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**LIVINGSTON PARISH
SEWERAGE DISTRICT NUMBER TWO
DENHAM SPRINGS, LOUISIANA**

**General Purpose Financial Statements
and Independent Auditor's Report**

**As of and for the Years Ended December 31, 1997 and 1998
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the central and state agencies for public officials. The report is available for public inspection in the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Printed Date MAY 24 1998

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INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners
Livingston Parish Sewerage District Number Two
Derham Springs, Louisiana**

I have audited the accompanying general purpose financial statements of Livingston Parish Sewerage District Number Two, Derham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the years ended December 31, 1999 and 1998, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Livingston Parish Sewerage District Number Two's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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 Code*, 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 statements 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 Number Two as of December 31, 1999 and 1998, 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 6, 2000, on my considerations of Sewerage District Number Two's internal control structure and a report dated March 6, 2000, on its compliance with laws and regulations.

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
March 6, 2000

**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 Number Two,
Denham Springs, Louisiana**

I have audited the financial statements of Livingston Parish Sewerage District Number Two, Denham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the year ended December 31, 1999, and have issued my report thereon dated March 6, 2000. 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 Number Two'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 these 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 audit, I considered Livingston Parish Sewerage District Number Two'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 Number Two'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

Leroy J. Chustz
Certified Public Accountant, APAC
March 6, 2000

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
 DeCade Springs, Louisiana

BALANCE SHEETS
 December 31, 1999 and 1998

ASSETS

	<u>1999</u>	<u>1998</u>
CURRENT ASSETS		
Cash and cash equivalents	\$1,928,822	\$1,333,660
Receivables	15,847	14,916
Prepaid insurance	<u>11,248</u>	<u>11,578</u>
Total current assets	1,955,917	1,359,154
RESTRICTED ASSETS		
Revenue bond sinking fund	84,458	82,795
Revenue bond reserve fund	85,283	43,155
Depreciation and contingency fund	<u>69,284</u>	<u>67,022</u>
Total restricted assets	199,025	192,972
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	36,794	36,794
Plant and facilities (net)	<u>3,592,739</u>	<u>3,473,521</u>
Total property, plant, and equipment	3,629,533	3,510,315
OTHER ASSETS		
Utility deposits	<u>1,263</u>	<u>1,263</u>
TOTAL ASSETS	<u>\$5,882,728</u>	<u>\$5,063,711</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
 Derham Springs, Louisiana

BALANCE SHEETS
 December 31, 1999 and 1998

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Accounts payable	\$ 18,000	\$ 16,042
Total current liabilities	18,000	16,042
CURRENT LIABILITIES (Payable from restricted assets)		
Accrued interest payable	85,724	85,724
Loan payable - 1994 notes - current portion	<u>40,418</u>	<u>34,570</u>
Total current liabilities (Payable from restricted assets)	94,189	90,294
LONG-TERM LIABILITIES		
Loan payable - 1994 notes	690,768	672,576
Bond payable - 1997-A series	<u>335,090</u>	<u>353,090</u>
Total long-term liabilities	1,025,858	1,025,666
Total liabilities	<u>1,178,090</u>	<u>1,111,912</u>
FUND EQUITY		
Contributed capital	3,875,117	3,875,117
Retained earnings	<u>398,564</u>	<u>404,313</u>
Total fund equity	<u>4,273,681</u>	<u>4,279,430</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$5,551,771</u>	<u>\$5,691,342</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
DeCade Springs, Louisiana

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
For the Year Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>OPERATING REVENUES</u>		
Sewer fees	\$ 428,287	\$ 401,641
Sewer District No. 1 maintenance	26,962	26,244
Permits/user fees	<u>129,658</u>	<u>62,828</u>
Total operating revenues	584,907	490,713
<u>OPERATING EXPENSES</u>		
Salaries	181,684	95,890
Employee benefits	32,323	12,207
Interest	61,385	60,923
Depreciation	192,384	149,544
Systems maintenance	147,528	73,766
Professional fees	26,745	19,398
Insurance	36,072	34,817
Fees dues	2,940	2,300
Bad debt expense	-	1,800
Utilities	75,689	63,428
Supplies	6,271	6,756
Telephone	18,147	7,695
Miscellaneous	<u>18,180</u>	<u>11,518</u>
Total operating expenses	629,290	529,296
<u>NET OPERATING INCOME (LOSS)</u>	<u>-44,383</u>	<u>-38,583</u>
<u>OTHER REVENUES AND EXPENSES</u>		
Interest	81,350	44,650
Law suit settlement	585,582	730,308
Law suit expenses	(34,373)	(77,392)
Miscellaneous	<u>185</u>	<u>98</u>
Total other revenues and expenses	632,744	708,664
<u>NET INCOME (LOSS)</u>	<u>588,361</u>	<u>670,081</u>
<u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	<u>3,278,798</u>	<u>3,065,214</u>
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$4,278,672</u>	<u>\$3,735,295</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
Deerham Springs, Louisiana

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1999 and 1998
Increase (Decrease) in Cash and Cash Equivalents

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (62,183)	\$ (52,075)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	192,594	149,544
(Increase) decrease in accounts receivable	(930)	(1,025)
(Increase) decrease in prepaid insurance	134	(1,362)
Increase (decrease) in accounts payable	2,059	5,940
Increase (decrease) in accrued liabilities	(3,724)	605
Net cash provided (used) by operating activities	<u>68,692</u>	<u>108,531</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	<u>(15,633)</u>	<u>(168,868)</u>
Net cash provided (used) by investing activities	<u>(15,633)</u>	<u>(168,868)</u>
Cash flows from capital financing activities:		
Principal payments	(33,560)	(32,798)
Interest income	81,886	44,651
Settlement from low cost	385,503	730,308
Low cost expenses	(24,173)	(17,803)
Miscellaneous	<u>181</u>	<u>98</u>
Net cash provided (used) by capital financing activities	<u>512,027</u>	<u>724,056</u>
Net increase (decrease) in cash and equivalents	606,179	664,331
Cash and cash equivalents, beginning of year	<u>1,318,638</u>	<u>654,367</u>
Cash and cash equivalents, end of year	<u>\$ 1,924,817</u>	<u>\$ 1,318,638</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 45,832	\$ 61,815
Income taxes	\$ -0-	\$ -0-

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
Deerham Springs, Louisiana
Notes to the Financial Statements
For the Years Ended December 31, 1999 and 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sewerage District Number Two, Deerham Springs, Louisiana, was created by the Livingston Parish Police Jury from the Livingston Parish Council on October 26, 1994, pursuant to the provisions of R.S. 32:3811, 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 2000 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 services
7. Special financing relationship

Based on the previous criteria, the Livingston Parish Council has determined that Sewerage District Number Two is part of the reporting entity based on Criteria 2, 4, and 6.

The accounting policies of Sewerage District Number Two conform to generally accepted accounting principles. The following is a summary of the significant policies.

A. FUND ACCOUNTING - PROPRIETARY FUND TYPE

The Sewerage District Number Two 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 1999 or 1998.

All proprietary funds are accounted for on a cost of services or "rapid 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 consolidated 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 depreciable 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 measurement made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the normal 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 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, 1999 and 1998, the district has cash and cash equivalents (bank balances) totaling \$2,124,827 and \$4,520,884 respectively.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

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 collateral trust that is mutually acceptable to both parties. Deposits (bank balances) at December 31, 1999 and 1998, are secured as follows:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Bank balances	\$2,127,424	\$1,520,894
Federal deposit insurance	\$ 158,998	\$ 158,983
Pledged securities	1,871,076	1,362,612
Total insurance and securities	2,029,074	1,521,612
Unsecured deposits at December 31	\$ 100,000	\$ 100,000

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 Parish Home Administration as a condition of the loan 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-month 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 sums 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. RESERVE BOARD SYSTEM RESERVE BOARD SINKING 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 such month into the Revenue Bond Sinking Fund as required in the Reserve Board 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 in 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 \$425,000. 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 order 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 principal of and interest on the bond and unamortized bond, including any additional pari passu bonds issued hereafter in the manner provided in this resolution, as they serially 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 sums as may be required as the same respectively become due. Money in the Revenue Bond Sinking Fund shall be deposited in trust funds and shall be used solely and exclusively expensively and exclusively pledged for the purpose of paying principal of and interest on the bond and parity bonds.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

Following the required payments to the Revenue Bond Sinking Fund, the monies 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 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 quarterly, 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 pari passu 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 sum required to be transferred in each month into the Revenue Bond Sinking Fund, as required in (b) above, but not less than \$100 per month. All monies 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, monies 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 NUMBER TWO

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

	BALANCE 12/31/97	ADDITIONS	DELETIONS	BALANCE 12/31/98
Land	\$ 56,794	\$ -0-	\$ -0-	\$ 56,794
Plant and facilities	\$3,118,741	\$ 160,660	\$ -0-	\$3,179,401
Accumulated depreciation	(1,558,506)	(149,544)	-----0-	(1,708,050)
Plant and facilities (net)	\$1,660,235	\$ 111,116	\$ -0-	\$1,478,531

	BALANCE 12/31/98	ADDITIONS	DELETIONS	BALANCE 12/31/99
Land	\$ 56,794	\$ -0-	\$ -0-	\$ 56,794
Plant and facilities	\$3,179,681	\$ 15,652	\$ -0-	\$3,195,333
Accumulated depreciation	(1,708,082)	(152,350)	-----0-	(1,860,432)
Plant and facilities (net)	\$1,471,599	\$ 1,302,302	\$ -0-	\$1,313,702

d. CHANGES IN LONG-TERM DEBT

The following is a summary of loan transactions of the sewerage district for the years ending December 31, 1999 and 1998:

	LOAN B-1	LOAN A	TOTAL
Loans payable at December 31, 1997	\$ 907,345	\$60,000	\$1,172,545
New debt issued	-0-	-0-	-0-
Principal retired	(17,722)	(15,000)	(32,722)

Loans payable at December 31, 1998

\$ 889,623 \$75,000 \$1,348,146

	LOAN B-1	LOAN A	TOTAL
Loans payable at December 31, 1998	\$890,146	\$75,000	\$1,348,146
New debt issued	-0-	-0-	-0-
Principal retired	(10,523)	(12,000)	(22,523)

Loans payable at December 31, 1999

\$879,623 \$75,000 \$1,398,146

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

11 KINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

Repayment is to be made as follows:

A. **\$2,045,000 SEWERAGE SYSTEM LOAN NUMBER B-1**

Interest only on the first two annual payments starting on February 28, 1988.

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. **\$300,000 REFERENCE REFUNDING BONDS SERIES 1999-A**

Annual payments of \$51,107 to \$38,000, due on each February 28, beginning in 1998 and continuing until 2002.

The annual requirements to amortize all long-term debt outstanding at December 31, 1999, including interest of \$248,204 and at December 31, 1998, including interest of \$99,073 are as follows:

1999	LOAN B-1		1999-A		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
YEAR ENDED					
1999	17,570	44,507	17,000	21,000	108,077
2000	18,418	43,629	18,000	20,980	108,027
2001	19,271	42,706	19,000	20,900	98,877
2002	20,130	41,738	20,000	17,700	99,567
2003	21,006	40,721	21,000	16,500	98,227
2004 through maturity	250,662	282,652	250,000	81,700	1,605,000
TOTAL	\$608,144	\$708,352	\$550,000	\$156,580	\$1,924,026

1998	LOAN B-1		1999-A		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
YEAR ENDED					
2000	22,418	43,629	18,000	20,980	104,027
2001	23,259	42,706	19,000	20,900	103,867
2002	24,116	41,768	20,000	17,700	103,627
2003	25,000	40,721	21,000	16,500	103,227
2004	25,928	39,674	22,000	15,300	103,927
2005 through maturity	240,214	284,481	230,000	81,600	1,605,810
TOTAL	\$611,136	\$708,929	\$550,000	\$167,580	\$1,924,700

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
Notes to the Financial Statements, Continued
December 31, 1999 and 1998

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 State of Louisiana in the amount of \$294,775.

6. FEE INKIN 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 \$93 per diem for each meeting they attend.

<u>1999</u>		
BOARD MEMBER	MEETINGS ATTENDED	PER DIEM
Kenneth Bingham 8854 Old Winchester Road Denham Springs, Louisiana 70726	13	\$ 780
Thomas Walton 1051 Maywood Drive Denham Springs, Louisiana 70726	17	\$1,020
Kyle Parker 3453 Clinton Drive Denham Springs, Louisiana 70726	15	\$1,140

<u>1998</u>		
BOARD MEMBER	MEETINGS ATTENDED	PER DIEM
Kenneth Bingham 8854 Old Winchester Road Denham Springs, Louisiana 70726	9	\$ 540
Thomas Walton 1051 Maywood Drive Denham Springs, Louisiana 70726	12	\$ 720
Kyle Parker 3453 Old River Road Denham Springs, Louisiana 70726	10	\$ 840

7. INCOME TAXES

Sewerage District Number Two is exempt from all Federal and state income taxes.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO

Notes to the Financial Statements, Continued

December 31, 1989 and 1998

8. LITIGATION

The sewerage district has filed suit against the bonding company, Miller Mutual Fire Insurance Company of Texas. The suit asserts a claim for repairs to the portions of Sewerage District Number Two's sewer system which was constructed by Eltek, Inc.. The reported outcome, according to legal counsel, is that the bonding company will be held responsible for repairs to the system. To date, \$1,755,802 has been paid to the Sewer District, as a result of a judgement in favor of the District. The bonding company has filed an appeal which is pending at this time.

9. RETIREMENT PLAN

Sewerage District Number Two does not belong to a retirement system; however, the district contributes to the social security system as required by law.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1999

I have audited the financial statements of Livingston Parish Sewerage District Number Two as of and for the year ended December 31, 1999, and have issued my report thereon dated March 4, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 1999, resulted in an unqualified opinion.

Section I Summary of Auditor's Results

	YES	NO	N/A
Financial Statements			
Internal control over financial reporting:			
Material weakness(es)		X	
Reportable condition(s)		X	
Noncompliance material to the financial statements		X	

Major Award

Internal control over major programs:

Material weakness(es) identified			X
Reportable condition(s) identified			X

Type of auditor's report on compliance for major programs X

Any findings required to be reported by Section 501(c) of Circular A-133 X

Identification of Major Programs:

CFDA Number(s) _____ Name of Federal Program (or Cluster) _____

Not applicable

Dollar threshold used to distinguish between Type A and Type B Programs: N/A

Is the auditor a 'low-risk' auditor, as defined by OMB Circular A-123? No N/A

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO
Schedule of Findings and Questioned Costs, Continued
December 31, 1999

Section II Financial Statement Findings

Current Year Findings

No findings to report.

Prior Year Findings

No findings to report.

Section III Federal Award Findings and Questioned Costs

No findings to report.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER TWO

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 1999

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

No findings reported.

Section II-Internal Control and Compliance Material to Federal Awards:

No findings reported.

Section III-Management Letter:

No findings reported.