

**Livingston Parish Ward Two Water  
of Livingston Parish, Louisiana**

**Annual Financial Statements**

As of and for the Years Ended December 31, 2008 and 2007

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 Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/29/09

**LEROY J. CHUSTZ**  
Certified Public Accountant  
A Professional Accounting Corporation

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**Livingston Parish Ward Two Water  
of Livingston Parish, Louisiana**

**Annual Financial Statements**

As of and for the Years Ended December 31, 2008 and 2007

**LIVINGSTON PARISH WARD TWO WATER DISTRICT  
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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

**Board Members of  
Livingston Parish Ward Two Water District  
Denham Springs, Louisiana**

I have audited the accompanying basic financial statements of the **Livingston Parish Ward Two Water District**, a component unit of the Livingston Parish Council, as of and for the two years ended December 31, 2008 and 2007, as listed in the table of contents. These basic financial statements are the responsibility of **Livingston Parish Ward Two Water District's** management. My responsibility is to express an opinion on these basic financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **Livingston Parish Ward Two Water District**, as of December 31, 2008 and 2007, and changes in financial position and cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 10, 2009 on my consideration of the **Livingston Parish Ward Two Water District's** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audits.

My audits were performed for the purpose of forming an opinion on the financial statements that collectively comprise the **Livingston Parish Ward Two Water District's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,

and is not a required part of the basic financial statements. The accompanying supplementary information, such as the Management's Discussion and Analysis, and the other supplemental information, as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements of **Livingston Parish Ward Two Water District**, but are required by the Governmental Standards Board and the United States Department of Agriculture, respectively. The schedule of expenditure of federal awards has been subjected to the auditing procedures applied on the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I have applied certain limited procedures on management's discussion and analysis, and other supplemental information which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and I express no opinion on it.

*Leroy J. Chutz*  
Certified Public Accountant  
June 10, 2009

## Management's Discussion and Analysis

## Livingston Parish Ward Two Water District

### Management's Discussion and Analysis As of and for the years then ended December 31, 2008 and 2007

#### Introduction

The Livingston Parish Ward Two Water District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

#### Financial Highlights

- At December 31, 2008, total assets were \$30,831,830, and exceeded liabilities in the amount of \$9,441,295 (i.e., net assets). Of the total net assets, \$1,907,784 was unrestricted and available to support short-term operations; \$1,755,431 was restricted for capital projects and debt service, with the balance invested in capital assets, net of related debt.
- For the year ended December 31, 2008, user fee revenues (water sales) remained relatively stable at \$4,244,654 as compared to \$4,255,053 for the fiscal year ending December 31, 2007.
- The District's expenses increased 3.4 percent to \$4,221,630 as compared to \$4,081,829, before prior period adjustment, for the prior fiscal year.
- The District had capital purchases and asset improvements placed in service of \$817,090 during the year ended December 31, 2008. Within this total were \$272,711 of construction costs for the 2005 South Expansion Project, \$90,381 for building improvements, \$331,546 for system improvements, \$46,886 for equipment purchases, and \$73,978 for vehicle purchases.

The reasons for the above changes, and for other changes in the financial position of the District, are discussed following the financial statement tables and presentations within the Management Discussion and Analysis.

#### Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Livingston Parish Ward Two Water District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

## Livingston Parish Ward Two Water District

### Management's Discussion and Analysis

As of and for the years then ended December 31, 2008 and 2007

The Statement of Revenues, Expenses, and Changes in Net Assets accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, and key information schedules on operation of the District.

### Financial Analysis

The purpose of financial analysis is to help determine whether Livingston Parish Ward Two Water District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

### Condensed Balance Sheet

As of and for the years then ended December 31 2008 and 2007

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>	<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
<b>Assets:</b>				
Current and Other Assets	\$ 4,943,708	\$ 4,557,778	\$ 385,930	8%
Capital Assets	25,888,122	25,958,098	(69,976)	0%
<b>Total Assets</b>	<u>30,831,830</u>	<u>30,515,876</u>	<u>315,954</u>	1%
<b>Liabilities:</b>				
Long-Term Debt Outstanding	19,256,042	19,797,028	(540,986)	-3%
Other Liabilities	2,134,493	1,919,907	214,586	11%
<b>Total Liabilities</b>	<u>21,390,535</u>	<u>21,716,935</u>	<u>(326,400)</u>	-2%
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	5,778,080	5,553,070	225,010	4%
Restricted for Capital Activity and Debt Service	1,755,431	1,901,679	(146,248)	-8%
Unrestricted	1,907,784	1,344,192	563,592	42%
<b>Total Net Assets</b>	<u>\$ 9,441,295</u>	<u>\$ 8,798,941</u>	<u>\$ 642,354</u>	7%

**Livingston Parish Ward Two Water District**

**Management's Discussion and Analysis  
As of and for the years then ended December 31, 2008 and 2007**

The major components of change for "Current and Other Assets" were primarily an increase of \$272,113 in cash and cash equivalents and an increase of \$67,399 in supplies inventory.

"Capital Assets" decreased by \$69,976 (net of depreciation expense of \$887,066) primarily because of construction completed for the fiscal year ended December 31, 2008, and other capital asset purchases. Components of the change included \$272,711 of construction costs for the 2005 South Expansion Project, \$90,381 for building improvements, \$331,546 for system improvements, \$46,886 for equipment purchases, and \$73,978 for vehicle purchases.

Long Term Debt Outstanding decreased after repayment of principal payment of \$828,000, net of funds received in fiscal year 2008 for the 2005 DHH Bonds. Major components of the "Other Liabilities" increase included an increase of \$246,000 in the current portion of long-term debt installments, as other current liabilities decreased.

**Condensed Statement of Revenues, Expenses and Changes in Net Assets  
As of and for the years then ended December 31 2008 and 2007**

	<u>December 31, 2008</u>	<u>December 31, 2007 (Restated)</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 4,743,041	\$ 4,754,670	\$ (11,629)	0%
Nonoperating Revenues	120,943	315,945	(195,002)	-62%
Total Revenues	<u>4,863,984</u>	<u>5,070,615</u>	<u>(206,631)</u>	-4%
Expenses:				
Depreciation and Amortization Expense	901,444	807,897	93,547	12%
Other Operating Expense	2,443,608	2,378,997	64,611	3%
Nonoperating Expense	876,578	849,168	27,410	3%
Total Expenses	<u>4,221,630</u>	<u>4,036,062</u>	<u>185,568</u>	5%
Changes in Net Assets	642,354	1,034,553	(392,199)	-38%
Beginning Net Assets	<u>8,798,941</u>	<u>7,764,388</u>	<u>1,034,553</u>	13%
Ending Net Assets	<u>\$ 9,441,295</u>	<u>\$ 8,798,941</u>	<u>\$ 642,354</u>	7%

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how Livingston Parish Ward Two Water District is being conservatively managed in a time of rapid expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 16,757 at fiscal year end. The total number of customers increased by 556 for the fiscal year ending December 31, 2008 or three percent from the prior year.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) remained relatively constant for the fiscal year ending December 31, 2008. Nonoperating Revenue

## Livingston Parish Ward Two Water District

### Management's Discussion and Analysis As of and for the years then ended December 31, 2008 and 2007

decreases were due primarily to a decrease of \$61,974 in interest income as construction funds were expended and a decrease of \$129,108 in miscellaneous income as miscellaneous income and grant reimbursements decreased.

Total expenses increased by \$185,568 from the prior fiscal year with the major increase consisting of an increase of \$93,547 in depreciation recorded as new system improvements and construction financed from the Series 2005 bonds were completed. Other operating expenses increased by \$64,611 reflecting a general increase in expenses for operation. Nonoperating expenses increased by \$27,410 primarily due to increases in interest recorded for the Series 2005 bonds.

The above changes resulted in an increase in Net Assets of \$642,354 for the year ended December 31, 2008, as compared to an increase in net assets of \$1,034,553 for the fiscal year ended December 31, 2007.

#### Budgetary Highlights

Livingston Parish Ward Two Water District adopts an annual operating budget and reviews budget-to-actual performance on a monthly basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

#### Budget vs. Actual - Fiscal Year ended December 31, 2008

	<b>Budget Year ended December 31, 2008</b>	<b>Actual Year ended December 31, 2008</b>	<b>Favorable (Unfavorable) Variance</b>
Revenues:			
Operating Revenues	\$ 4,850,000	\$ 4,743,041	\$ (106,959)
Nonoperating Revenues	147,400	120,943	(26,457)
Total Revenues	<u>4,997,400</u>	<u>4,863,984</u>	<u>(133,416)</u>
Expenses:			
Depreciation and Amortization Expense	855,000	901,444	(46,444)
Other Operating Expense	2,445,000	2,443,608	1,392
Nonoperating Expense	795,000	876,578	(81,578)
Total Expenses	<u>4,095,000</u>	<u>4,221,630</u>	<u>(126,630)</u>
Change in Net Assets	<u>\$ 902,400</u>	<u>\$ 642,354</u>	<u>\$ (260,046)</u>

Actual Operating Revenues were below budgeted Operating Revenues, but as noted there was a consistency of revenues to the prior fiscal year. Nonoperating Revenues were below budgeted revenues as construction funds were expended and reflecting overall rates of return on invested funds. Depreciation expense was below initial projections as construction was completed for the 2005 project and Nonoperating expense below actual as less

**Livingston Parish Ward Two Water District**

**Management's Discussion and Analysis**

**As of and for the years then ended December 31, 2008 and 2007**

interest expense was capitalized (recorded as part of construction expense) and recorded as normal operating interest expense as scheduled payments began for the Series 2005 bond.

**Other Significant Trends and Account Changes**

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

**General Operating Data**

As of December 31, 2008 and 2007, the District had the following number of customers:

	<b>December 31, 2008</b>	<b>December 31, 2007</b>	<b>Increase (Decrease)</b>
Customers			
Residential	15,457	14,845	612
Nonresidential	1,300	1,356	(56)
<b>Total Customers</b>	<b>16,757</b>	<b>16,201</b>	<b>556</b>

**Revenue and Expense Data Per Customer**

	<b>December 31, 2008</b>	<b>December 31, 2007</b>	<b>Increase (Decrease)</b>	
Water Sales	21.11	21.89	(0.78)	-4%
Operating Revenues	17.75	18.39	(0.64)	-3%
Total Revenues	24.19	26.08	(1.89)	-7%
Operating Expenses	13.50	12.65	0.85	7%
Total Expenses	20.99	21.00	(0.01)	0%

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2008 and 2007.

	<b>Year Ended December 31, 2008</b>	<b>Year Ended December 31, 2007</b>	<b>Increase (Decrease)</b>
Accounts Receivable			
Current	\$ 185,274	\$ 206,094	\$ (20,820)
31-60 Days Past Due	3,348	4,943	(1,595)
61-90 Days Past Due	2,056	1,210	846
Over 90 Days Past Due	48,262	36,480	11,782
Subtotal	238,940	248,727	(9,787)
Allowance for Uncollectible Accounts	(2,829)	(2,829)	-
<b>Net Accounts Receivable</b>	<b>\$ 236,111</b>	<b>\$ 245,898</b>	<b>\$ (9,787)</b>

**Livingston Parish Ward Two Water District**

**Management's Discussion and Analysis  
As of and for the years then ended December 31, 2008 and 2007**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the fiscal year ending December 31, 2008, Livingston Parish Ward Two Water District had \$25,888,122 (net of accumulated depreciation) recorded in capital assets. The District continues to make additions to its water system to meet the demands of its increasing customer base. The changes in capital assets are presented in the table below.

	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 329,915	\$ 329,915	\$ -	0%
Construction in Progress	272,711	-	272,711	100%
Utility System	30,422,782	30,091,236	331,546	1%
Buildings	571,867	481,486	90,381	19%
Equipment	1,158,367	1,111,481	46,886	4%
Furniture and Fixtures	21,540	19,952	1,588	8%
Vehicles	331,131	333,529	(2,398)	-1%
Subtotal	<u>33,108,313</u>	<u>32,367,599</u>	<u>740,714</u>	2%
Less: Accumulated Depreciation	<u>(7,220,191)</u>	<u>(6,409,501)</u>	<u>(810,690)</u>	13%
Net Capital Assets	<u>\$ 25,888,122</u>	<u>\$ 25,958,098</u>	<u>\$ (69,976)</u>	0%

As previously noted, "Capital Assets" decreased by \$69,976 (net of depreciation expense of \$887,066) primarily because of construction completed for the fiscal year ended December 31, 2008, and other capital asset purchases. Components of the change included \$272,711 of construction costs for the 2005 South Expansion Project, \$90,381 for building improvements, \$331,546 for system improvements, \$46,886 for equipment purchases, and \$73,978 for vehicle purchases.

**Long-Term Debt**

The primary source of long-term financing for Livingston Parish Ward Two Water District are three series of existing bonds financed by various government agencies, and a 2005 Department of Health and Hospitals Bond (DHH) bond for which construction is substantially complete at December 31, 2008. Details including balances, payments, and interest rates are included in *Footnote 9 – Long-Term Obligations*.

Bonds financed for Livingston Parish Ward Two Water District require a specific debt service to net income ratio, referred to as the "Bond Debt Coverage Ratio" in *Footnote 10 – Flow of Funds, Restrictions on Use*. This ratio, described in *Footnote 10*, measures the extent to which revenues of the District are sufficient to cover the costs of operation and debt service including annual installments for debt service and required deposits to the Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The ratio of revenue to operating expenses, exclusive of non-cash flow items such as depreciation, and the aforementioned debt requirements must equal at least 125%. For existing bonds, including the Series 2005 DHH Bonds, at December 31, 2008, the Bond Debt Coverage Ratio exceeded the 125% requirement.

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**Livingston Parish Ward Two Water District**

**Management's Discussion and Analysis**

**As of and for the years then ended December 31, 2008 and 2007**

**Future Economic Plans**

The Livingston Parish Ward Two Water District's management approach has been conservative when estimating revenues and expenses of operation, but has been aggressive to meet the needs of a rapidly expanding water system. The District obtained \$6,000,000 from the Department of Health and Hospitals through the issuance of Water Revenue Bonds, Series 2005, and has used those funds to complete the South Expansion project and to improve the water system. During the first quarter of fiscal year 2008, the District also obtained authorization from the Department of Health and Hospitals to proceed with plans to provide system improvements for growth areas within the Parish. Approval was granted to apply for a maximum loan not to exceed \$28 million, but the actual loan amount will be based on engineering and economic feasibility studies to be conducted in fiscal year 2008, and in future years. The maximum loan level approved by the Department of Health and Hospitals represents only an approval amount for long-range planning and needs of the District with each project approval dependent on engineering analysis and the ability of the District to generate revenue levels required for loan repayment. At the time of this financial report the District was finalizing capital project expansion plans and final application for approved funds.

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# **Basic Financial Statements**

## Business Type Financial Statements

**Livingston Parish Ward Two Water District**  
**Comparitive Balance Sheet**  
**As of December 31, 2008 and 2007**

Statement A

Assets	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 962,207	\$ 690,094
Receivables, Net:		
Accounts	236,111	245,898
Unbilled Water Sales	216,303	215,293
Inventory	353,387	285,988
Prepaid Insurance	108,133	97,794
<b>Total Current Assets</b>	<u>1,876,141</u>	<u>1,535,067</u>
<b>Restricted Assets:</b>		
Restricted Cash and Cash Equivalents (Note 5)	<u>2,772,451</u>	<u>2,713,217</u>
<b>Total Restricted Assets</b>	<u>2,772,451</u>	<u>2,713,217</u>
<b>Property, Plant, and Equipment</b>		
Land	329,915	329,915
Construction in Progress	272,711	-
Property, Plant and Equipment, Net	<u>25,285,496</u>	<u>25,628,183</u>
<b>Total Property, Plant, and Equipment</b>	<u>25,888,122</u>	<u>25,958,098</u>
<b>Other Assets</b>		
Bond Issue Cost, Net	294,741	309,119
Deposits	<u>375</u>	<u>375</u>
<b>Total Other Assets</b>	<u>295,116</u>	<u>309,494</u>
<b>Total Assets</b>	<u>\$ 30,831,830</u>	<u>\$ 30,515,876</u>
<b>Liabilities</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	82,263	76,574
Other Accrued Payables (Note 7)	105,921	169,074
Due to Other Governments	<u>75,289</u>	<u>71,031</u>
<b>Total Current Liabilities (Payable From Current Assets)</b>	<u>263,473</u>	<u>316,679</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Customer Deposits	803,697	770,930
Revenue Bonds payable	854,000	608,000
Accrued Interest on Bonds Payable	<u>213,323</u>	<u>224,298</u>
<b>Total Current Liabilities (Payable From Restricted Assets)</b>	<u>1,871,020</u>	<u>1,603,228</u>
<b>Long-Term Liabilities:</b>		
Bonds payable	<u>19,256,042</u>	<u>19,797,028</u>
<b>Total Long-Term Liabilities</b>	<u>19,256,042</u>	<u>19,797,028</u>
<b>Total Liabilities</b>	<u>21,390,535</u>	<u>21,716,935</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of related debt	5,778,080	5,553,070
Restricted for:		
Capital Projects and Debt Service	1,775,431	1,901,679
Unrestricted	<u>1,887,784</u>	<u>1,344,192</u>
<b>Total Net Assets</b>	<u>\$ 9,441,295</u>	<u>\$ 8,798,941</u>

The accompanying notes are an integral part of this financial statement.

## Statement B

**Livingston Parish Ward Two Water District**  
**Comparative Statement of Revenues, Expenses, and Changes in Net Assets**

**For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
<b>Operating Revenues</b>		
Water Sales	\$ 4,244,654	\$ 4,255,053
Water tap fees	224,085	309,705
Service Charges	163,828	89,945
Penalty Charges	66,527	65,604
Sewer Billing Fees	32,513	32,367
Other	11,434	1,996
<b>Total Operating Revenues</b>	<u>4,743,041</u>	<u>4,754,670</u>
<b>Operating Expenses</b>		
Amortization	14,378	14,378
Chlorination	29,983	25,841
Depreciation	887,066	793,519
Director's Fees	4,900	5,600
Employee Benefits	302,729	300,599
Insurance	144,677	138,078
Meter Reading	132,327	130,772
Other	56,301	25,044
Postage	72,779	48,223
Professional Fees	178,535	160,528
Repairs and Maintenance	267,598	314,820
Salaries and Wages	812,986	781,950
Supplies	88,493	117,974
Telemetry	29,125	28,500
Telephone	31,214	26,585
Utilities	197,269	199,005
Vehicle Expense	94,692	75,478
<b>Total Operating Expenses</b>	<u>3,345,052</u>	<u>3,186,894</u>
<b>Operating Income (Loss)</b>	<u>1,397,989</u>	<u>1,567,776</u>
<b>Non-operating Revenue</b>		
Realized Gain (Loss) on Sale of Capital Assets	9,180	13,100
Interest Income	77,517	139,491
Interest Expense	(876,578)	(849,168)
Other Income	34,246	163,354
<b>Total Non-operating Revenues (Expenses)</b>	<u>(755,635)</u>	<u>(533,223)</u>
<b>Change in Net Assets</b>	<u>642,354</u>	<u>1,034,553</u>
<b>Total Net Assets, Beginning</b>	<u>8,798,941</u>	<u>7,764,388</u>
<b>Total Net Assets, Ending</b>	<u>\$ 9,441,295</u>	<u>\$ 8,798,941</u>

The accompanying notes are an integral part of this financial statement.

**Livingston Parish Ward Two Water District**  
**Comparative Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the Years Ended December 31, 2008 and 2007**

Statement C

	<b>2008</b>	<b>2007</b>
<b>Cash Flows From Operating Activities</b>		
Received from Customers	\$ 4,740,384	\$ 4,729,890
Received for Meter Deposits Fees	32,767	44,356
Other Receipts	11,434	1,996
Payments for Operations	(1,467,821)	(1,374,616)
Payments to Employees	(1,106,731)	(1,079,820)
Net Cash Provided (Used) by Operating Activities	2,210,033	2,321,806
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from the sale of Capital Acquisitions	9,180	18,100
(Payments) for Capital Acquisitions	(817,089)	(2,197,325)
Principal Proceeds from (Repayments for) Long Term Debt	(294,986)	674,579
Interest Payments for Long Term Debt	(887,554)	(833,115)
Other Receipts	34,246	163,354
Net Cash (Used) by Capital and Related Financing Activities	(1,956,203)	(2,174,407)
<b>Cash Flows From Investing Activities</b>		
Receipt of Interest	77,517	139,491
Net Cash Provided (Used) by Investing Activities	77,517	139,491
<b>Net Cash Increase (Decrease) in Cash and Cash Equivalents</b>	331,347	286,890
<b>Cash and Cash Equivalents, Beginning of Year</b>	3,403,311	3,116,421
<b>Cash and Cash Equivalents, End of Year</b>	\$ 3,734,658	\$ 3,403,311
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>		
Cash and Cash Equivalents, Unrestricted	\$ 962,207	\$ 690,094
Cash and Cash Equivalents, Restricted	2,772,451	2,713,217
Total Cash and Cash Equivalents	3,734,658	3,403,311
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	1,397,989	1,567,776
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	901,444	807,897
(Increase) decrease in Accounts Receivable	9,787	6,592
(Increase) decrease in Unbilled Receivables	(1,010)	(29,376)
(Increase) decrease in Inventory	(67,399)	36,876
(Increase) decrease in Prepaid Insurance	(10,339)	(4,635)
Increase (decrease) in Accounts Payable	5,689	(22,295)
Increase (decrease) in Compensated Absences	205	481
Increase (decrease) in Accrued Expenses	(59,100)	(85,866)
(Increase) decrease in Customer Deposits	32,767	44,356
Net Cash Provided (Used) by Operating Activities	\$ 2,210,033	\$ 2,321,806

The accompanying notes are an integral part of this financial statement.

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# **Basic Financial Statements**

## Notes to the Financial Statements

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

**INTRODUCTION**

Ward Two Water District, Denham Springs, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on August 23, 1975, pursuant to the provisions of R.S. 33:3811, et. seq., of the Louisiana Revised Statutes of 1950.

The District is located in Denham Springs, Louisiana. The purpose of the district is to provide water to customers within the boundaries of the District. The District is composed of five board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves approximately one third of the Parish of Livingston. The areas of service are in the western portion of the parish, north of Florida Boulevard and a small area south of Florida Boulevard between Denham Springs and Walker. The District serves approximately 50,000 people with thirty six employees. As of December 31, 2008, there were 16,757 metered customers, representing an increase in customers of 988 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Ward Two Water District is considered a component unit of Livingston Parish Government. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedures, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net assets.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
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Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term "measurement focus" denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**B. Cash and Cash Equivalents and Investments**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. 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 or any other state of the United States, or under the laws of the United States.

**C. Investments**

Investment are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost.
- There is no involuntary participation in an external investment pool.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
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**D. Inventories**

Inventory held primarily consists of supplies for system maintenance. All inventory is valued at cost using the first in / first out method. Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**E. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2008.

**F. Restricted Assets**

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20-40 Years
Equipment	5-10 Years
Furniture and Fixtures	5-10 Years
Vehicles	5 Years
Utility System	40 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**H. Compensated Absences**

The Livingston Parish Ward Two Water District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. At termination or retirement only unused vacation time can be paid to the employee. As a result, only the amount of unused vacation time is accrued in the Livingston Parish

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

Ward Two Water District basic financial statements.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

**I. Long-Term Obligations**

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**J. Net Assets**

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt- This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted- This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted- This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**K. Comparative Data/Reclassification**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
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**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 2008, the District has cash and cash equivalents (book balances) as follows:

Cash on Hand	\$ 750
Demand Deposits	880,394
Time and Savings Accounts	489,480
Other Cash & Cash Equivalents	<u>2,364,034</u>
<b>Total</b>	<b><u>\$ 3,734,658</u></b>

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.

At December 31, 2008, the District has \$3,973,365 in deposits (collected bank balances) consisting of \$1,220,212 in demand deposits, \$488,384 in time and savings accounts, and \$2,264,768 deposits held in trust. Demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$970,212 of pledged securities held by custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings balances of \$488,384 are secured from risk by \$250,000 of federal deposit insurance at each financial institution and \$140,856 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). In addition, the District maintains a balance of \$2,264,768 in cash and cash equivalents which is fully collateralized above the \$250,000 FDIC limits by the Trust Departments of the respective financial institutions.

Even though the pledged securities are considered uncollateralized (Category 3) under the provision of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

**3. INVESTMENTS**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

In accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair value, with the estimate of fair value based on quoted market prices.

*Interest Rate Risk:* The District does not have formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

**4. RECEIVABLES**

The following is a summary of receivables at December 31, 2008 and 2007:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Increase (Decrease)
Accounts Receivable			
Current	\$ 185,274	\$ 206,094	\$ (20,820)
31-60 Days Past Due	3,348	4,943	(1,595)
61-90 Days Past Due	2,056	1,210	846
Over 90 Days Past Due	48,262	36,480	11,782
Subtotal	238,940	248,727	(9,787)
Allowance for Uncollectible Accounts	(2,829)	(2,829)	-
Net Accounts Receivable	\$ 236,111	\$ 245,898	\$ (9,787)

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivables, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
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Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2008 and 2007, accrued billings amounts were \$216,303, and \$215,293 respectively.

**5. RESTRICTED ASSETS**

The following is a summary of restricted assets at December 31, 2008 and 2007:

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Restricted Assets		
Restricted Cash and Cash Equivalents		
Construction Account	\$ 75,406	\$ 40,608
Customer Deposits	333,011	314,038
Bond Reserve Account	1,231,563	1,238,348
Bond Sinking Account	610,602	606,156
Renewal and Replacement Fund	521,869	514,067
Total Restricted Assets	\$ 2,772,451	\$ 2,713,217

**6. CAPITAL ASSETS**

A summary of changes in capital assets during the fiscal year ending December 31, 2008 is as follows:

	<b>Beginning Balance 12/31/07</b>	<b>Additions and Reclassifications</b>	<b>Deletions and Reclassifications</b>	<b>Ending Balance 12/31/08</b>
Capital Assets				
Land	\$ 329,915	\$ -	\$ -	\$ 329,915
Construction in Progress	-	272,711	-	272,711
Buildings and Improvements	481,486	90,381	-	571,867
Equipment	1,111,481	46,886	-	1,158,367
Furniture and fixtures	19,952	1,588	-	21,540
Vehicles	333,529	73,978	(76,376)	331,131
Utility System	30,091,236	331,546	-	30,422,782
Total Capital Assets Being Depreciated	32,367,599	817,090	(76,376)	33,108,313
Total Accumulated Depreciation	(6,409,501)	(887,066)	\$ 76,376	(7,220,191)
Total Capital Assets, Net	\$ 25,958,098	\$ (69,976)	-	25,888,122

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
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Depreciation expense for the fiscal year ending December 31, 2008, totaled \$887,066. Construction in progress expenditures of \$272,711 were recorded for the South Expansion project, funded with the Series 2008 Water Revenue Bonds, nears completion.

**7. ACCOUNTS AND ACCRUED AMOUNTS PAYABLE**

The following is a summary of amounts payable from current unrestricted net assets at December 31, 2008 and 2007:

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>	<u>Increases (Decrease)</u>
<i>Current Liabilities payable from unrestricted net assets</i>			
Accounts Payable	\$ 82,263	\$ 76,574	\$ 5,689
Other Accrued Payables			
Construction Accounts Payable	58,571	133,417	(74,846)
Accrued Salaried	26,153	17,374	8,779
Compensated Absences Payables	17,024	16,819	205
Other Accrued Payables	4,173	1,464	2,709
Due to Other Governments	75,289	71,031	4,258
Total	<u>\$ 263,473</u>	<u>\$ 316,679</u>	<u>\$ (53,206)</u>

**8. DUE TO OTHER GOVERNMENTS**

The District provides a billing service for Sewerage District No. 1 and No. 2 of Livingston Parish. The amount of collections, recorded as a liability of \$75,289 at December 31, 2008, represented sewer fee collections of December transferred to the sewerage districts in the following month.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
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**9. LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the year ended December 31, 2008:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 295,000	\$ -	\$ (23,000)	\$ 272,000	\$ 24,000
2000 DEQ Revenue Bonds	7,355,000	-	(370,000)	6,985,000	220,000
2004 Revenue Bonds	7,600,000	-	(215,000)	7,385,000	385,000
2005 DHH Bonds	5,394,108	511,762	(220,000)	5,685,870	225,000
Total Long-Term Debt	<u>\$ 20,644,108</u>	<u>\$ 511,762</u>	<u>\$ (828,000)</u>	<u>\$ 20,327,870</u>	<u>\$ 854,000</u>
Advance Refunding Difference				(217,828)	
Net Bonds Payable December 31, 2008				<u>\$ 20,110,042</u>	

On April 1, 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 is considered to be defeased and the liability for the bonds has been removed from 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 as a component of interest expense 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 and to obtain economic gain of \$115,345.

On April 1, 2004, the District issued \$8,250,000 in Water Revenue Bonds. With the issuance of the revenues bonds, the District recorded \$356,442 in bond issuance costs, consisting of \$292,142 costs of issuance plus \$67,300 of premium on early call. The bond issuance costs are amortized on a straight-line basis through maturity date of April 1, 2029.

On April 19, 2005, the District received a loan from the State of Louisiana, Department of Health and Hospital (DHH). The total loan amount was authorized at \$ 6,000,000, at an annual interest rate of 4.5%. For the fiscal year ending December 31, 2008, a total of \$5,905,870 of the authorized \$6,000,000 bond issue had been received by the District. The current amortization schedule issued by the lender requires annual principle payments commencing April 1, 2008 and on April 1 of each year, with semi-annual interest payment due on April 1 and October 1 of each year. Principle and interest payments are to continue through the bond maturity date of April 1, 2026.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
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Bonds Payable as of December 31, 2008 are as follows:

		Bonds Payable End of Year	Due Within One Year
General Obligation Bonds    \$650,000	Dated 11/18/1997	\$    272,000	\$    24,000
<p>Due to USDA, Rural Development Service semi-annually with installments of interest and principal through 12/01/2017. Principal payments for remainder of term varying (from next installment to end of term) at \$24,000 to \$36,000  Interest at 5.0%</p>			
Water Revenue Bonds    \$9,000,000	Dated 04/01/2000	\$    6,985,000	\$    385,000
<p>Due to the Louisiana Department of Environmental Quality with semi-annual installments of principal and interest through 04/01/2022. Principal payments for the remainder of term varying (from next installment to end of term) at \$385,000 to \$635,000  Interest at 3.45%; DEQ fee of .5%</p>			
Water Revenue Bonds    \$8,250,000	Dated 04/01/2004	\$    7,385,000	\$    220,000
<p>Waterworks System Revenue Bonds, Series 2004, due in semi-annual installments of principal and interest through 04/01/2020. Principal payments for remainder of term varying (from next installment to end of term) at \$220,000 to \$540,000  Interest varying from 3.0% to 5.125%</p>			
Water Revenue Bonds    \$6,000,000	Dated 04/19/2005	\$    5,685,870	\$    225,000
<p>Waterworks System Revenue Bonds, Series 2005, due in semi-annual installments of principal and interest proposed through 04/01/2026. The full amount has not been borrowed as of the current period. Principal payments for remainder of term varying (from next installment to end of term) at \$225,000 to \$440,000  Interest at 3.45%</p>			
Advance Refunding Difference		\$    (217,828)	-
		\$    20,110,042	\$    854,000

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
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The annual requirements to amortize all debt outstanding as of December 31, 2008, including expected interest payments of \$9,153,940 are as follows:

Year Ending 12/31/08	General Obligation Bonds 1977 \$650,000	DEQ Water Revenue Bonds 2000 \$900,000	Revenue Bonds 2004 Parity Bonds \$8,250,000	Revenue Bonds 2005 Parity Bonds \$6,000,000	Total
2009	\$ 37,975	\$ 653,304	\$ 562,369	\$ 448,856	\$ 1,702,504
2010	37,700	652,800	563,369	449,781	1,703,650
2011	37,375	651,704	563,969	450,301	1,703,349
2012	37,975	650,015	564,169	450,426	1,702,585
2013	37,500	647,734	563,839	450,156	1,699,229
2014 to 2018	148,925	3,244,071	2,808,071	2,242,511	8,443,578
2019 to 2023	-	2,588,846	2,801,438	2,240,512	7,630,796
2024 to 2028	-	-	2,784,119	1,340,334	4,124,453
2029 to 2033	-	-	553,838	-	553,838
	<u>\$ 337,450</u>	<u>\$ 9,088,474</u>	<u>\$ 11,765,181</u>	<u>\$ 8,072,877</u>	<u>\$ 29,263,982</u>

**10. FLOWS OF FUNDS, RESTRICTIONS ON USE**

The Livingston Parish Ward Two Water District is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2008. As of December 31, 2008, debt covenants relate to existing parity bonds, consisting of the DEQ Water Revenue Bonds, Series 2000, and the Water Revenue Bonds, Series 2004. The bond covenants, upon completion of construction financed by the 2005 DHH bonds, will be expanded to include the requirements of the 2005 DHH Bonds, also issued on parity to the aforementioned bonds. The District's compliance to bond covenants as of December 31, 2008 related to required deposits is detailed below and is followed first by a narrative description of the related bond deposit requirements, and secondly by a description of compliance to bond rate covenants, referenced as "Bond Debt Coverage Ratio", requiring that revenues of the District be sufficient to cover the operating and maintenance and debt service requirements of the outstanding bonds.

	Reserve Fund	Sinking Fund	Renewal and Replacement Fund
Required Balance	\$ 1,217,473	\$ 423,798	\$ 500,000
Current Reserved Amount	1,231,563	610,602	521,869
Amount Over (Under) Funded	<u>\$ 14,090</u>	<u>\$ 186,804</u>	<u>\$ 21,869</u>

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
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**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

For the fiscal year ending December 31, 2009, and as the improvements funded with the Waterworks System Revenue Bonds, Series 2005, are finalized, the requirement for the Reserve Fund will increase by the highest succeeding annual installment for the Series 2005 Bonds as noted in the "Bond Reserve Fund" section below.

**Sinking Fund Requirements**

Bond covenants require the maintenance of a separately identifiable fund or account designated as the "Sinking Fund" into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the "Bonds and the Parity Obligations" as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20<sup>th</sup> day of each month of each year a sum equal to 1/6 of the interest and Administrative Fee falling due on the Bonds on the next interest payment date, and a sum equal to 1 ½ of the principal falling due on the Bonds on any principal date within the next twelve months, together with any proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as they become due. The bond covenants language and requirements apply to existing Parity obligations, and will apply also to the 2005 DHH Bonds upon completion of construction.

At December 31, 2008, the District had exceeded Sinking Fund bond deposits requirements, maintaining a balance of \$610,602.

**Bond Reserve Fund**

Bond Reserve Fund covenants require the maintenance of a separately identifiable account designated as the "Reserve Fund" into which is to be deposited monthly, on or before the 20<sup>th</sup> day of each month of each year, a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for each month with respects to the Bonds, until such time as there has been accumulated therein a sum equal to the highest amount of principal and interest due in any given year on the Bonds, the Series 2000 Bonds, the Series 2004 Bonds, and any additional Parity Obligations hereafter issued. Bond covenants require that the monies in the Reserve Fund be retained solely for the purpose of paying the principal of and interest on the Bonds payable as to which there would otherwise be default.

The District was not required to make deposits to the Reserve Fund for the current fiscal year ended, since the account was fully funded through deposits to the Reserve Fund, pursuant to bond covenant requirements of the 2000 DEQ Revenue Bonds, and the 2004 Water Revenue Bonds. As the construction financed by the 2005 DHH Bonds is completed, and as construction is completed for the fiscal year ending December 31, 2009, the deposit requirement will increase by an estimated \$450,426 from \$1,217,473 as noted above to \$1,667,899. The total of \$450,426 is the highest succeeding annual installment of principal and interest for the Series 2005 bonds based on the current amortization schedule, but the amortization schedule may be re-issued as the final funds are received for the Series 2005 Bonds. Bond covenants for the Series 2005 Bonds state "In the event that additional Parity Obligations are issued hereafter in the manner provided by Article 6 of this resolution, the payments to the Reserve Fund shall be increased or otherwise adjusted to the amounts as will assure that there will be accumulated in the Reserve Fund within a period not to exceed five (5) years from the date of delivery of such additional parity obligations an amount of money equal to the Reserve Fund Requirement."

At December 31, 2008, the District had exceeded Bond Reserve Fund bond deposits requirements, maintaining a balance of \$1,231,563.

**Renewal and Replacement Fund**

The Renewal and Replacement Fund is established pursuant to the 2000 Bond Resolution, and is restated in the 2005 DHH Revenue Bond Resolution to apply to any subsequent Outstanding Parity Bonds. The Fund is

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

established to pay for extensions, additions, improvements, renewals, and replacements necessary to properly operate the System by transferring from the Revenue Fund to the Renewal and Replacement Fund monthly on or before the twentieth day of each month of each year, a sum equal to five percent of the Gross Revenues of the System for the proceeding month, provided that such sum is available after provisions are made for the payments required. Such payments to the Renewal and Replacement Fund shall continue until such time as there has been accumulated in said Fund the sum of \$500,000 (the "Renewal and Replacement Fund Requirement"), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the Renewal and Replacement Fund Requirement, in which event such payments shall be resumed and continue until said Renewal and Replacement is again accumulated.

In addition to caring for extensions, additions, improvements, renewal and replacements necessary to properly operate the System, the money in the Renewal and Replacement Fund may also be used to pay the principal and the interest on the Bonds and the Outstanding Parity Bonds, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund and any Parity Obligations issued hereafter in the manner provided by the Bond Resolution for the payment of which there is not sufficient money in the Sinking fund and Reserve Fund, but the money in said Renewal and Replacement Fund shall not be used for the making of improvements and extensions to the System (other than emergency repairs or replacements) or for the payment of principal or interest on the Bonds or the Outstanding Parity Bonds if the use of said money will leave in the said Renewal and Replacement Fund for the making of emergency repairs or replacement less than the sum of ten percent of the Renewal and Replacement Fund Requirement.

For the fiscal year ended December 31, 2008, the Renewal and Replacement Fund was fully funded with a balance of \$521,869.

#### **Bond Debt Coverage Ratio**

Bond covenants of the outstanding parity obligations, including the 2005 DHH bonds, require the District to fix, establish, levy and collect, so long as any principal and interest is unpaid on the Bonds and any Parity Obligations, such rates, fees, rents, or other charges for services and facilities of the System and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each Fiscal Year in an amount equal to at least one hundred twenty-five percent (125%) of the required deposits to the Sinking Fund established in the Series 2005 Bond Resolutions, the Series 2004 Bond Resolution, the Series 2005 Bond Resolution, and any resolution relating to additional Parity Obligations. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate Revenues for the foregoing purposes.

The calculated bond debt coverage ratio for existing Parity Obligations, including the Series 2000 and Series 2004 Series 2005 bonds exceeded the 125% ratio for the fiscal year ending December 31, 2008.

#### **11. RESTRICTED AND DESIGNATED NET ASSETS**

At December 31, 2008, Livingston Parish Ward Two Water District recorded \$1,893,348 in Restricted Net Assets (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

**LIVINGSTON PARISH WARD TWO WATER DISTRICT**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

**12. PRIOR PERIOD ADJUSTMENTS**

The District recorded a prior adjustment of \$45,767 correcting the accrual of interest at December 31, 2007, for the Series 2005 bonds. This entry increases the beginning net assets balance at December 31, 2007 from \$8,753,174 to \$8,798,941.

**13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There have been no significant decreases in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

**14. LITIGATION**

There is no outstanding litigation at December 31, 2008 for Livingston Parish Ward Two Water District for which the District would expect an unfavorable outcome.

**15. RETIREMENT PLAN**

Livingston Parish 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 \$21,869 into the SEP during 2008. Employees are fully vested when the contribution is made by the District.

**16. BOND COST AMORTIZATION**

In association with the issuance of the 2004 Revenue Bonds, Livingston Parish Ward Two Water District incurred bond issuance cost of \$359,442. The District will amortize these issuance costs over a 25 year life of the bonds issued using the straight line method. Amortization expense of bond issues cost for 2008 was \$14,378.

**17. SUBSEQUENT EVENTS**

During the first quarter of fiscal year 2008, the District obtained authorization from the Department of Health and Hospitals to proceed with plans to provide system improvements for growth areas within the Parish. Approval was granted to apply for a maximum loan not to exceed \$28 million, but the actual loan amount will be based on engineering and economic feasibility studies to be conducted in fiscal year 2008 and in future years. The maximum loan level approved by the Department of Health and Hospitals represents only an approval amount for long-range planning and needs of the District with each project approval dependent on engineering analysis and the ability of the District to generate revenue levels required for loan re-payment. At the date of this report, the District was meeting to formalize construction plans and to secure final funding for planned improvements.

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**OTHER SUPPLEMENTAL INFORMATION**

**Livingston Parish Ward Two Water District**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2008**  
**With comparative amounts for the fiscal year ended December 31, 2007**

	2008 Budget	2008 Actual	Variance Favorable (Unfavorable)	2007 Actual (Restated)
<b>Operating Revenues</b>				
Water Sales	\$ 4,350,000	\$ 4,244,654	\$ (105,346)	\$ 4,255,053
Water Tap Fees	225,000	224,085	(915)	309,705
Service Charges	170,000	163,828	(6,172)	89,945
Penalty Charges	65,000	66,527	1,527	65,604
Sewer Billing Fees	40,000	32,513	(7,487)	32,367
Other	-	11,434	11,434	1,996
<b>Total Operating Revenues</b>	<u>4,850,000</u>	<u>4,743,041</u>	<u>(106,959)</u>	<u>4,754,670</u>
<b>Operating Expenses</b>				
Amortization	15,000	14,378	622	14,378
Chlorination	-	29,983	(29,983)	25,841
Depreciation	840,000	887,066	(47,066)	793,519
Director's Fees	5,000	4,900	100	5,600
Employee Benefits	324,000	302,729	21,271	300,599
Insurance	170,000	144,677	25,323	138,078
Meter Reading	128,000	132,327	(4,327)	130,772
Other	62,000	56,301	5,699	25,044
Postage	81,000	72,779	8,221	48,223
Professional Fees	160,000	178,535	(18,535)	160,528
Repairs and Maintenance	69,000	84,076	(15,076)	114,593
Salaries and Wages	805,000	812,986	(7,986)	781,950
Supplies	59,000	88,493	(29,493)	117,974
System Maintenance Costs	240,000	183,522	56,478	200,227
Telemetry	-	29,125	(29,125)	28,500
Telephone	32,000	31,214	786	26,585
Utilities	196,000	197,269	(1,269)	199,005
Vehicle Expense	114,000	94,692	19,308	75,478
<b>Total Operating Expenses</b>	<u>3,300,000</u>	<u>3,345,052</u>	<u>(45,052)</u>	<u>3,186,894</u>
<b>Operating Income (Loss)</b>	<u>1,550,000</u>	<u>1,397,989</u>	<u>(152,011)</u>	<u>1,567,776</u>
<b>Nonoperating Revenues (Expenses)</b>				
Realized Gain (Loss) on Sale of Capital Assets	2,400	9,180	6,780	13,100
Interest Income	100,000	77,517	(22,483)	139,491
Interest Expense	(795,000)	(876,578)	(81,578)	(849,168)
Other Income	45,000	34,246	(10,754)	163,354
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(647,600)</u>	<u>(755,635)</u>	<u>(108,035)</u>	<u>(533,223)</u>
<b>Change in Net Assets</b>	902,400	642,354	(260,046)	1,034,553
<b>Total Net Assets, Beginning</b>	<u>8,798,941</u>	<u>8,798,941</u>	<u>-</u>	<u>7,764,388</u>
<b>Total Net Assets, Ending</b>	<u>\$ 9,701,341</u>	<u>\$ 9,441,295</u>	<u>\$ (260,046)</u>	<u>\$ 8,798,941</u>

**Livingston Parish Ward Two Water District  
Schedule of Insurance  
For the Years Ended December 31, 2008 and 2007**

<b>Insurance Company/ Policy Number</b>	<b>Coverage</b>	<b>Amount</b>	<b>Period</b>
Fidelity & Deposit Policy # CCP06159302	<b>Crime Coverages</b>		
	Employee Dishonesty:	1,000,000	10/31/2008 to 10/31/2009
	Deductible	5,000	
	Money & Securities:		
	Inside Premises	10,000	
Outside Premises	50,000		
St. Paul Fire Policy # GP09313269	Commercial Package		10/31/2008 to 10/31/2009
	Property Coverages:		
	As Scheduled	6,740,800	
	General Liability:		
	General Aggregate	2,000,000	
	Each Occurrence	1,000,000	
	Products & Completed Op.	2,000,000	
	Personal & Advertising Inj.	1,000,000	
	Employments Practices Liability:		
	Each Wrongful Employment Practice	5,000,000	
	Total Limit	5,000,000	
	Excess Errors & Omissions (Employee)		
	Benefit Plans Administration:		
	Each Wrongful Act	1,000,000	
	Total Limit	3,000,000	
	Umbrella Liability	4,000,000	
	Retained Limit	10,000	
	Business Auto:		
	Liability	1,000,000	
	Uninsured Motorists	1,000,000	
Physical Damage	As Scheduled		
Equipment Floater (As Scheduled)	713,136		
Electronic Data Proc:			
Equipment (HDW) Owned	140,000		
Deductible	2,500		
LA Workers Comp Corp Policy # 77205-B	Workers Compensation Statutory Limits Employer's Liability	Included	10/31/2008 to 10/31/2009

**Livingston Parish Ward Two Water District  
Schedule of Compensation Paid to Board Members  
For the Years Ended December 31, 2008 and 2007**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Theodore Graham, Chairman (225) 664-9189	33580 Cane Market Road Walker, La 70785	\$ 1,200
Tyrus Cobb, Vice-Chairman (225) 664-9291	10660 Dunmark Road Denham Springs, La 70726	800
Stanley Spillman, Secretary-Treasurer (225) 665-2669	P.O. Box 692 Watson, La 70786	1,100
John Easterly (225) 665-9794	37917 Louisiana Highway 16 Denham Springs, La 70726	600
Shyrl Westmoreland (225) 664-2597	29709 Bickford Lane Denham Springs, La 70726	1,200
		\$ <u>4,900</u>

Board members serve continuous terms, per Livingston Parish Council appointment and approval.

**Livingston Parish Ward Two Water District  
Schedule of Water Rates  
For the Years Ended December 31, 2008 and 2007**

<u>Water Fees</u>	<u>Tap Fees</u>
\$9.90 - First 2,000 Gallons	\$305.00 - 3/4" Tap
\$2.52 - Per next 1,000 Gallons of Water up to 5,000 Gallons	\$305.00 - 1" Tap
\$2.12 - Per next 1,000 Gallons of Water up to 10,000 Gallons	\$305.00 - 1 1/2" Tap
\$1.37 - Per next 1,000 Gallons of Water over 10,000 Gallons	\$305.00 - 2" Tap
	\$400.00 - 4" Tap

**Livingston Parish Ward Two Water District  
Schedule of Water Customers  
For the Years Ended December 31, 2008 and 2007**

As of December 31, 2008 and 2007, the District had the following number of customers:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>Increase (Decrease)</u>
Customers			
Residential	15,457	14,845	612
Nonresidential	1,300	1,356	-56
Total Customers	<u>16,757</u>	<u>16,201</u>	<u>556</u>

**OTHER REPORTS REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board Members of  
Livingston Parish Ward Two Water District  
Denham Springs, Louisiana**

I have audited the basic financial statements of the **Livingston Parish Ward Two Water District**, a component unit of the Livingston Parish Council, as of and for the two years ended December 31, 2008 and 2007, and have issued my report thereon dated June 10, 2009. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

***Internal Control Over Financial Reporting***

In planning and performing my audit, I considered the **Livingston Parish Ward Two Water District's** internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Livingston Parish Ward Two Water District's** internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the **Livingston Parish Ward Two Water District's** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the **Livingston Parish Ward Two Water District's** basic financial statements are free of material misstatement, I performed tests of its compliance with certain

provisions of laws, regulations, and contracts, 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* and the Louisiana Governmental Audit Guide.

This report is intended for the information and use of the **Livingston Parish Ward Two Water District** and its management, the Louisiana Legislative Auditor, the State of Louisiana and is not intended to be, and should not be used by anyone other than these specified parties.

*Leroy J. Chutz*

Certified Public Accountant, APAC

June 10, 2009

**LIVINGSTON PARISH WARD TWO WATER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended December 31, 2008 and 2007**

I have audited the basic financial statements of Livingston Parish Ward Two Water District as of and for the years ended December 31, 2008 and 2007, and have issued my report thereon dated June 10, 2009. I conducted my audits in accordance with auditing standards generally accepted in the United states of America 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, 2008 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses  Yes  No Significant Deficiencies  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

**B. Federal Awards  Not Applicable**

Internal Control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

Type of Opinion On Compliance Unqualified  Qualified   
For Major Programs Disclaimer  Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  
 No

Was a management letter issued?  Yes  No

**C. Identification of Major Programs:**

**CFDA Number(s)**

66-468

**Name of Federal Program (or Cluster)**

Drinking Water Loan Program

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000.

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?  Yes  No

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**LIVINGSTON PARISH WARD TWO WATER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Years Ended December 31, 2008 and 2007**

**Section II Financial Statement Findings**

No Section II findings.

**Section III Federal Award Findings and Questioned Costs**

No Section III findings.

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**LIVINGSTON PARISH WARD TWO WATER DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS  
For the Years Ended December 31, 2008 and 2007**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FINANCIAL  
STATEMENTS**

No Section I findings

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

No Section II findings.

**SECTION III MANAGEMENT LETTER**

No Section III findings.

**OTHER REQUIRED FEDERAL INFORMATION**  
**OMB CIRCULAR A-133 REQUIRED REPORTS AND SCHEDULES**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board Members of  
Livingston Parish Ward Two Water District  
Denham Springs, Louisiana**

**Compliance**

I have audited the compliance of **Livingston Parish Ward Two Water District** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. **Livingston Parish Ward Two Water District's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Livingston Parish Ward Two Water District's** management. My responsibility is to express an opinion on **Livingston Parish Ward Two Water District's** compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Livingston Parish Ward Two Water District's** compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of **Livingston Parish Ward Two Water District's** compliance with those requirements.

In my opinion, **Livingston Parish Ward Two Water District** complied with, in all material respects, the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

**Internal Control Over Compliance**

The management of **Livingston Parish Ward Two Water District** is responsible for establishing and maintaining *effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs*. In planning and performing my audit, I considered **Livingston Parish Ward Two Water District's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the **Livingston Parish Ward Two Water District's** internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that at material noncompliance with a type compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, State of Louisiana - Department of Health and Hospitals, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Leroy J. Chustz*  
Certified Public Accountant  
June 10, 2009

**LIVINGSTON PARISH WARD TWO WATER DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEARS ENDED DECEMBER 31, 2008**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Disbursements/ Expenditures
<b>U.S. Dept of Environmental Protection Agency</b>			
Pass-through program from:			
State of Louisiana - Department of Health and Hospitals			
Drinking Water Revolving Loan Fund	66.468*	Ward Two Water District Loan	\$ 511,762
Total pass-through programs			<u>511,762</u>
Total U.S. Department of Environmental Quality			<u>\$ 511,762</u>
* Major Programs			
<b>U.S. Dept of Agriculture</b>			
Loan Balance		22-032-0720825466	<u>\$ 272,000</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards

**LIVINGSTON PARISH WARD TWO WATER DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEARS ENDED DECEMBER 31, 2008**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Livingston Parish Ward Two Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B - Subrecipients**

Livingston Parish Ward Two Water District provided no funds to subrecipients.

LEROY J. CHUSTZ, CPA, APAC

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E-Mail RChustzCPA@aol.com

June 10, 2009

To the Board of Commissioners of  
Ward Two Water District

I have audited the financial statements of the business-type activities of Ward Two Water District for the years ended December 31, 2008 and 2007, and have issued my report thereon dated June 10, 2009. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated May 19, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As a part of my audit, I considered the internal control of Ward Two Water District. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of Ward Two Water District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

My responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. I do not have an obligation to perform any procedures to corroborate other information contained in these documents, such as management's discussion and analysis and supplementary budgetary statements.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in my Entrance Memorandum about planning matters on November 20, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policy used by Ward Two Water District are described in Note 1 to the financial statements; no new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful life of capital assets is based on policy guidelines. I evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of capital assets, accumulated depreciation and the related depreciation expense. Since 84% of total assets are comprised of depreciable capital assets, the estimate of useful lives is particularly significant.

### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No adjustments were identified in the course of my audit.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated June 10, 2009

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the board members of Ward Two Water and management of Ward Two Water and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Leroy J. Chustz*

Leroy J. Chustz, CPA, APAC

June 10, 2009