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**LIVINGSTON PARISH
WARD TWO WATER DISTRICT
DENHAM SPRINGS, LOUISIANA**

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

*As of and for the Years Ended December 31, 1999 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 entity and other appropriate public officials. The report is available for public inspection at the Budget Review office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

MAY 2 4 2000

Release Date _____

TABLE OF CONTENTS

	Start	Page
Independent Auditor's Report		4
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Generally Accepted Accounting Principles		5
General Purpose Financial Statements		
<i>As of and for the Year Ended December 31, 1999 and 1998</i>		
Combined Balance Sheets	A	6-7
Statements of Revenues, Expenses, and Changes in Retained Earnings	B	8-9
Statements of Cash Flows	C	10
Notes to the Financial Statements		
Summary of Significant Accounting Policies	1	11
Fund Accounting - Proprietary Fund Type	A	11
Fixed Assets and Long-Term Liabilities	B	11
Basis of Accounting	C	12
Cash	D	12
Inventory	E	15
Budget Policy	F	12
Use of Estimates	G	13
Investments	2	15
Accounts Receivable	3	13
Reserve Requirements	4	14
Reserve Fund Setting Fund	A	14
Reserve Bond Reserve Fund	B	14
Depreciation and Contingency Fund	C	14
Changes in General Fund Assets	5	15
Changes in Long-Term Debt	6	16
\$4,125,000 Revenue Payee Bonds of 1994	A	16
\$400,000 General Obligation Bonds of 1977	B	16
\$25,000 Unallocated Waterworks Revenue Refunding Bonds	C	16
Contributed Capital	7	17
Pay Liens Paid to Board Members	8	18
Intangible Taxes	9	17
Litigation	10	19
Retirement Plan	11	19
Retained Earnings Adjustment	12	19

Supplemental Information:

Independent Auditor's Report on Supplemental Information	20-21
Schedule of Insurance	22
Schedule of Findings and Questioned Costs	23-24
Management's Corrective Action Plan for Current Year Audit Findings	25

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Ward Two Water District
Debris Springs, Louisiana

I have audited the accompanying general purpose financial statements of **Livingston Parish Ward Two Water District**, Debris Springs, Louisiana, component unit of Livingston Parish Government, as of and for the years ended December 31, 1999 and 2000, 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 audit.

I conducted my audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States and the Louisiana Government Audit Guide, issued by the Louisiana Legislative Auditor. These 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 audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material aspects, the financial position of Livingston Parish Ward Two Water District as of December 31, 1999 and 2000, 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 April 6, 2000, on my consideration of Livingston Parish Ward Two Water District's internal control structure and a report dated April 6, 2000, on its compliance with laws and regulations.

Leroy J. Chustz

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Livingston Parish Ward Two West District
Deerwood Springs, Louisiana

I have audited the financial statements of Livingston Parish Ward Two West District, Deerwood 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 April 8, 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 Ward Two West District's financial statements are free of material misstatements, 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 we required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Livingston Parish Ward Two West 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 or omissions 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 West District's management, and federal auditing 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
April 8, 2000

LOUISIANA PUBLIC WORKS DISTRICT
Debars Springs, Louisiana

BALANCE SHEETS
December 31, 1979 and 1978

ASSETS

	<u>1979</u>	<u>1978</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 363,250	\$ 708,020
Accounts receivable (net)	102,104	87,000
Unbilled water sales	54,894	93,000
Prepaid insurance	43,370	48,000
Inventory	<u>54,021</u>	<u>0</u>
Total current assets	767,729	936,110
RESTRICTED ASSETS		
Revenue bond sinking fund	151,496	93,358
Revenue bond reserve fund	379,189	339,410
Depreciation and contingency fund	379,189	339,410
Fund Revenue Fund	0	119
Investment designated for customer deposits	234,376	294,376
Savings designated for customer deposits	<u>52,180</u>	<u>58,128</u>
Total restricted assets	1,125,647	1,054,625
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	66,210	66,210
Construction in progress	819,570	64,868
Plant, facilities and equipment (net)	<u>5,402,183</u>	<u>5,291,721</u>
Total property, plant, and equipment	6,488,773	5,402,904
OTHER ASSETS		
Deposits	<u>375</u>	<u>375</u>
TOTAL ASSETS	<u>12,791,516</u>	<u>12,597,029</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH BOARD OF WATER DISTRICT
 Denham Springs, Louisiana

BALANCE SHEETS
 December 31, 1999 and 1998

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Accounts payable	\$ 83,474	\$ 46,211
Taxes payable	4,470	4,000
Accrued salaries and leave	25,544	25,500
Accrued Interest Payable - current portion	3,880	1,891
Bonds payable - current portion	16,080	15,000
Customer deposits	<u>93,072</u>	<u>70,843</u>
Total current liabilities	\$92,520	\$63,445
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Accrued interest payable	55,780	56,850
Bonds payable	115,000	118,000
Customer deposits	<u>270,820</u>	<u>282,380</u>
Total current liabilities (payable from restricted assets)	441,580	449,230
LONG-TERM LIABILITIES		
Bonds payable	3,594,808	3,034,658
Total long-term liabilities	3,594,808	3,034,658
Total liabilities	<u>4,581,585</u>	<u>4,624,655</u>
FUND EQUITY		
Retained earnings reserved for revenue bond retirement	496,794	492,000
Retained earnings reserved for system repairs and improvements	338,309	338,400
Commodated capital	879,783	479,780
Retained earnings unreserved, unallocated	<u>2,607,512</u>	<u>2,518,665</u>
Total retained earnings	3,322,398	2,730,765
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,916,598</u>	<u>\$1,916,595</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Bushy Springs, Louisiana

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

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES		
Water sales	\$1,894,620	\$1,755,171
Water tap fee	165,435	156,265
Sewer maintenance fees and charges	25,142	24,597
Check valve charges	<u>340</u>	<u>487</u>
Total operating revenues	<u>2,105,537</u>	<u>1,936,520</u>
OPERATING EXPENSES		
DIRECT EXPENSES		
Depreciation	228,879	216,342
Electricity	130,171	115,501
Equipment operation and maintenance	81,425	99,698
System maintenance	156,168	250,704
Meter reading	69,672	66,558
Small tools and supplies	<u>1,529</u>	<u>5,432</u>
Total direct expenses	<u>668,182</u>	<u>694,152</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	400,033	396,487
Payroll taxes and group insurance	54,698	50,035
Insurance	48,897	48,680
Interest	266,310	273,624
Office expenses	48,628	49,285
Professional fees	62,860	62,925
Telephone	15,278	13,898
Per diem	3,768	3,860
Bad debt expense	25	254
Miscellaneous	<u>14,861</u>	<u>5,812</u>
Total general and administrative expenses	<u>931,753</u>	<u>900,822</u>

(Statement B continued on next page.)

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Bossier Springs, LouisianaSTATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
For the Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Total operating expenses	\$1,592,504	\$1,584,258
NET OPERATING INCOME (LOSS)	<u>431,829</u>	<u>320,225</u>
NONOPERATING INCOME		
Special services	25,040	24,600
Forfeited discounts	15,660	29,980
Interest	70,325	71,540
Miscellaneous	39,548	14,829
Gain (Loss) on sale of fixed assets	<u>9</u>	<u>1,624</u>
Total non-operating income	149,082	142,573
NET INCOME (LOSS)	<u>579,859</u>	<u>462,798</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>1,569,562</u>	<u>1,095,349</u>
ADJUSTMENT (SEE NOTE 12)	43,264	
RETAINED EARNINGS AT END OF YEAR	<u>\$2,192,685</u>	<u>\$1,762,967</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Drakem 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)	\$ 401,000	\$ 320,225
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	228,879	216,342
Amortization	11,202	21,250
(Increase) decrease in accounts receivable	(24,000)	(755)
(Increase) decrease in unbilled water sales	(1,890)	(11,090)
(Increase) decrease in prepaid expense	(2,600)	(575)
Increase (decrease) in accounts payable	7,128	12,584
Increase (decrease) in accrued liabilities	18,555	(20,220)
Net cash provided (used) by operating activities	<u>686,764</u>	<u>528,221</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	(508,200)	(215,854)
Investment in Robert D. Jones	(8,500)	(8,625)
Net cash provided (used) by investing activities	<u>(516,700)</u>	<u>(224,479)</u>
Cash flows from capital financing activities:		
Principal payments	(250,000)	(104,000)
Delinquent charges	28,000	26,000
Profited discounts	35,000	25,000
Interest	78,222	71,000
Miscellaneous services	20,544	10,879
Proceeds from sale of assets	8	1,625
Net cash provided (used) by capital financing activities	<u>(98,226)</u>	<u>(32,500)</u>
Net increase (decrease) in cash and equivalents	<u>(218,662)</u>	<u>171,242</u>
Cash and cash equivalents, beginning of year	<u>1,538,270</u>	<u>1,367,028</u>
Cash and cash equivalents, end of year	<u>\$ 1,319,608</u>	<u>\$ 1,538,270</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 246,308	\$ 224,112
Income taxes	0	0

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Dreher Springs, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 1999 and 1998

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ward Two Water District, Dreher Springs, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on August 27, 1978, pursuant to the provisions of R.S. 33:143, et. seq., of the Louisiana Revised Statutes of 1958.

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 governments.

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 Council has oversight responsibility. Oversight responsibility is determined on the basis of the following criteria:

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

Based on the previous criteria, the Livingston Parish Council has determined that 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 operations - 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 determination 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 1999 and 1998.

All proprietary funds are accounted for on a cost-of-services or "capital maintenance" measurement basis. This means that all assets and all liabilities (whether current or noncurrent) associated with

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

their activity are included on their balance sheets. Their reported fund equity (or net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net assets.

Depreciation of all depreciable fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund 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 three years, seven years for equipment, and four years for vehicles.

C. **BASE OF ACCOUNTING**

Base of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Base of accounting relates to the timing of the measurement itself, regardless of the measurement form 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 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 office in Louisiana. At December 31, 1999 and 1998, the District has cash and cash equivalents (bank balances) totaling \$1,731,000 and \$1,686,150 respectively as follows:

	December 31,	
	1999	1998
Cash on hand	\$ 400	\$ 400
Demand deposits	92,800	150,511
Time deposits	1,637,800	1,485,239
Total	<u>\$1,731,000</u>	<u>\$1,636,150</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, 1999 and 1998, are secured as follows:

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Bank balances	\$ 1,443,481	\$ 1,626,750
Federal deposit insurance	\$ 333,188	\$ 333,188
Repled securities	1,118,325	1,273,642
Total insurance and securities	1,451,513	1,606,938
Unrepled deposits at 12/31	<u>1,000.00</u>	<u>1,000.00</u>

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

E. INVENTORY

The District follows FIFO Procurement to account for supply inventory. Inventory is valued at cost using the first-in, first-out method.

F. 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. Expenditures accounting is not utilized. Appropriations lapse at year end.

G. 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. INVESTMENTS

A summary of investments is as follows:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Cost	\$154,580	\$149,278
Market	\$254,350	\$128,874

3. ACCOUNTS RECEIVABLE

Customer accounts receivable are as follows:

Customer accounts receivable are as follows:	<u>1999</u>	<u>1998</u>
Accounts receivable (gross)	\$113,069	\$ 81,821
Installment funds checks receivable	1,824	1,388
Other	180	180
Less: Allowance for uncollectible accounts	<u>(2,874)</u>	<u>(2,874)</u>
Accounts receivable (net)	<u>\$111,199</u>	<u>\$ 80,515</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 issuers:

A. SINKING FUND SAVING 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 Bonds, Unaffiliated 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, \$1 beginning on December 30, 1993, a sum equal to one-fourth (1/4) of the interest falling due on the next interest payment date and beginning April 30, 1994, and thereafter, a sum equal to one-sixth (1/6) of the interest falling due on the next interest payment date, and (2) beginning April 30, 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 sums, if any, as may be required to pay said principal and interest on the same respectively become due.

B. RESERVE FUND RESERVE FUND

The funding of a "Reserve Fund" (the "Reserve Fund"), in the amount of not less than the Reserve Requirements, \$205,043, 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 (1/5) of the amount required to establish and maintain the Reserve Requirements in the Reserve Fund within a period of five (5) years, provided that if any monies are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds, Unaffiliated Bonds or Parity Bonds, such monies shall be replaced from monies remaining in the Reserve Fund, after making the payments required by paragraphs (a) and (b) of this Section. Interest in the Reserve Fund may be appropriated and reported from time to time by the Board solely for the purpose of paying principal of and interest on the Bonds, Unaffiliated 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 (c) above, a sum equal to 5% of Gross Revenues of the System, until such time as the Depreciation and Contingency Fund contains \$205,143. 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 to the System; and the costs of improvements to the System which will either enhance its treatment-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, monies are deposited in the Depreciation and Contingency Fund shall be withdrawn in such amount 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 monies in the Depreciation and Contingency Fund provided for the purpose of paying principal of or interest on Bonds, Unaffiliated Bonds or Parity Bonds payable from the Sinking Fund or the Reserve Fund as to which there would otherwise be a default, then the monies so used shall be replaced from the revenues first thereafter received which are not herein above required to be used for current expenses of the Sinking Fund and Reserve Fund requirements, or from the interest thereon that

LIVINGSTON PARISH SEWERAGE WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

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:

	BALANCE 12/31/97	ACQUISITIONS	DELETIONS	BALANCE 12/31/98
Land	\$ 46,315	\$ —	\$ —	\$ 46,315
Buildings	\$ 149,351	\$ —	\$ —	\$ 149,351
Capital lease assets	54,404	—	—	54,404
Equipment	289,899	48,058	—	337,957
Furniture and fixtures	12,648	148	—	12,796
Vehicles	179,583	41,771	26,879	194,475
Plant and facilities	5,255,322	123,895	—	5,379,217
Total	\$7,287,609	\$213,694	\$ 26,879	\$7,474,424

Less: Accumulated depreciation

2,152,795

Plant and facilities (net)

\$5,321,629

	BALANCE 12/31/98	ACQUISITIONS	DELETIONS	BALANCE 12/31/99
Land	\$ 46,315	\$ —	\$ —	\$ 46,315
Buildings	\$ 149,351	\$ —	\$ —	\$ 149,351
Capital lease assets	54,404	—	—	54,404
Equipment	338,138	47,841	—	385,979
Furniture and fixtures	12,648	—	—	12,648
Vehicles	179,583	—	—	179,583
Plant and facilities	5,374,217	205,701	—	5,579,918
Total	\$7,644,413	\$ 253,542	\$36,742	\$7,861,213

Less: Accumulated depreciation

2,571,274

Plant and facilities (net)

\$5,290,000

Depreciation expense was \$233,879 for 1999 and \$216,342 for 1998.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Notes to the Financial Statements, Continued
 December 31, 1998 and 1998

6. CHANGES IN LONG-TERM DEBT

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

	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Bonds payable at December 31, 1997	\$4,218,000	\$ 474,000	\$4,692,000
Bonds issued	100,000	14,000	114,000
Bonds payable at December 31, 1998	\$4,318,000	\$ 488,000	\$4,806,000
	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Bonds payable at December 31, 1998	\$4,318,000	\$ 488,000	\$4,806,000
Bonds retired	110,000	14,000	124,000
Bonds payable at December 31, 1999	\$4,208,000	\$ 474,000	\$4,682,000

Long-term debt at December 31, 1998, consists of three bond issues. General obligation bonds in the amount of \$468,000 bear interest of five per cent per annum. Remaining unrefunded revenue bonds in the amount of \$ 60,000 and the 1995 Parity Bonds issued in the amount of \$4,058,000 bear interest at rates varying from 3.75 per cent to 8.75 per cent.

Payment is to be made as follows:

A. \$4,228,000 REVENUE PARITY BONDS OF 1994

The bonds will mature on April 1 in the years and in the principal amounts from \$80,000 to \$190,000 and will bear interest from April 1, 1994, payable on April 1 and October 1 of each year, commencing October 1, 1994, at the rates per annum from 3.25% to 5.25%.

B. \$650,000 GENERAL OBLIGATION BONDS OF 1997

Interest only was due on the first two annual payments starting on November 15, 1997.

Principal payments of \$1,000 to \$20,000 are due annually thereafter on each June. In said 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 fifty years from the date of the bond.

C. \$255,000 UNREFUNDED WATERWORKS REVENUE REFUNDING BONDS OF 1989

Interest on the bonds is payable semiannually on April 1st in the amounts varying from \$25,500 to \$22,625 through the year 1999 and are issued in fully registered certificated bonds each in the denomination of \$5,000 or any integral multiple thereof.

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1999 and 1998

The general requirements in connection with long-term debt outstanding at December 31, 1999, including interest of \$2,487,395 and at December 30, 1998, including interest of \$2,144,599 are as follows:

YEAR/PERIOD	REVENUE BONDS				GENERAL OBLIGATION BONDS		TOTAL
	1994		1995		1996		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
1999	10,000	19,300	10,000	19,300	20,000	38,600	58,900
2000	10,000	19,300	0	0	0	0	38,600
2001	10,000	19,300	0	0	0	0	38,600
2002	10,000	19,300	0	0	0	0	38,600
2003	10,000	19,300	0	0	0	0	38,600
2004 Through Maturity	1,500,000	1,560,000	0	0	500,000	510,000	1,010,000
Total	1,640,000	1,737,200	1,100,000	1,140,000	500,000	510,000	1,610,000

YEAR/PERIOD	REVENUE BONDS		GENERAL OBLIGATION BONDS		TOTAL
	1994		1995		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2000	175,000	217,354	30,000	21,890	196,144
2001	120,000	211,896	0	0	331,896
2002	120,000	206,078	0	0	346,078
2003	125,000	199,782	0	0	324,782
2004	140,000	192,722	0	0	332,722
2005 Through Maturity	1,365,000	1,679,036	250,000	128,738	1,743,738
Total	2,085,000	2,657,072	280,000	128,738	2,335,810

On April 1, 1999, 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 8.8 percent. The District purchased United States Government Securities valued at \$2,665,410 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 refunded and the liability for the bonds has been removed from the District's books. \$205,000 of 1989 series bonds were not advance refunded and remain on the District's books.

The advance refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$201,288. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2029 using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 29 years by \$187,382.50 and to obtain economic gains of \$125,544.51.

3. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant provided by the State of Louisiana in the amount of \$479,361.

LIVINGSTON PARISH BOARD TWO MONTHS CONTRACT
Notes to the Financial Statements, Continued
December 31, 1999 and 1998

B. PER DIEM PAID TO BOARD MEMBERS

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

1999

BOARD MEMBER	MEETINGS ATTENDED	PER DIEM
Theodore Graham - President 33580 Cain Market Road Walker, Louisiana 70785-4182 (225) 664-9188	13	780
Tyran Gold - Vice President 18888 Denmark Road Denham Springs, Louisiana 70726-1113 (225) 664-9291	13	780
Stanley Spillman - Secretary-Treasurer 30725 La. Hwy. 16 Denham Springs, Louisiana 70726-8968 (225) 664-3649	13	780
John Estarely 30717 La. Hwy. 16 Denham Springs, Louisiana 70726-8357 (225) 664-9293	12	720
Dorsey Turner 7806 Denham Drive Denham Springs, Louisiana 70726-3324 (225) 664-9029	12	720
	Total	3,000

1998

BOARD MEMBER	MEETINGS ATTENDED	PER DIEM
Theodore Graham - President 31580 Cain Market Road Walker, Louisiana 70785-4000 (225) 664-9189	14	\$ 840
Tyran Gold - Vice President 18888 Denmark Road Denham Springs, Louisiana 70726-1113 (225) 664-9291	13	780

LIVESTOCK MARKET BOARD TWO-WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1998 and 1998

Stanley Spillman - Secretary-Treasurer 50725 La. Hwy. 30 Dorhan Springs, Louisiana 70726-0960 (225) 656-2608	14	840
John Kennedy 31907 La. Hwy. 30 Dorhan Springs, Louisiana 70726-0337 (225) 654-8123	18	600
Danny Turner 3405 Dorhan Drive Dorhan Springs, Louisiana 70726-1334 (225) 656-8029	14	1,800
	Total	<u>\$3,000</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 contractor continues claim additional money 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.

In another matter a judgment 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 judgment.

There are two other charge suits pending. Legal counsel believes there is little likelihood of an unfavorable outcome, however there is adequate insurance in the event there is a judgment against the District.

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 and \$4,888 for 1998. Employees are fully vested when the contribution is made by the District.

12. RETAINED EARNINGS ADJUSTMENT

Retained earnings was increased for supply inventory as of January 1, 1998. In earlier years, the District considered inventory to be incidental and charged supplies to expenses at the time of acquisition. The District recorded a beginning inventory of \$47,264. Retained earnings was increased from \$2,762,587 to \$2,809,851.

SUPPLEMENTAL INFORMATION

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, 2000 and 1999, appears on Page 5. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Investments 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
Leroy J. Chustz
Certified Public Accountant, APAC
April 4, 2000

LIVINGSTON PARISH SAUD TRSO WATER DISTRICT
 Indian Springs, Louisiana

SCHEDULE OF INSURANCE
 As of December 31, 1998

COVERAGE	PERILS COVERED	POLICY LIMITS	EXPIRATION DATE
Package policy	Property	Per schedule	10/31/00
	Inland marine floaters	Per schedule	10/31/00
	Crisis coverage	\$10,000.00	10/31/00
	General liability	\$2,000,000	10/31/00
Business auto	Auto liability	\$1,000,000	10/31/00
Umbrella excess liability	General liability	\$2,000,000	10/31/00
Workers compensation	Statutory coverage	\$500,000	10/31/00
Boiler and machinery	Pumps and parts	\$250,000	01/12/00
Public officers and employees	Liability coverage	\$1,000,000	06/30/00
Fidelity bond	Employer Dishonesty	\$500,000	06/30/00
License bond	Hardware license bond	\$1,000	12/31/00

LIVINGSTON PARISH WARD TWO WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1999

I have audited the financial statements of Livingston Parish Ward Two Water District as of and for the year ended December 31, 1999, and have issued our report thereon dated April 6, 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	
 Federal Awards			
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 500(c) of Circular A-135			X
 Administration 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 auditee a 'low-risk' auditee, as defined by OMB Circular A-133? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A			

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 WARD TWO WATER DISTRICT

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.