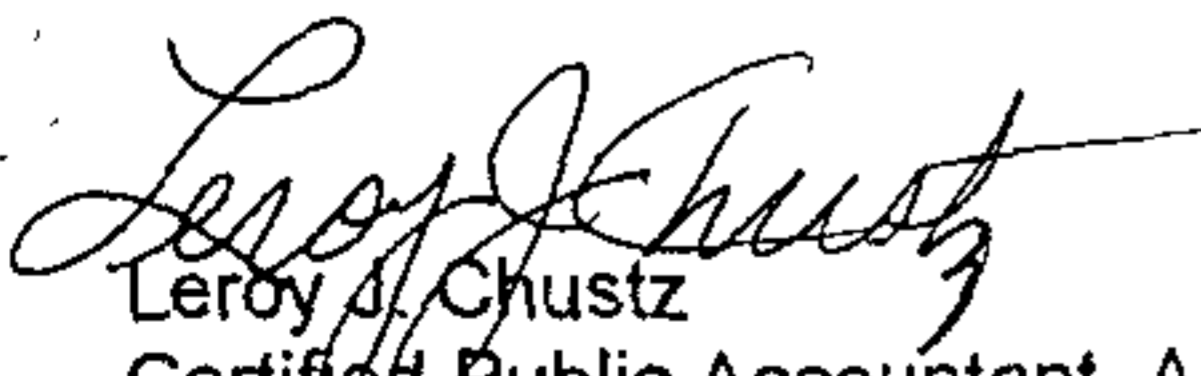
Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Livingston Parish Sewerage District No. 2's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

This report is intended for the information of Livingston Parish Sewerage District No. 2's management, and federal awarding agencies and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.


Leroy J. Chustz
Certified Public Accountant, APAC
March 30, 1998

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 1997 and 1996

ASSETS

	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 671,197	\$ 579,519
Receivables	13,893	16,079
Prepaid insurance	<u>10,217</u>	<u>10,302</u>
Total current assets	695,307	605,900
RESTRICTED ASSETS		
Revenue bond sinking fund	77,135	99,078
Revenue bond reserve fund	41,103	54,516
Depreciation and contingency fund	<u>64,872</u>	<u>54,488</u>
Total restricted assets	183,110	208,082
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	56,794	56,794
Plant and facilities (net)	<u>3,468,205</u>	<u>3,580,174</u>
Total property, plant, and equipment	3,524,999	3,636,968
OTHER ASSETS		
Utility deposits	<u>1,263</u>	<u>1,263</u>
TOTAL ASSETS	<u><u>\$4,404,679</u></u>	<u><u>\$4,452,213</u></u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 1997 and 1996

LIABILITIES AND FUND EQUITY

	<u>1997</u>	<u>1996</u>
CURRENT LIABILITIES		
Accounts payable	\$ 10,102	\$ 4,309
Lease payable - current portion	<u>-0-</u>	<u>5,013</u>
Total current liabilities	10,102	9,322
CURRENT LIABILITIES (Payable from restricted assets)		
Accrued interest payable	56,419	68,443
Loan payable - 1984 series - current portion	<u>31,711</u>	<u>18,992</u>
Total current liabilities (Payable from restricted assets)	88,130	87,435
LONG-TERM LIABILITIES		
Loan payable - 1984 series	891,233	1,261,239
Bond payable - 1997-A series	<u>350,000</u>	<u>-0-</u>
Total long-term liabilities	<u>1,241,233</u>	<u>1,261,239</u>
Total liabilities	<u>1,339,465</u>	<u>1,357,996</u>
FUND EQUITY		
Contributed capital	3,875,117	3,875,117
Retained earnings	<u>(809,903)</u>	<u>(780,900)</u>
Total fund equity	<u>3,065,214</u>	<u>3,094,217</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$4,404,679</u>	<u>\$4,452,213</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Denham Springs, Louisiana

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

For the Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
<u>OPERATING REVENUES</u>		
Sewer fees	\$ 358,372	\$ 312,110
Sewer District No. 1 maintenance	21,546	37,494
Permits/user fees	<u>58,727</u>	<u>64,959</u>
Total operating revenues	438,645	414,563
<u>OPERATING EXPENSES</u>		
Salaries	95,090	99,389
Payroll taxes	8,613	9,558
Interest	76,126	81,052
Depreciation	140,857	136,497
Systems maintenance	59,093	49,596
Professional fees	15,419	65,381
Insurance	29,044	32,170
Per diem	2,940	2,280
Bad debt expense	215	488
Utilities	40,272	35,877
Supplies	8,536	5,438
Telephone	6,255	7,051
Miscellaneous	<u>9,977</u>	<u>6,720</u>
Total operating expenses	<u>492,437</u>	<u>531,497</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>(53,792)</u>	<u>(116,934)</u>
<u>OTHER REVENUES AND EXPENSES</u>		
Interest	27,924	15,470
Law suit repayments	-0-	500,000
Law suit expenses	(5,651)	-0-
Miscellaneous	<u>2,516</u>	<u>-0-</u>
Total other revenues and expenses	<u>24,789</u>	<u>515,470</u>
<u>NET INCOME (LOSS)</u>	<u>(29,003)</u>	<u>398,536</u>
<u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	<u>3,094,217</u>	<u>2,695,681</u>
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$3,065,214</u>	<u>\$3,094,217</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Denham Springs, Louisiana

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1997 and 1996
Increase (Decrease) in Cash and Cash Equivalents

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (53,792)	\$(116,934)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	140,857	136,497
(Increase) decrease in accounts receivable	2,186	(5,475)
(Increase) decrease in prepaid insurance	85	(390)
Increase (decrease) in accounts payable	5,793	(4,308)
Increase (decrease) in accrued liabilities	<u>(17,037)</u>	<u>(449)</u>
Net cash provided (used) by operating activities	<u>78,092</u>	<u>8,941</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	<u>28,888</u>	<u>19,542</u>
Net cash provided (used) by investing activities	<u>28,888</u>	<u>19,542</u>
Cash flows from capital financing activities:		
Principal payments	(372,287)	(24,454)
Interest income	27,924	15,470
Settlement from law suit	-0-	500,000
Law suit expenses	(5,651)	-0-
Proceeds from bond issue	365,000	-0-
Miscellaneous	<u>2,516</u>	<u>-0-</u>
Net cash provided (used) by capital financing activities	<u>17,502</u>	<u>491,016</u>
Net increase (decrease) in cash and equivalents	66,706	480,415
Cash and cash equivalents, beginning of year	<u>787,601</u>	<u>307,186</u>
Cash and cash equivalents, end of year	<u>\$854,307</u>	<u>\$787,601</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 87,998	\$ 81,500
Income taxes	\$ -0-	\$ -0-

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Denham Springs, Louisiana
Notes to the Financial Statements
For the Years Ended December 31, 1997 and 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sewerage District No. 2, Denham Springs, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on October 26, 1974, pursuant to the provisions of R.S. 33:3811, et. seq., of the Louisiana Revised Statutes of 1950.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local government.

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units which should be included within the reporting entity. The reporting entity for Livingston Parish includes the component unit with oversight responsibility, and other governmental entities within the parish for which the police jury has oversight responsibility. Oversight responsibility is determined on the basis of the following criteria:

1. Financial interdependency
2. Selection of governing authority
3. Designation of management
4. Ability to significantly influence operations
5. Accountability for fiscal matters
6. Scope of public service
7. Special financing relationship

Based on the previous criteria, the Livingston Parish Council has determined that Sewerage District No. 2 is part of the reporting entity based on Criteria 2, 4, and 6.

The accounting policies of Sewerage District No. 2 conform to generally accepted accounting principles. The following is a summary of the significant policies.

A. FUND ACCOUNTING - PROPRIETARY FUND TYPE

The Sewerage District No. 2 is an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a

manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. FIXED ASSETS AND LONG-TERM LIABILITIES

All fixed assets are valued at historical costs. It is the policy of the sewerage district to capitalize interest costs incurred during the period of construction. No interest was capitalized during 1997 or 1996.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. All infrastructure assets are accounted for and depreciated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives for plant and facilities is forty years.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. CASH

Cash includes demand deposits and interest bearing demand deposits which

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2

Notes to the Financial Statements, Continued

December 31, 1997 and 1996

are fully secured through the pledge of bank-owned securities or federal deposit insurance. For purposes of the statement of cash flows, the sewerage district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At December 31, 1997 and 1996, the district has cash and cash equivalents (book balances) totaling \$854,307 and \$787,601 respectively as follows:

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
Demand deposits	\$804,443	\$338,305
Time deposits	<u>49,864</u>	<u>449,296</u>
Total	<u>\$854,307</u>	<u>\$787,601</u>

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. Deposits (bank balances) at December 31, 1997 and 1996, are secured as follows:

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
Bank balances	<u>\$860,798</u>	<u>\$790,134</u>
Federal deposit insurance	\$151,633	\$200,000
Pledged securities	<u>709,165</u>	<u>590,134</u>
Total insurance and securities	<u>860,798</u>	<u>790,134</u>
Unsecured deposits at December 31	<u>\$ -0-</u>	<u>\$ -0-</u>

Deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the district's name.

E. BUDGET POLICY

Each year the district adopts an annual operating cash basis budget. Periodic comparisons of budget to actual data are made. The budget is amended as required by the circumstances. Encumbrance accounting is not utilized. Appropriations lapse at year end.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. RESERVE REQUIREMENTS

The district is required to maintain the following reserves by the Farmer's Home Administration as a condition of the loans made to the sewerage district.

A. RESERVE BOND SINKING FUND

Each month the district must transfer into the revenue bond sinking fund, a sum equal to one-twelfth of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required as the same respectively become due. Said fiscal agent bank shall make available from the revenue bond sinking fund to the paying agent for all installments on the bond payable from said fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

B. SEWERAGE SYSTEM REVENUE BOND RESERVE FUND

Each month the district must transfer into the reserve fund, a sum equal to five per cent of the sum required to be transferred in each month into the revenue bond sinking fund as required in the reserve bond sinking fund, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bonds. The money in the reserve fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the revenue bond sinking fund as to which there would otherwise be default.

C. DEPRECIATION AND CONTINGENCY FUND

Each month the district must transfer into the depreciation and contingency fund the sum of \$413.00. All moneys in the depreciation and contingency fund may be drawn on and used by the district for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions; and the costs of improvements to the sewerage system which will either enhance its revenue producing capacity or provide a higher degree of service.

The district is required to maintain the following reserves in accordance with the 1997-A series bond resolution.

- A. A Sewerage System Revenue Bond and Interest Sinking Fund (the "Revenue Bond Sinking Fund"), sufficient in amount to pay promptly and fully the principle of and interest on the bond and unrefunded bond, including any additional pari passu bonds issued hereafter in the manner provided in this resolution, as they severally become due and payable by depositing with the regularly designated fiscal agent bank of the District (which must be a member of the Federal Deposit Insurance Corporation) by transferring from said Revenue Fund to the Sinking Fund before the 20th day of each month of each year beginning on the first day of the month following delivery of the bond, a sum equal to one-twelfth (1/12) of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required as the same respectively become due. Money in the Revenue Bond Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal of and interest on the bond and parity bonds.

Following the required payments to the Revenue Bond Sinking Fund, the moneys remaining in the Revenue Fund shall be distributed in accordance with the following paragraphs:

- B. A "Sewerage System Revenue Bond Reserve Fund", by transferring to the regularly designated fiscal agent bank (which must be a member of the Federal Deposit Insurance Corporation) monthly in advance on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the sum required to be transferred in each month into the Revenue Bond Sinking Fund as required in (b) above, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bond, the unrefunded bond and any additional

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

parity bonds. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the Revenue Bond Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds.

- C. A "Depreciation and Contingency Fund", by transferring from the Sewerage System Revenue Fund on or before the 20th day of each month to the regularly designated fiscal agent bank of the District (which must be a member of the Federal Deposit Insurance Corporation) the sum equal to five percent (5%) of the sums required to be transferred in each month into the Revenue Bond Sinking Fund, as required in (b) above, but not less than \$168 per month. All moneys in the Depreciation and Contingency Fund may be drawn on and used by the district for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions; and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, moneys on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and the Reserve Fund.

Restricted assets have been set aside in the current period as required by the applicable bond resolutions in order to service the bonds payable.

3. CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in fixed assets.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

	<u>BALANCE</u> <u>12/31/95</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/96</u>
Land	\$ <u>56,794</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>56,794</u>
Plant and facilities	\$4,970,311	\$ 19,542	\$ -0-	\$4,989,853
Accumulated depreciation	<u>(1,273,182)</u>	<u>(136,497)</u>	<u>-0-</u>	<u>(1,409,679)</u>
Plant and facilities (net)	<u>\$3,697,129</u>	<u>\$(116,955)</u>	<u>\$ -0-</u>	<u>\$3,580,174</u>

	<u>BALANCE</u> <u>12/31/96</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/97</u>
Land	\$ <u>56,794</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>56,794</u>
Plant and facilities	\$4,989,853	\$ 28,888	\$ -0-	\$5,018,741
Accumulated depreciation	<u>(1,409,679)</u>	<u>(140,857)</u>	<u>-0-</u>	<u>(1,550,536)</u>
Plant and facilities (net)	<u>\$3,580,174</u>	<u>\$(111,969)</u>	<u>\$ -0-</u>	<u>\$3,468,205</u>

4. CHANGES IN LONG-TERM DEBT

The following is a summary of loan transactions of the sewerage district for the years ending December 31, 1997 and 1996:

	<u>LOAN R-1</u>	<u>LOAN R-2</u>	<u>TOTAL</u>
Loans payable at December 31, 1995	\$ 938,508	\$ 359,898	\$1,298,406
New debt issued	-0-	-0-	-0-
Principal retired	<u>(15,280)</u>	<u>(2,895)</u>	<u>(18,175)</u>
Loans payable at December 31, 1996	<u>\$ 923,228</u>	<u>\$ 357,003</u>	<u>\$1,280,231</u>

	<u>LOAN R-1</u>	<u>LOAN R-2</u>	<u>1997-A</u>	<u>TOTAL</u>
Loans payable at December 31, 1996	\$923,228	\$357,003		\$1,280,231
New debt issued	-0-	-0-	365,000	365,000
Principal retired	<u>(15,283)</u>	<u>(357,003)</u>	<u>-</u>	<u>(372,286)</u>
Loans payable at December 31, 1997	<u>\$907,945</u>	<u>\$ -0-</u>	<u>\$365,000</u>	<u>\$1,272,945</u>

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

Long-term debt consists of two loans made by the sewerage district and held by the Farmers Home Administration. Loan R-1 in the amount of \$1,047,000 bears interest of five per cent per annum. Revenue Refunding Bonds Series 1997-A bears interest at six percent (6%).

Revenue Refunding Bonds Series 1997-A
Statement of Sources and Uses of Funds

SOURCES:

Series 1997-A	<u>\$365,000</u>
Total Sources	<u>\$365,000</u>

USES:

Redemption of FMHA R-2	\$354,391
Accrued Interest	6,826
Trust Fees	1,200
Publications	910
Bond commission fees	237
Balance to cost of issuance	<u>1,436</u>

Total Uses	<u>\$365,000</u>
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Repayment is to made as follows:

A. \$1,047,000 SEWERAGE SYSTEM LOAN NUMBER R-1

Interest only on the first two annual payments starting on February 28, 1985.

Payments of \$62,077 annually thereafter on each February 28th until principal and interest are fully paid, except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable on the last annual payment date which is forty years from the date of the bond.

B. \$377,000 SEWERAGE SYSTEM LOAN NUMBER R-2 (Paid off in 1997)

Interest only on the first two annual payments starting on February 28, 1985.

Payments of \$36,992 annually thereafter on each February 28th until principal and interest are fully paid, except that the final payment of the entire indebtedness, if not sooner paid, shall be due and payable on the last annual payment date which is forty years from the date of the bond.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

C. \$365,000 REVENUE REFUNDING BONDS SERIES 1997-A

Annual payments of \$32,337 to \$38,000, due on each February 28, beginning in 1998 and continuing until 2012.

The annual requirements to amortize all long-term debt outstanding at December 31, 1997, including interest of \$956,340 and at December 31, 1996, including interest of \$1,465,700 are as follows:

<u>1996</u>	<u>LOAN R-1</u>		<u>LOAN R-2</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
<u>YEAR ENDED</u>					
1997	\$ 15,916	\$ 46,161	\$ 3,077	\$ 33,915	\$ 99,069
1998	16,711	45,366	3,369	33,623	99,069
1999	17,547	44,530	3,689	33,302	99,069
2000	18,424	43,653	4,039	32,953	99,069
2001	19,346	42,731	4,423	32,569	99,069
2002 through maturity	<u>835,284</u>	<u>586,203</u>	<u>338,406</u>	<u>490,694</u>	<u>2,250,587</u>
TOTAL	<u>\$923,228</u>	<u>\$808,644</u>	<u>\$357,003</u>	<u>657,056</u>	<u>\$2,745,932</u>

<u>1997</u>	<u>LOAN R-1</u>		<u>1997-A</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
<u>YEAR ENDED</u>					
1998	16,711	45,366	15,000	17,338	94,415
1999	17,547	44,530	17,000	21,000	100,077
2000	18,424	43,653	18,000	19,980	100,057
2001	19,346	42,731	19,000	18,900	99,977
2002	20,313	41,764	20,000	17,760	99,837
2003 through maturity	<u>815,604</u>	<u>544,438</u>	<u>276,000</u>	<u>98,880</u>	<u>1,734,922</u>
TOTAL	<u>\$907,945</u>	<u>\$762,482</u>	<u>\$365,000</u>	<u>\$193,858</u>	<u>\$2,229,285</u>

5. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant from the Environmental Protection Agency (EPA) in the amount of \$3,480,342 and a grant provided by the

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
 Notes to the Financial Statements, Continued
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State of Louisiana in the amount of \$394,775.

6. PER DIEM PAID TO BOARD MEMBERS

Board members are appointed by the Livingston Parish Police Jury and serve at the pleasure of the police jury. There are no set terms of office. Board members are paid \$60 per diem for each meeting they attend.

1997

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Kenneth Bingham 8850 Old Winchester Road Denham Springs, Louisiana 70726	10	\$ 600
Thomas Walton 1051 Maywood Drive Denham Springs, Louisiana 70726	19	\$1,140
Kyle Parker 30923 Old River Road Denham Springs, Louisiana 70726	20	\$1,200

1996

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Kenneth Bingham 8850 Old Winchester Road Denham Springs, Louisiana 70726	8	\$480
Thomas Walton 1051 Maywood Drive Denham Springs, Louisiana 70726	15	\$900
Kyle Parker 30923 Old River Road Denham Springs, Louisiana 70726	15	\$900

7. INCOME TAXES

Sewerage District No. 2 is exempt from all federal and state income taxes.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2
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8. LITIGATION

The sewerage district has filed suit against the bonding company, Millers Mutual Fire Insurance Company of Texas. The suit asserts a claim for repairs to that portion of Sewerage District No. 2's sewer system which was constructed by Eltek, Inc.. The expected outcome, according to legal counsel, is that the bonding company will be held responsible for repairs to the system. To date, \$540,000 has been paid to the Sewer District.

9. RETIREMENT PLAN

Sewerage District No. 2 does not belong to a retirement system; however, the district contributes to the social security system as required by law.