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LIVINGSTON PARISH  
BEVERAGE DISTRICT NO. 2  
DENHAM SPRINGS, LOUISIANA

ANNUAL FINANCIAL REPORT

DECEMBER 31, 1966 AND 1967

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 26 1979

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

Annual Financial Statements with Independent Auditor's Report  
For the Years Ended December 31, 1999 and 1997

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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, 1998 and 1997, 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.

Except as discussed in the following paragraph, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures About Year 2000 Issues, requires disclosure of certain matters regarding the Year 2000 issue. Sewerage District No. 2 has included such disclosures in Note 10. Because of the unprecedented nature of the Year 2000 issue, its effects and the results of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Sewerage District No. 2 disclosures with respect to the Year 2000 issue made in Note 10. Further, I do not provide assurance that Sewerage District No. 2 is or will be ready, that Sewerage District No. 2's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Sewerage District No. 2 does business will be year 2000 ready.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding year 2000 disclosures, 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, 1998 and 1997, 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 17, 1999, on my consideration of Sewerage District No. 2's internal control structure and a report dated March 13, 1999, on its compliance with laws and regulations.

  
Leroy J. Chustz  
Certified Public Accountant, APAC  
March 17, 1999

**LEROY J. CHUSTZ, CPA, APAC**

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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  
Dorchen Springs, Louisiana

I have audited the financial statements of Livingston Parish Sewerage District No. 2, Dorchen Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the year ended December 31, 1998, and have issued my report thereon dated March 17, 1999. 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*  
Leroy J. Chustz  
Certified Public Accountant, APAC  
March 17, 1999

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2  
Denham Springs, Louisiana

BALANCE SHEETS  
December 31, 1998 and 1997

## ASSETS

	<u>1998</u>	<u>1997</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$1,325,665	\$ 671,107
Receivables	14,915	13,693
Prepaid insurance	<u>11,528</u>	<u>15,217</u>
Total current assets	1,352,108	699,997
<b>RESTRICTED ASSETS</b>		
Revenue bond sinking fund	82,755	77,135
Revenue bond reserve fund	43,155	41,103
Depreciation and contingency fund	<u>67,022</u>	<u>64,072</u>
Total restricted assets	192,932	182,310
<b>PROPERTY, PLANT, AND EQUIPMENT, AT COST</b>		
Land	56,794	56,794
Plant and facilities (net)	<u>2,473,521</u>	<u>2,458,205</u>
Total property, plant, and equipment	2,530,315	2,514,999
<b>OTHER ASSETS</b>		
Utility deposits	<u>1,269</u>	<u>1,269</u>
<b>TOTAL ASSETS</b>	<b>25,582,711</b>	<b>\$4,404,603</b>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2  
Denham Springs, Louisiana

BALANCE SHEETS  
December 31, 1998 and 1997

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>1997</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 16,042	\$ 10,102
Leases payable - current portion	<u>-0-</u>	<u>-0-</u>
Total current liabilities	16,042	10,102
<b>CURRENT LIABILITIES (Payable from restricted assets)</b>		
Accrued interest payable	55,734	56,410
Loan payable - 1994 series - current portion	<u>34,529</u>	<u>31,711</u>
Total current liabilities (Payable from restricted assets)	90,264	88,120
<b>LONG-TERM LIABILITIES</b>		
Loan payable - 1994 series	872,576	891,233
Bond payable - 1997-A series	<u>333,000</u>	<u>333,000</u>
Total long-term liabilities	1,205,576	1,241,233
Total liabilities	<u>1,311,812</u>	<u>1,339,455</u>
<b>FUND EQUITY</b>		
Contributed capital	3,875,117	3,875,117
Retained earnings	<u>1324,316</u>	<u>189,800</u>
Total fund equity	3,779,799	3,965,214
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$3,092,211</b>	<b>\$4,404,673</b>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2  
Denham Springs, Louisiana

STATEMENT #

STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS  
For the Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>OPERATING REVENUES</b>		
Sewer fees	\$ 401,441	\$ 360,373
Sewer District No. 1 maintenance	29,244	21,548
Permits/user fees	<u>62,829</u>	<u>69,727</u>
Total operating revenues	493,514	451,648
<b>OPERATING EXPENSES</b>		
Salaries	93,699	95,060
Employee Benefits	12,207	8,613
Interest	60,921	76,126
Depreciation	149,544	140,857
Systems maintenance	73,786	59,089
Professional fees	19,398	15,419
Insurance	24,917	29,044
Per diem	2,930	2,940
Bad debt expense	1,303	215
Utilities	65,429	40,272
Supplies	6,751	8,536
Telephone	7,685	6,255
Miscellaneous	<u>11,946</u>	<u>9,627</u>
Total operating expenses	<u>639,696</u>	<u>602,437</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>62,823</u>	<u>62,789</u>
<b>OTHER REVENUES AND EXPENSES</b>		
Interest	44,651	27,604
Law suit settlement	730,989	-
Law suit expenses	(17,382)	(5,661)
Miscellaneous	<u>99</u>	<u>2,516</u>
Total other revenues and expenses	<u>757,957</u>	<u>24,469</u>
<b>NET INCOME (LOSS)</b>	<u>795,584</u>	<u>129,000</u>
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	3,095,214	3,094,217
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$3,770,798</u>	<u>\$3,095,214</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, 1998 and 1997  
Increase (Decrease) in Cash and Cash Equivalents

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (62,073)	\$ (53,762)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	149,544	140,857
(Increase) decrease in accounts receivable	(1,023)	2,188
(Increase) decrease in prepaid insurance	(1,362)	83
Increase (decrease) in accounts payable	5,940	5,793
Increase (decrease) in accrued liabilities	(692)	(17,632)
Net cash provided (used) by operating activities	<u>190,331</u>	<u>78,532</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	<u>(162,660)</u>	<u>29,888</u>
Net cash provided (used) by investing activities	<u>(162,660)</u>	<u>29,888</u>
Cash flows from capital financing activities:		
Principal payments	(32,799)	(372,287)
Interest income	44,851	27,524
Settlement from law suit	730,300	-
Law suit expenses	(17,392)	(5,651)
Proceeds from bond issue	-	365,000
Miscellaneous	88	2,616
Net cash provided (used) by capital financing activities	<u>724,858</u>	<u>17,532</u>
Net increase (decrease) in cash and equivalents	664,331	69,706
Cash and cash equivalents, beginning of year	<u>854,307</u>	<u>787,601</u>
Cash and cash equivalents, end of year	<u>\$1,518,638</u>	<u>\$,857,307</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 61,615	\$ 87,998
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, 1990 and 1997

5. 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. 33:3911, 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 readers
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

## LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2

Notes to the Financial Statements, Continued

December 31, 1998 and 1997

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 1998 or 1997.

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, 1998 and 1997

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, 1998 and 1997, the district has cash and cash equivalents (bank balances) totaling \$1,520,694 and \$854,357 respectively as follows:

	<u>December 31,</u>	
	<u>1998</u>	<u>1997</u>
Demand deposits	\$1,520,694	\$804,449
Time deposits	<u>          0</u>	<u>  49,908</u>
Total	<u>\$1,520,694</u>	<u>\$854,357</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, 1998 and 1997, are secured as follows:

	<u>December 31,</u>	
	<u>1998</u>	<u>1997</u>
Bank balances	\$1,520,694	\$860,798
Federal deposit insurance	\$  128,382	\$151,633
Pledged securities	<u>1,392,612</u>	<u>  700,955</u>
Total insurance and securities	<u>1,520,694</u>	<u>  852,798</u>
Unsecured deposits at December 31	\$          0	\$          0

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 these estimates.

**2. RESERVE REQUIREMENTS**

The district is required to maintain the following reserves by the Farmers 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 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.

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 principal 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 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

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2  
Notes to the Financial Statements, Continued  
December 31, 1998 and 1997

party 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 party 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 \$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 NO. 2  
 Notes to the Financial Statements, Continued  
 December 31, 1996 and 1997

	BALANCE 12/31/96	ADDITIONS	DELETIONS	BALANCE 12/31/97
Land	\$ 56,794	\$ -0-	\$ -0-	\$ 56,794
Plant and facilities	\$4,909,853	\$ 20,858	\$ -0-	\$5,018,741
Accumulated depreciation	(1,409,679)	(140,852)	-0-	(1,550,530)
Plant and facilities (net)	\$3,468,205	\$111,000	\$ -0-	\$3,468,205
	BALANCE 12/31/97	ADDITIONS	DELETIONS	BALANCE 12/31/98
Land	\$ 56,794	\$ -0-	\$ -0-	\$ 56,794
Plant and facilities	\$5,018,741	\$ 160,850	\$ -0-	\$5,179,591
Accumulated depreciation	(1,550,530)	(149,544)	-0-	(1,700,074)
Plant and facilities (net)	\$3,468,205	\$ 111,306	\$ -0-	\$3,479,521

4. CHANGES IN LONG-TERM DEBT

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

	LOAN R-1	LOAN R-2	1987-A	TOTAL
Loans payable at December 31, 1996	\$623,228	\$387,000		\$1,010,228
New debt issued	-0-	-0-	368,000	368,000
Principal retired	(18,280)	(667,896)		(732,896)
Loans payable at December 31, 1997	\$604,948	\$ -0-	\$368,000	\$1,272,948
		LOAN R-1	1987-A	TOTAL
Loans payable at December 31, 1997		\$607,948	\$368,000	\$1,275,948
New debt issued		-0-	-0-	-0-
Principal retired		17,798	15,080	32,798
Loans payable at December 31, 1998		\$625,746	\$352,920	\$1,278,666

**LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2**  
**Notes to the Financial Statements, Continued**  
**December 31, 1998 and 1997**

Long-term debt consists of two issues made by the sewerage district and held by the Farmers Home Administration. Loan R-1 in the amount of \$1,547,000 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**

<b>SOURCES:</b>	
Series 1997-A	<u>\$955,000</u>
Total Sources	<u>\$955,000</u>
<b>USES:</b>	
Redemption of FMHA R-2	\$354,351
Accrued Interest	6,858
Trust Fees	1,208
Publications	910
Bond commission fees	237
Balance to cost of issuance	<u>1,458</u>
Total Uses	<u>\$365,000</u>

Repayment is to made as follows:

**A. \$1,547,000 SEWERAGE SYSTEM LOAN NUMBER R-1**

Interest only on the first two annual payments starting on February 20, 1985.

Payments of \$67,007 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 \$35,960 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.

**C. \$955,000 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, 1998, including interest of \$852,473 and on December 31, 1997, including interest of \$ 505,348 are as follows:



## LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2

Notes to the Financial Statements, Continued

December 31, 1996 and 1997

1997	1997-B		1997-A		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
YEAR ENDED					
1996	16,711	45,366	15,000	17,336	64,413
1999	17,347	44,829	17,000	21,890	100,077
2000	18,424	43,653	18,000	18,990	100,067
2001	19,346	42,731	19,000	18,500	99,577
2002	20,313	41,764	20,000	17,390	99,637
2003 through maturity	515,804	544,458	225,000	58,680	1,304,992
TOTAL	\$607,845	\$1,302,801	\$365,000	\$109,896	\$1,329,297

1998	1997-B		1997-A		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
YEAR ENDED					
1996	17,676	44,807	17,000	21,000	100,877
2000	18,448	43,829	18,000	19,900	100,857
2001	19,371	42,795	19,000	19,900	99,877
2002	20,339	41,735	20,000	17,700	99,837
2003	21,358	40,721	21,000	16,500	99,637
2004 through maturity	789,062	809,660	255,000	89,300	1,693,899
TOTAL	\$885,194	\$2,155,652	\$385,000	\$129,500	\$1,349,879

## 5. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant from the Environmental Protection Agency (EPA) in the amount of \$3,468,342 and a grant provided by the State of Louisiana in the amount of \$294,775.

## 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 \$50 per diem for each meeting they attend.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2  
 Notes to the Financial Statements, Continued  
 December 31, 1998 and 1997

<u>1998</u>		
<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Hannah Bingham 6850 Old Winchester Road Denham Springs, Louisiana 70726	9	\$540
Thomas Walton 1001 Maywood Drive Denham Springs, Louisiana 70726	12	\$720
Eyle Parker 30003 Old River Road Denham Springs, Louisiana 70726	14	\$840

<u>1997</u>		
<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Hannah Bingham 6850 Old Winchester Road Denham Springs, Louisiana 70726	10	\$600
Thomas Walton 1001 Maywood Drive Denham Springs, Louisiana 70726	19	\$1,140
Nyle Parker 30003 Old River Road Denham Springs, Louisiana 70726	30	\$1,500

7. **INCOME TAXES**

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

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 Etek, Inc. The expected outcome, according to legal counsel, is that the bonding company will be held responsible for repairs to the system. To date, \$1,270,308 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.

LIVINGSTON PARISH SEWERAGE DISTRICT NO. 2  
Notes to the Financial Statements, Continued  
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10. YEAR 2000 COMPLIANCE (UNAUDITED)

Time and space saving programming decisions made in prior years resulted in two-digit computer codes that may not correctly recognize "00" as the year 2000. Serious processing error or system failure could result. To prevent this error, computer systems and equipment must be reprogrammed or replaced to make them year 2000 compliant.

The Sewer District is significantly dependent on computerized systems for essential operations and to provide services to citizens. As a continuing process, the District is actively engaged in making necessary changes to its systems and equipment to achieve year 2000 compliance. Interfacing business partner's are being surveyed to assess their compliance status and possible impact on district services. Other information technology projects have been re-prioritized and delayed when necessary to support continuing progress toward year 2000 compliance. These changes include system upgrades and equipment replacements. Contingency plans are also being considered.