

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

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 Ward Two Water District
Denham Springs, Louisiana

I have audited the accompanying general purpose financial statements of Livingston Parish Ward Two Water District, Denham Springs, Louisiana, 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 Ward Two Water District'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 Ward Two Water District 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 16, 1998, on my consideration of Livingston Parish Ward Two Water District's internal control structure and a report dated March 16, 1998, on its compliance with laws and regulations.



Leroy J. Chustz
Certified Public Accountant, APAC
March 16, 1998

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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 Ward Two Water District
Denham Springs, Louisiana

I have audited the financial statements of Livingston Parish Ward Two Water District, Denham Springs, Louisiana, component unit of Livingston Parish Government, as of and for the year ended December 31, 1997, and have issued my report thereon dated March 16, 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 Ward Two Water District'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 Ward Two Water District'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 Ward Two Water District'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 16, 1998

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 1997 and 1996

ASSETS

	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 351,695	\$ 610,336
Accounts receivable (net)	86,807	67,342
Unbilled water sales	81,904	69,550
Prepaid insurance	<u>40,115</u>	<u>38,532</u>
Total current assets	560,521	785,760
RESTRICTED ASSETS		
Revenue bond sinking fund	125,644	111,957
Revenue bond reserve fund	338,208	338,122
Depreciation and contingency fund	338,208	284,215
Bond Revenue Fund	6,121	-0-
Investment designated for customer deposits	215,634	207,620
Savings designated for customer deposits	<u>41,589</u>	<u>14,335</u>
Total restricted assets	1,065,404	956,249
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	46,315	46,315
Construction in progress	-0-	82,928
Plant, facilities and equipment (net)	<u>5,293,008</u>	<u>4,731,180</u>
Total property, plant, and equipment	5,339,323	4,860,423
OTHER ASSETS		
Deposits	<u>375</u>	<u>375</u>
TOTAL ASSETS	<u>\$6,965,623</u>	<u>\$6,602,807</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 1997 and 1996

LIABILITIES AND FUND EQUITY

	<u>1997</u>	<u>1996</u>
CURRENT LIABILITIES		
Accounts payable	\$ 33,627	\$ 15,178
Taxes payable	3,807	4,499
Accrued salaries and leave	23,504	20,493
Accrued Interest Payable - current portion	1,950	-0-
Bond payable - current portion	14,000	14,000
Customer deposits	<u>58,627</u>	<u>57,085</u>
Total current liabilities	135,515	111,255
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Accrued interest payable	58,531	62,083
Bonds payable	100,000	95,000
Customer deposits	<u>257,223</u>	<u>221,955</u>
Total current liabilities (payable from restricted assets)	415,754	379,038
LONG-TERM LIABILITIES		
Bond payable	<u>4,118,405</u>	<u>4,211,153</u>
Total long-term liabilities	<u>4,118,405</u>	<u>4,211,153</u>
Total liabilities	<u>4,669,674</u>	<u>4,701,446</u>
FUND EQUITY		
Retained earnings reserved for revenue bond retirement	344,329	450,079
Retained earnings reserved for system repairs and improvements	338,208	284,215
Contributed capital	479,781	479,781
Retained earnings unreserved, undesignated	<u>1,133,631</u>	<u>687,286</u>
Total retained earnings	<u>2,295,949</u>	<u>1,901,361</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$6,965,623</u>	<u>\$6,602,807</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
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>		
Water sales	\$1,555,854	\$1,441,468
Water tap fees	141,975	140,775
Sewer maintenance fees and charges	24,288	20,490
Check valve charges	<u>50</u>	<u>506</u>
Total operating revenues	<u>1,722,167</u>	<u>1,603,239</u>
<u>OPERATING EXPENSES</u>		
DIRECT EXPENSES		
Depreciation	198,382	198,772
Electricity	102,915	103,740
Equipment operation and maintenance	64,423	45,823
System maintenance	191,147	172,219
Meter reading	64,141	59,183
Small tools and supplies	<u>9,384</u>	<u>4,686</u>
Total direct expenses	<u>630,392</u>	<u>584,423</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	379,985	345,396
Payroll taxes and group insurance	45,419	44,514
Insurance	51,417	51,057
Interest	280,912	281,538
Office expense	54,257	42,371
Professional fees	22,493	19,615
Telephone	11,019	9,085
Per diem	3,600	3,600
Bad debt expense	1,742	391
Miscellaneous	<u>10,869</u>	<u>10,464</u>
Total general and administrative expenses	<u>861,713</u>	<u>808,031</u>

(Statement B continued on next page.)

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, LouisianaSTATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
For the Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Total operating expenses	<u>\$1,492,105</u>	<u>\$1,392,454</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>230,062</u>	<u>210,785</u>
 <u>NON-OPERATING INCOME</u>		
Special Services	23,695	21,025
Forfeited discounts	27,392	27,100
Interest	74,617	68,499
Mineral royalties	-0-	23
Miscellaneous	36,071	24,397
Gain (Loss) on sale of fixed assets	<u>2,751</u>	<u>-0-</u>
Total non-operating income	164,526	141,044
<u>NET INCOME (LOSS)</u>	<u>394,588</u>	<u>351,829</u>
 <u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	 <u>1,901,361</u>	 <u>1,549,532</u>
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$2,295,949</u>	<u>\$1,901,361</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
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)	\$ 230,062	\$ 210,785
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	198,382	198,772
Amortization	21,252	21,252
(Increase) decrease in accounts receivable	(19,465)	17,125
(Increase) decrease in unbilled water sales	(12,354)	(7,071)
(Increase) decrease in prepaid expenses	(1,583)	4,164
Increase (decrease) in accounts payable	18,449	(11,287)
Increase (decrease) in accrued liabilities	<u>37,525</u>	<u>(52,001)</u>
Net cash provided (used) by operating activities	<u>472,268</u>	<u>381,739</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	(677,280)	(342,481)
Investment in Edward D. Jones	<u>(8,014)</u>	<u>(7,769)</u>
Net cash provided (used) by investing activities	<u>(685,294)</u>	<u>(350,250)</u>
Cash flows from capital financing activities:		
Principal payments	(109,000)	(103,000)
Delinquent charges	23,695	21,025
Forfeited discounts	27,392	27,100
Interest	74,617	68,499
Mineral royalties	-0-	23
Miscellaneous revenue	36,071	24,397
Proceeds from sale of assets	<u>2,751</u>	<u>-0-</u>
Net cash provided (used) by capital financing activities	<u>55,526</u>	<u>38,044</u>
Net increase (decrease) in cash and equivalents	(157,500)	69,533
Cash and cash equivalents, beginning of year	<u>1,358,965</u>	<u>1,289,432</u>
Cash and cash equivalents, end of year	<u>\$1,201,465</u>	<u>\$1,358,965</u>
Supplemental disclosures of cash flow information: Cash paid during the year for:		
Interest	\$ 261,263	\$ 268,136
Income taxes	-0-	-0-

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana
Notes to the Financial Statements
For the Years Ended December 31, 1997 and 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ward Two Water District, Denham Springs, Louisiana, was created by the Livingston Parish Police Jury on August 23, 1975, 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 Police Jury has determined that Ward Two Water District is part of the reporting entity based on criteria 2, 4, and 6.

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

A. FUND ACCOUNTING - PROPRIETARY FUND TYPE

The Ward Two Water District 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

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

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 water district to capitalize interest costs incurred during the period of construction. No interest costs have been capitalized during the years 1997 and 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.

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 or notes to the financial statements. 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, seven years for equipment, and four years for vehicles.

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 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

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1997 and 1996

deposit insurance. For purposes of the statement of cash flows, the water 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 \$1,433,965 and \$1,276,072 respectively as follows:

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
Cash on hand	\$ 400	\$ 400
Demand deposits	139,178	370,661
Time deposits	<u>1,136,894</u>	<u>1,062,904</u>
Total	<u>\$1,276,472</u>	<u>\$1,433,965</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 of 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>\$1,273,126</u>	<u>\$1,443,209</u>
Federal deposit insurance	\$ 313,589	\$ 289,335
Pledged securities	<u>959,537</u>	<u>1,153,874</u>
Total insurance and securities	<u>1,273,126</u>	<u>1,443,209</u>
Unsecured deposits at 12/31	<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.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

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. INVESTMENTS

A summary of investments is as follows:

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
Cost	\$140,634	\$132,620
Market	\$149,844	\$138,957

3. ACCOUNTS RECEIVABLE

Customer accounts receivable are as follows:

	<u>1997</u>	<u>1996</u>
Accounts receivable (gross)	\$ 88,330	\$ 68,874
Insufficient funds checks receivable	1,254	1,277
Other	52	20
Less: Allowance for uncollectible accounts	<u>(2,829)</u>	<u>(2,829)</u>
Accounts receivable (net)	<u>\$ 86,807</u>	<u>\$ 67,342</u>

4. RESERVE REQUIREMENTS

The district is required to maintain the following reserves as a condition of the loans made to the water district and/or bond covenants.

A. RESERVE BOND SINKING FUND

The funding of the "Sinking Fund" (hereinafter called the "Sinking Fund") amounts sufficient to pay when due the principal of and interest on the

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

Bonds, Unrefunded Bonds and Parity Bonds issued as hereafter provided by this Resolution. On or before the 20th day of each month there shall be transferred from the Revenue Fund to the Sinking Fund, (i) beginning on December 20, 1993, a sum equal to one-fourth (1/4) of the interest falling due on the next interest payment date and beginning April 20, 1994 and thereafter, a sum equal to one-sixth (1/6) of the interest falling due on the next interest payment date, and (ii) beginning April 20, 1994 and thereafter, 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, if any, as may be required to pay said principal and interest as the same respectively become due.

B. REVENUE BOND RESERVE FUND

The funding of a Reserve Fund (the "Reserve Fund"), in the amount of not less than the Reserve Requirement, (\$335,143), with an initial deposit as provided in the Supplemental Resolution at the time of delivery of the Bonds and subsequent annual deposits in the Reserve Fund of one-fifth (1/5th) of the amount required to establish and maintain the Reserve Requirement in the Reserve Fund within a period of five (5) years; provided that if any moneys are withdrawn from the Reserve Fund to pay principal and /or interest on the Bonds, Unrefunded Bonds or Parity Bonds, such moneys shall be restored from moneys remaining in the Revenue Fund, after making the payments required by paragraphs (a) and (b) of this Section. Moneys in the Reserve Fund may be appropriated and expended from time to time by the Board solely for the purpose of paying principal of and interest on the Bonds, Unrefunded Bonds and Parity Bonds payable from the Sinking Fund as to which there would otherwise be a default.

C. DEPRECIATION AND CONTINGENCY FUND

The funding of a "Depreciation and Contingency Fund" (the "Depreciation and Contingency Fund") by transferring from the Revenue Fund on or before the 20th day of each month, commencing with the first full month after delivery of the Bonds, after making the deposits referred to in (a), (b) and © above, a sum equal to 5% of Gross Revenues of the System, until such time as the Depreciation and Contingency Fund contains \$335,143. 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 to the System; and the costs of improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Sinking Fund or the Reserve Fund are deficient,

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

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 Sinking Fund and the Reserve Fund. If at any time it shall be necessary to use moneys in the Depreciation and Contingency Fund above provided for the purpose of paying principal of or interest on Bonds, Unrefunded Bonds or Parity Bonds payable from the Sinking Fund or the Reserve Fund as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter received which are not hereinabove required to be used for current expenses or for Sinking Fund and Reserve Fund requirements, it being the intention hereof that there shall be on deposit in the Depreciation and Contingency Fund at all times, as nearly as possible, the amount herein specified.

The general obligation bonds are secured by an authorized ad valorem tax. The district has not levied the ad valorem tax, but has paid the general obligation bond requirements out of operating revenues.

5. CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in fixed assets.

	<u>BALANCE</u> <u>12/31/95</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/96</u>
Land	\$ 5,550	\$ 40,765	\$ -0-	\$ 46,315
Buildings	\$ 169,351	\$ -0-	\$ -0-	\$ 169,351
Capital lease assets	64,404	-0-	-0-	64,404
Equipment	237,781	1,318	-0-	239,099
Furniture and fixtures	12,499	-0-	-0-	12,499
Vehicles	130,915	-0-	-0-	130,915
Plant and facilities	<u>5,672,648</u>	<u>217,470</u>	<u>-0-</u>	<u>5,890,118</u>
Total	<u>\$6,287,598</u>	<u>\$218,788</u>	<u>\$ -0-</u>	<u>\$6,506,385</u>
Less: Accumulated depreciation				1,775,205
Plant and facilities (net)				<u>\$4,731,180</u>

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

	<u>BALANCE</u> <u>12/31/96</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/97</u>
Land	\$ 46,315	\$ -0-	\$ -0-	\$ 46,315
Buildings	\$ 169,351	\$ -0-	\$ -0-	\$ 169,351
Capital lease assets	64,404	-0-	-0-	64,404
Equipment	239,099	-0-	-0-	239,099
Furniture and fixtures	12,499	-0-	-0-	12,499
Vehicles	130,916	-0-	11,915	119,001
Plant and facilities	<u>5,890,118</u>	<u>760,208</u>	<u>-0-</u>	<u>6,650,326</u>
Total	<u>\$6,506,385</u>	<u>\$ 760,208</u>	<u>\$ 11,915</u>	<u>\$7,254,680</u>
Less: Accumulated depreciation				1,961,672
Plant and facilities (net)				<u>\$5,293,008</u>

Depreciation expense was \$198,382 for 1997 and \$198,772 for 1996.

6. CHANGES IN LONG-TERM DEBT

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

	<u>REVENUE</u> <u>BONDS</u>	<u>GENERAL</u> <u>OBLIGATION</u> <u>BONDS</u>	<u>TOTAL</u>
Bonds payable at December 31, 1995	\$4,395,000	\$ 501,000	\$4,896,000
Bonds retired	<u>90,000</u>	<u>13,000</u>	<u>103,000</u>
Bonds payable at December 31, 1996	<u>\$4,305,000</u>	<u>\$ 488,000</u>	<u>\$4,793,000</u>

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

	<u>REVENUE BONDS</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>TOTAL</u>
Bonds payable at December 31, 1996	\$4,305,000	\$ 488,000	\$4,793,000
Bonds retired	<u>95,000</u>	<u>14,000</u>	<u>109,000</u>
Bonds payable at December 31, 1997	<u>\$4,210,000</u>	<u>\$ 474,000</u>	<u>\$4,684,000</u>

Long-term debt at December 31, 1997 consists of three bond issues. General obligation bonds in the amount of \$474,000 bear interest of five per cent per annum. Remaining unrefunded revenue bonds in the amount of \$115,000 and the 1995 Parity Bonds issued in the amount of \$4,095,000 bear interest at rates varying from 3.35 per cent to 8.75 per cent.

Repayment is to be made as follows:

A. \$650,000 GENERAL OBLIGATION BONDS OF 1977

Interest only was due on the first two annual payments starting on November 18, 1977.

Principal payments of \$6,000 to \$36,000 are due annually thereafter on each June 1st 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. \$255,000 UNREFUNDED WATERWORKS REVENUE REFUNDING BONDS OF 1989

Interest on the bonds is payable semiannually on April 1st in the amounts varying from \$25,350 to \$22,625 through the year 1999 and are issued as fully registered certificated bonds each in the denomination of \$5,000 or any integral multiple thereof.

The annual requirements to amortize all long-term debt outstanding at December 31, 1997, including interest of \$3,713,955 and at December 31, 1996, including interest of \$3,738,490 are as follows:

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

1996

YEAR ENDED	REVENUE BONDS				GENERAL OBLIGATION BONDS		TOTAL
	1994 PARITY BONDS		1989 BONDS UNREFUNDED		PRINCIPAL	INTEREST	
1997	\$ 45,000	\$ 224,963	\$ 50,000	\$ 12,250	\$ 14,000	\$ 24,050	\$ 370,263
1998	45,000	223,106	55,000	7,656	14,000	23,350	368,112
1999	50,000	221,050	60,000	2,625	15,000	22,625	371,300
2000	115,000	217,334			16,000	21,850	370,184
2001	120,000	211,898			17,000	21,025	369,923
2002 Through Maturity	<u>3,765,000</u>	<u>2,342,883</u>	<u>-0-</u>	<u>-0-</u>	<u>\$412,000</u>	<u>\$161,825</u>	<u>6,681,708</u>
Total	<u>\$4,140,000</u>	<u>\$3,441,234</u>	<u>\$ 165,000</u>	<u>\$ 22,531</u>	<u>\$488,000</u>	<u>\$274,725</u>	<u>\$8,531,490</u>

1997

YEAR ENDED	REVENUE BONDS				GENERAL OBLIGATION BONDS		TOTAL
	1994 PARITY BONDS		1989 BONDS UNREFUNDED		PRINCIPAL	INTEREST	
1998	45,000	223,106	55,000	7,656	14,000	23,525	368,288
1999	50,000	221,050	60,000	2,625	15,000	22,813	371,487
2000	115,000	217,334	-0-	-0-	16,000	22,050	370,384
2001	120,000	211,898	-0-	-0-	17,000	21,237	370,135
2002	125,000	206,077	-0-	-0-	17,000	20,388	368,465
2003 Through Maturity	<u>3,640,000</u>	<u>2,342,884</u>	<u>-0-</u>	<u>-0-</u>	<u>395,000</u>	<u>171,313</u>	<u>6,549,196</u>
Total	<u>\$4,095,000</u>	<u>\$3,422,349</u>	<u>\$ 115,000</u>	<u>\$ 10,281</u>	<u>\$ 474,000</u>	<u>\$ 281,325</u>	<u>\$8,397,955</u>

On April 01, 1995 the District issued \$4,225,000 in Waterworks Revenue Bonds with an average interest rate of 5.8 percent to advance refund \$1,820,000 of outstanding 1989 series bonds with an average interest rate of 8.6 percent. The District purchased United States Government Securities valued at \$2,063,413 and deposited them into an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$1,820,000 of 1989 series bonds. As a result \$1,820,000 of the 1989 series bonds are considered to be defeased and the liability for the bonds has been removed from the District's books. \$255,000 of 1989 series bonds were not advance refunded and remain on the District's books.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$531,288. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 25 years by \$187,382.50 and to obtain economic gain of \$115,344.57.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

7. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant provided by the State of Louisiana in the amount of \$479,781.

8. 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>
Theodore Graham - President 33580 Cain Market Road Walker, Louisiana 70785-4102 (504) 664-9189	13	\$780
Tyrus Cobb - Vice President 10660 Dunmark Road Denham Springs, Louisiana 70726-1113 (504) 664-9291	11	660
Stanley Spillman - Secretary-Treasurer 33725 La. Hwy. 16 Denham Springs, Louisiana 70726-0969 (504) 665-2669	13	780
John Easterly 37917 La. Hwy. 16 Denham Springs, Louisiana 70726-0337 (504) 664-8923	11	660
Danny Turner 7805 Denham Drive Denham Springs, Louisiana 70726-1334 (504) 665-8029	12	<u>720</u>
	Total	<u>\$3,600</u>

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

	<u>1996</u>	
<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Theodore Graham - President 33580 Cain Market Road Walker, Louisiana 70785-4102 (504) 664-9189	12	\$ 720
Tyrus Cobb - Vice President 10660 Dunmark Road Denham Springs, Louisiana 70726-1113 (504) 664-9291	10	600
Stanley Spillman - Secretary-Treasurer 33725 La. Hwy. 16 Denham Springs, Louisiana 70726-0969 (504) 665-2669	13	780
John Easterly 37917 La. Hwy. 16 Denham Springs, Louisiana 70726-0337 (504) 664-8923	13	780
Danny Turner 7805 Denham Drive Denham Springs, Louisiana 70726-1334 (504) 665-8029	12	<u>720</u>
	Total	<u>\$3,600</u>

9. INCOME TAXES

Ward Two Water District is exempt from all federal and state income taxes.

10. LITIGATION

According to legal counsel, Ward Two Water District is the defendant in a contract dispute in which a construction contractor claims additional moneys are due in connection with a water line extension. The contractor is seeking a settlement \$450,000; however, according to the District's legal counsel, there is a relatively low likelihood of an outcome unfavorable to the Water District.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1997 and 1996

In another matter a judgement against the District was rendered in an employment related matter. The case has been appealed and is presently pending. In the event of an unfavorable outcome, there is adequate insurance coverage to cover this judgement.

11. RETIREMENT PLAN

Ward Two Water District does not belong to a retirement system; however, the district contributes to the social security system as required by law. The District adopted a self employed retirement plan (SEP) during 1996. The District contributed \$ 12,588 into the SEP during 1997. Employees are fully vested when the contribution is made by the District.

12. YEAR 2000 ISSUES

Like any other entity, advances and changes in available technology can significantly impact the business and operations of the District. For example, a challenging problem exists as many computer systems worldwide do not have the capability of recognizing the year 2000 or years thereafter. No easy technological "quick fix" has yet been developed for this problem. The District is exploring resources to assure that its computer systems are programmed in time to effectively deal with transactions in the year 2000 and beyond. This "year 2000 computer problem" creates risk for the District from unforeseen problems in its own computer systems and from third parties with whom the District deals on financial transactions. Such failures of the District and/or third parties' computer systems could have a material impact on the District's ability to conduct its business, and especially to process and account for funds.

SUPPLEMENTAL INFORMATION

LEROY J. CHUSTZ, CPA, APAC



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504/665-3102
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To the Board of Commissioners
of Ward Two Water District

My report on the audit of the basic financial statements of Ward Two Water District for the years ended December 31, 1997 and 1996 appears on Page 3. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Insurance is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I express no opinion on it.


Leroy J. Chustz
Certified Public Accountant, APAC
March 16, 1998

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

SCHEDULE OF INSURANCE
As of December 31, 1997

COVERAGE	PERILS COVERED	POLICY LIMITS	EXPIRATION DATE
Package policy	Property	Per schedule	10/31/98
	Inland marine floater	Per schedule	10/31/98
	Crime coverage	\$2,000.00	10/31/98
	General liability	\$2,000,000	10/31/98
Business auto	Auto liability	\$1,000,000	10/31/98
Umbrella excess liability	General liability	\$2,000,000	10/31/98
Workers compensation	Statutory coverage	\$500,000	10/31/98
Boiler and machinery	Pumps and panels	\$250,000	11/17/98
Public officers and employees	Liability coverage	\$1,000,000	12/18/98
Fidelity bond	Employee Dishonesty	\$500,000	10/31/98
License bond	Plumbers license bond	\$1,000	7/15/98