

RECEIVED
JAN 20 1988
DISTRICT 24 ADMIN 16

OFFICIAL
FILE COPY
DO NOT REMOVE

Some materials
made from 100
percent recycled
paper and plastic
back in 1980

LIVINGSTON PARISH
WARD TWO WATER DISTRICT
DENHAM SPRINGS, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 1986 AND 1987

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 2 1988

LIVINGSTON PARISH BOARD TWO WATER DISTRICT
Denham Springs, Louisiana

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

C O N T E N T S

	<u>STATEMENT</u>	<u>PAGE</u>
Independent Auditor's Report		3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		4

GENERAL PURPOSE FINANCIAL STATEMENTS

Balance Sheets	A	6-6
Statements of Revenues, Expenses, and Changes in Retained Earnings	B	7-8
Statements of Cash Flows	C	9
Notes to the Financial Statements		10-19

SUPPLEMENTAL INFORMATION

Independent Auditor's Report on Supplemental Information		21
Schedule of Insurance		22

LEROY J. CHUSTZ, CPA, APAC

P.O. BOX 199
DENHAM SPRINGS, LA 70706
504.885.1200
Fax 504.885.1204

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, 1998 and 1997, 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.

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. Ward II Water District has included such disclosures in Note 13. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Ward II Water District's disclosures with respect to the Year 2000 issue made in Note 13. Further, I do not provide assurance that Ward II Water District is or will be ready, that Ward II Water District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Ward II Water District 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 Ward Two Water District 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 22, 1999, on my consideration of Livingston Parish Ward Two Water District's internal control structure and a report dated March 22, 1999, on its compliance with laws and regulations.


Leroy J. Chustz
Certified Public Accountant, APAC
March 22, 1999

**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, 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 22, 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 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 22, 1999

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 1996 and 1997

ASSETS

	<u>1996</u>	<u>1997</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 706,026	\$ 351,695
Accounts receivable (net)	87,600	86,607
Unbilled water sales	60,000	81,904
Prepaid insurance	<u>40,662</u>	<u>40,115</u>
Total current assets	694,318	560,321
RESTRICTED ASSETS		
Revenue bond sinking fund	63,266	125,644
Revenue bond reserve fund	336,433	336,206
Depreciation and contingency fund	336,433	336,206
Bond Revenue Fund	115	6,121
Investment designated for customer deposits	224,278	215,624
Savings designated for customer deposits	<u>58,108</u>	<u>41,562</u>
Total restricted assets	1,064,623	1,065,404
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	46,316	46,316
Construction in progress	64,666	-
Plant, facilities and equipment (net)	<u>5,271,721</u>	<u>5,283,008</u>
Total property, plant, and equipment	5,402,904	5,339,323
OTHER ASSETS		
Deposits	<u>303</u>	<u>303</u>
TOTAL ASSETS	<u>\$7,362,222</u>	<u>\$6,965,022</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 1998 and 1997

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES		
Accounts payable	\$ 46,311	\$ 33,827
Taxes payable	4,158	3,807
Accrued salaries and leave	23,504	23,504
Accrued Interest Payable - current portion	1,891	1,860
Bonds payable - current portion	15,000	14,000
Customer deposits	<u>70,048</u>	<u>68,822</u>
Total current liabilities	160,762	135,518
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Accrued interest payable	55,550	55,531
Bonds payable	110,000	100,000
Customer deposits	<u>232,365</u>	<u>227,223</u>
Total current liabilities (payable from restricted assets)	447,335	415,754
LONG-TERM LIABILITIES:		
Bond payable	<u>4,014,655</u>	<u>4,118,405</u>
Total long-term liabilities	<u>4,014,655</u>	<u>4,118,405</u>
Total liabilities	<u>4,624,652</u>	<u>4,669,677</u>
FUND EQUITY		
Retained earnings reserved for revenue bond retirement	432,691	344,329
Retained earnings reserved for system repairs and improvements	339,433	338,208
Contributed capital	479,781	479,781
Retained earnings unreserved, undesignated	<u>1,210,652</u>	<u>1,133,581</u>
Total retained earnings	<u>2,262,557</u>	<u>2,295,949</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$7,287,209</u>	<u>\$6,965,626</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, 1998 and 1997

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Water sales	\$1,733,171	\$1,555,654
Water tap fees	158,265	141,575
Sewer maintenance fees and charges	24,557	24,268
Check valve charges	<u>497</u>	<u>50</u>
Total operating revenues	<u>1,914,490</u>	<u>1,722,167</u>
OPERATING EXPENSES		
DIRECT EXPENSES		
Depreciation	215,342	199,262
Electricity	115,501	102,515
Equipment operation and maintenance	39,038	64,423
System maintenance	250,704	191,147
Meter reading	66,550	64,141
Small tools and supplies	<u>3,437</u>	<u>9,284</u>
Total direct expenses	<u>691,332</u>	<u>630,732</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	399,457	375,985
Payroll taxes and group insurance	50,833	45,419
Insurance	49,840	51,417
Interest	273,624	260,912
Office expense	41,265	54,257
Professional fees	62,523	32,493
Telephone	11,894	11,019
Per diem	3,900	3,600
Bad debt expense	656	1,742
Miscellaneous	<u>9,849</u>	<u>10,868</u>
Total general and administrative expenses	<u>900,623</u>	<u>891,713</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, 1996 and 1997

	<u>1996</u>	<u>1997</u>
Total operating expenses	\$1,924,255	\$1,462,105
NET OPERATING INCOME (LOSS)	<u>323,235</u>	<u>230,092</u>
NON-OPERATING INCOME		
Special Services	29,600	29,695
Forfeited discounts	29,960	37,392
Interest	71,340	74,617
Miscellaneous	10,609	36,071
Gain (Loss) on sale of fixed assets	<u>1,534</u>	<u>2,751</u>
Total non-operating income	143,043	140,526
NET INCOME (LOSS)	<u>466,278</u>	<u>370,618</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>2,295,949</u>	<u>1,851,391</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$2,762,227</u>	<u>\$2,221,949</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, 2008 and 2007
Increase (Decrease) in Cash and Cash Equivalents

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Operating income (loss)	\$ 320,235	\$ 233,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	290,343	198,382
Amortization	21,252	37,252
(increase) decrease in accounts receivable	(759)	(18,409)
(increase) decrease in unbilled water sales	(11,056)	(12,354)
(increase) decrease in prepaid expenses	(377)	(1,582)
Increase (decrease) in accounts payable	12,894	18,449
Increase (decrease) in accrued liabilities	(23,728)	37,825
Net cash provided (used) by operating activities	<u>588,222</u>	<u>473,295</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	(215,854)	(877,280)
Investment in Edward D. Jones	<u>(3,952)</u>	<u>(8,038)</u>
Net cash provided (used) by investing activities	<u>(219,806)</u>	<u>(885,318)</u>
Cash flows from capital financing activities:		
Principal payments	(114,000)	(189,000)
Delinquency charges	28,830	23,668
Forfeited discounts	29,980	27,350
Interest	71,340	74,817
Miscellaneous revenue	15,829	35,071
Proceeds from sale of assets	<u>1,824</u>	<u>2,751</u>
Net cash provided (used) by capital financing activities	<u>(32,267)</u>	<u>(55,523)</u>
Net increase (decrease) in cash and equivalents	<u>336,149</u>	<u>(167,506)</u>
Cash and cash equivalents, beginning of year	<u>1,281,455</u>	<u>1,358,890</u>
Cash and cash equivalents, end of year	<u>\$1,617,604</u>	<u>\$1,201,484</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 254,113	\$ 281,283
Income taxes	0	0

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Denham Springs, Louisiana
 Notes to the Financial Statements
 For the Years Ended December 31, 1998 and 1997

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 1982.

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 overnight responsibility, and other governmental entities within the parish for which the police jury has overnight responsibility. Overnight 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 5.

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 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 1998 and 1997.

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1998 and 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.

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 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, 1998 and 1997, the district has cash and cash equivalents (bank balances) totaling \$1,826,150 and \$1,278,472 respectively as follows:

	December 31,	
	1998	1997
Cash on hand	\$ 400	\$ 400
Demand deposits	158,511	138,176
Time deposits	1,448,839	1,138,896
Total	\$1,826,150	\$1,278,472

These deposits are stated at cost, which approximates market. Under state law,

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1998 and 1997

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:

	December 31,	
	1998	1997
Bank balances	\$1,896,750	\$1,273,128
Federal deposit insurance	\$ 313,188	\$ 313,680
Pledged securities	<u>1,273,642</u>	<u>650,537</u>
Total insurance and securities	1,896,750	1,273,128
Unsecured deposits at 12/31	<u>\$ _____</u>	<u>\$ _____</u>

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

E. BUDGET POLICY

Each year the district adopts an annual operating cash basis budget. Periodic comparisons of budget to actual data are made. The budget is amended as required by the circumstances. (Zeroing-out 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:

	December 31,	
	1998	1997
Cost	\$148,276	\$145,638
Market	\$156,874	\$145,644

3. ACCOUNTS RECEIVABLE

Customer accounts receivable are as follows:

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Notes to the Financial Statements, Continued
 December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Accounts receivable (gross)	\$ 88,821	\$ 80,339
Insufficient funds checks receivable	1,588	1,254
Other	180	52
Less: Allowance for uncollectible accounts	<u>(2,008)</u>	<u>(12,266)</u>
Accounts receivable (net)	\$ 87,581	\$ 69,380

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 loan 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 Bonds, Unfunded 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 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 (ii) beginning April 28, 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, (\$205,143), 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 monies are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds, Unfunded Bonds or Parity Bonds, such monies shall be restored from monies remaining in the Reserve Fund, after making the payments required by paragraphs (a) and (b) of this Section. Monies 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, Unfunded Bonds and Parity Bonds payable from the Sinking Fund or 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

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Notes to the Financial Statements, Continued
 December 31, 1998 and 1997

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 \$325,143. 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 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, 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 Sinking Fund and the Reserve Fund. If at any time it shall be necessary to use monies in the Depreciation and Contingency Fund above provided for the purpose of paying principal of or interest on Bonds, Unfunded Bonds or Party Bonds payable from the Sinking Fund or the Reserve Fund as to which there would otherwise be 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 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 soon 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 12/31/96	ACQUISITIONS	DELETIONS	BALANCE 12/31/97
Land	\$ 45,315	\$ -0-	\$ -0-	\$ 45,315
Buildings	\$ 189,251	\$ -0-	\$ -0-	\$ 189,251
Capital lease assets	64,484	-0-	-0-	64,484
Equipment	339,099	-0-	-0-	339,099
Furniture and fixtures	12,468	-0-	-0-	12,468
Vehicles	130,916	-0-	11,815	119,101
Plant and facilities	<u>1,880,135</u>	<u>708,298</u>	<u>-0-</u>	<u>2,588,433</u>
Total	<u>\$ 3,205,263</u>	<u>\$708,298</u>	<u>\$ 11,815</u>	<u>\$7,284,968</u>
Less: Accumulated depreciation				1,981,673
Plant and facilities (net)				<u>\$5,293,295</u>

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Notes to the Financial Statements, Continued
 December 31, 1998 and 1997

	BALANCE 12/31/97	ADDITIONS	DELETIONS	BALANCE 12/31/98
Land	\$ 45,315	\$ —	\$ —	\$ 45,315
Buildings	\$ 188,351	\$ —	\$ —	\$ 188,351
Capital lease assets	64,404	—	—	64,404
Equipment	258,809	49,038	—	307,847
Furniture and fixtures	12,489	149	—	12,638
Vehicles	118,831	41,871	25,619	135,083
Plant and facilities	\$ 828,326	\$ 129,886	\$ —	\$ 958,212
Total	\$2,254,680	\$ 219,894	\$ 25,619	\$2,448,955
Less: Accumulated depreciation				2,182,366
Plant and facilities (net)				\$2,266,589

Depreciation expense was \$198,387 for 1997 and \$215,342 for 1998.

6. CHANGES IN LONG-TERM DEBT

The following is a summary of debt transactions of the water district for the years ending December 31, 1998 and 1997.

	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Bonds payable at December 31, 1998	\$4,368,800	\$ 485,000	\$4,853,800
Bonds retired	—	15,000	15,000
Bonds payable at December 31, 1997	\$4,210,000	\$ 628,800	\$4,838,800

	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Bonds payable at December 31, 1997	\$4,210,000	\$ 474,000	\$4,684,000
Bonds retired	150,000	34,000	184,000
Bonds payable at December 31, 1998	\$4,060,000	\$ 440,000	\$4,500,000

Long-term debt at December 31, 1998, consists of three bond issues. General obligation bonds in the amount of \$480,000 bear interest of five per cent per annum. Remaining unrefunded revenue bonds in the amount of \$ 80,000 and the 1995 thirty bonds issued in the amount of \$4,000,000 bear interest at rates varying from 3.25 per cent to 8.75 per cent.

Repayment is to be made as follows:

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1998 and 1997

A. \$850,000 GENERAL OBLIGATION BONDS OF 1977

Interest only was due on the first two annual payments starting on November 15, 1977.

Principal payments of \$8,500 to \$38,500 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. \$295,000 UNREFUNDED WATERWORKS REVENUE REPLACING BONDS OF 1969

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, 1998, including interest of \$3,468,417 and at December 31, 1997, including interest of \$2,713,955 are as follows:

1997

	GENERAL BONDS				GENERAL OBLIGATION BONDS		TOTAL
	ISSUE DATED 1977		ISSUE DATED 1988		ISSUE DATED 1969		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
1998	\$0.00	\$20,104	\$5,000	1,884	\$4,000	\$3,575	\$48,563
1999	\$0.00	\$20,000	\$5,000	1,870	\$4,000	\$3,561	\$48,441
2000	\$15,000	\$17,954	-	-	\$3,000	\$2,668	\$35,962
2001	\$10,000	\$17,948	-	-	\$3,000	\$2,657	\$32,605
2002	\$5,000	\$17,941	-	-	\$3,000	\$2,646	\$29,587
2003 Through Maturity	\$240,000	1,742,884	-	-	\$28,000	\$23,272	\$2,546,156
Total	\$440,000	\$4,462,791	\$10,000	\$3,754	\$65,000	\$52,112	\$5,001,557

1998

	GENERAL BONDS				GENERAL OBLIGATION BONDS		TOTAL
	ISSUE DATED 1977		ISSUE DATED 1988		ISSUE DATED 1969		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
1998	\$0.00	\$21,850	\$0.00	1,828	\$1,000	\$2,973	\$25,651
1999	\$0.00	\$21,738	-	-	\$1,000	\$2,959	\$25,697
2000	\$0.00	\$21,626	-	-	\$1,000	\$2,947	\$25,573
2001	\$0.00	\$21,514	-	-	\$1,000	\$2,934	\$25,448
2002	\$0.00	\$21,402	-	-	\$1,000	\$2,921	\$25,323
2003 Through Maturity	\$240,000	2,162,381	-	-	\$20,000	\$12,559	\$2,382,940
Total	\$440,000	\$4,891,107	\$0.00	\$1,828	\$28,000	\$24,493	\$5,163,428

On April 1, 1988 the District issued \$4,825,000 in Waterworks Revenue Bonds with an average interest rate of 8.8 percent to advance refund \$1,000,000 of outstanding 1969 series bonds with an average interest rate of 8.6 percent. The District purchased United States Government Securities valued at \$2,803,473 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 1969 series bonds. As a result, \$1,820,000 of the 1969 series bonds are considered to be

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 1996 and 1997

deceased and the liability for the bonds has been removed from the District's books. \$255,550 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 2018 using the straight line method. The District capitalized the advance refunding to reduce its total debt service payments over the next 28 years by \$187,382.55 and to obtain economic gain of \$185,344.57.

7. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant provided by the State of Louisiana in the amount of \$470,781.

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.

1996

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Theodore Graham - President 33580 Cain Island Road Walker, Louisiana 70768-4107 (225) 684-9189	14	\$840
Tyus Cobb - Vice President 10860 Denham Road Denham Springs, Louisiana 70726-1143 (225) 684-8291	13	780
Stanley Spittman - Secretary-Treasurer 33726 La. Hwy. 95 Denham Springs, Louisiana 70726-8068 (225) 684-8660	14	840
John Eastley 37917 La. Hwy. 95 Denham Springs, Louisiana 70726-8037 (225) 684-8825	10	600
Danny Turner 7605 Denham Drive Denham Springs, Louisiana 70726-1234 (225) 684-8829	14	840
	Total	\$3,900

LIVINGSTON PARISH WARD TWO WATER DISTRICT
 Notes to the Financial Statements, Continued
 December 31, 1998 and 1997

1997

BOARD MEMBER	MEETINGS ATTENDED	FELDERN
Theodore Ozburn - President 33680 Cain Market Road Walker, Louisiana 70765-4102 (225) 684-9189	13	\$ 780
Tyus Cobb - Vice President 10600 Dunmark Road Denham Springs, Louisiana 70726-1110 (225) 684-9281	11	680
Stanley Spillman - Secretary-Treasurer 33720 La. Hwy. 90 Denham Springs, Louisiana 70726-0989 (225) 685-0689	13	780
John Easterly 37817 La. Hwy. 90 Denham Springs, Louisiana 70726-0307 (225) 684-8920	11	680
Danny Turner 7685 Denham Drive Denham Springs, Louisiana 70726-1304 (225) 684-8929	12	720
	Total	\$3,620

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 monies are due in connection with a water line extension. The contractor is seeking a settlement \$453,000; 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 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 the judgement.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 1998 and 1997

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 1986. The District contributed \$ 12,588 into the SEP during 1997 and \$3,884 for 1998. Employees are fully vested when the contribution is made by the District.

12. 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 Water 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 partners are being reviewed 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.

SUPPLEMENTAL INFORMATION

LEROY J. CHUSTZ, CPA, APAC

P.O. BOX 168
DENHAM SPRINGS, LA 70020
- 225/687-1362
Fax: 225/687-2822

To the Board of Commissioners
of West Two Water District

My report on the audit of the basic financial statements of West Two Water District for the years ended December 31, 1998 and 1997, 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 22, 1999

UNIONSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

SCHEDULE OF INSURANCE
As of December 31, 1998

COVERAGE	PERILS COVERED	POLICY LIMITS	EXPIRATION DATE
Package policy	Property	Per schedule	10/31/98
	Inland marine/Boiler	Per schedule	10/31/98
	Crime coverage	\$10,000.00	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	10/31/98
Fidelity bond	Employee Dishonesty	\$500,000	10/31/98
License bond	Plumbers license bond	\$4,000	02/19/99