WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

REPORT ON AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2016

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
DENHAM SPRINGS, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Ward Two Water District of Livingston Parish as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Ward Two Water District of Livingston Parish's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ward Two Water District of Livingston Parish's basic financial statements. The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual comparison (Schedule 1), schedule of insurance coverage in force (Schedule 2), and schedule of water rates, tap fees and number of customers (Schedule 3) are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual comparison (Schedule 1), schedule of insurance coverage in force (Schedule 2), and schedule of water rates, tap fees and number of customers (Schedule 3) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual comparison (Schedule 1), schedule of insurance coverage in force (Schedule 2), and schedule of water rates, tap fees and number of customers (Schedule 3) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ward Two Water District of Livingston Parish's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2017

Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
Management's Discussion and Analysis
December 31, 2016

Introduction

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana (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, 2016, total assets and deferred outflows of resources were $39,094,811, and exceeded liabilities in the amount of $17,188,249 (i.e., net position). Of the total net position, $1,196,101 was unrestricted and available to support short-term operations; $4,370,336 was restricted for capital projects and debt service, with the balance of $11,621,812 as net investment in capital assets.

- For the year ended December 31, 2016, user fee revenues (water sales) increased 8.29% to $5,622,671 as compared to $5,192,229 for the fiscal year ended December 31, 2015.

- The District's expenses increased 6.20% to $5,420,984 as compared to $5,104,037 in 2015.

- The District had asset improvements placed in service of $728,441 during the year ended December 31, 2016.

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 Ward Two Water District of Livingston Parish, Denham Springs, Louisiana'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 Position, 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.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how net position 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 Ward Two Water District of Livingston Parish, Denham Springs, Louisiana 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 Position, are presented below in condensed format. These statements report the net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and the change in net position, 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 Sheets
December 31, 2016 and 2015

	2016	2015	Dollar Change	Percentage Change
Assets:				
Current Assets	$ 7,169,861	$ 7,152,942	$ 16,919	0.24%
Noncurrent Assets:				
Other Assets	492	492	-	0.00%
Capital Assets	31,265,182	31,157,130	108,052	0.35%
Total Assets	38,435,535	38,310,564	124,971	0.33%
Deferred Outflows of Resources:				
Deferred Amount on Refunding of Debt	659,276	722,524	(63,248)	(8.75%)
Total Assets and Deferred Outflows of Resources	39,094,811	39,033,088	61,723	0.16%
Liabilities:				
Current Liabilities	7,190,412	6,621,523	568,889	8.59%
Long-Term Liabilities	14,716,150	16,192,382	(1,476,232)	(9.12%)
Total Liabilities	21,906,562	22,813,905	(907,343)	(3.98%)
Net Position:				
Net Investment in Capital Assets	11,621,812	10,618,773	1,003,039	9.45%
Restricted for Capital Activity and Debt Service	4,370,336	4,349,843	20,493	0.47%
Unrestricted	1,196,101	1,250,567	(54,466)	(4.36%)
Total Net Position	$17,188,249	$16,219,183	$ 969,066	5.97%

The major components of change for “Current Assets” were primarily decreases of Cash and Cash Equivalents of $240,138, a decrease in Inventory of $48,294, an increase in Receivables of $208,256, a decrease in prepaid expense of $22,687, and an increase in Due from Other Governments of $107,625. In addition there was an increase in Restricted Assets - Cash and Cash Equivalents of $12,157.

“Capital Assets” increased by $108,052 primarily from additions to construction projects combined with the reduction effect of depreciation expense recorded of $1,220,571 and the retirement of older assets.

“Deferred Amount on Refunding of Debt” decreased by $63,248 for amortization of the advanced refunding difference.

“Total Liabilities” decreased by $907,343 primarily from changes in Short Term and Long Term Debt. The repayment of regular scheduled principal payments caused a decrease of $1,445,000. In addition, the District had a net increase of $486,765 due to draws and principal payments on the bond anticipation note of an authorized $8,000,000 Series 2011A Revenue Bond. Construction is expected to be finalized in 2018 for the 2011A Bond. Also Accounts Payable, Accrued Payables, Construction Payable, and Customer Deposits increased by a net of $50,892 with the majority of increase relating to Construction Payable.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	$ 6,238,289	$ 5,883,525	$ 354,764	6%
Nonoperating Revenues	151,761	434,676	(282,915)	(65%)
Total Revenues	6,390,050	6,318,201	71,849	1%
Expenses:				
Depreciation	1,220,571	1,197,456	23,115	2%
Other Operating Expenses	3,593,352	3,372,269	221,083	7%
Nonoperating Expenses	607,061	534,312	72,749	14%
Total Expenses	5,420,984	5,104,037	316,947	6%
Change in Net Position	969,066	1,214,164	(245,098)	(20%)
Beginning Net Position	16,219,183	15,005,019	1,214,164	8%
Ending Net Position	$17,188,249	$16,219,183	$ 969,066	6%

While the Balance Sheet shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's is being conservatively managed in a time of consistent expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 19,897 at fiscal year end. The total number of customers increased by 431 for the year ended December 31, 2016, or a 2.21% increase from the prior year.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by $354,764 (6.02%) for the fiscal year ended December 31, 2016 after a $144,666 (2.52%) increase for the year ended December 31, 2015. The increase in Operating Revenues for 2016 was related to more water usage by the customer base during the year. The Non-operating Revenues decreased over 2016 by $282,915 in 2015. The majority of the decrease in Non-operating Revenues is related to the land donation valued at $250,470 for the Juban Crossing water well recorded in 2015 as compared to 2016.

Total expenses increased by $316,947 from the prior year reflecting a $72,749 increase in non-operating expenses (majority being interest expense). In addition, there was an increase in other operating expenses of $221,083 (the majority related to an increase of $157,138 in repairs and maintenance, an increase in utilities and insurance of $33,307, and an increase in office expense of $18,526), and a $23,115 increase in depreciation expense,

The above changes resulted in an increase in Net Position of $969,066 for the year ended December 31, 2016, as compared to an increase in net position of $1,214,164 for the year ended December 31, 2015.

Budgetary Highlights

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana 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.

Condensed Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Years Ended December 31, 2016

	Final Budget December 31, 2016	Actual December 31, 2016	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	$ 6,068,500	$ 6,238,289	$ 169,789
Nonoperating Revenues	143,500	151,761	8,261
Total Revenues	6,212,000	6,390,050	178,050
Expenses:			
Depreciation	1,180,000	1,220,571	(40,571)
Other Operating Expenses	3,583,200	3,593,352	(10,152)
Nonoperating Expenses	541,500	607,061	(65,561)
Total Expenses	5,304,700	5,420,984	(116,284)
Change in Net Position	907,300	969,066	61,766
Beginning Net Position	16,219,183	16,219,183	-
Ending Net Position	$ 17,126,483	$ 17,188,249	$ 61,766

Actual Operating Revenues were greater than budgeted Operating Revenues by a favorable 2.87 percent. Actual Other Operating Expenses were greater than budgeted amounts by $10,152. Actual Non-operating Expenses were greater than budgeted amounts by $65,561 and is comprised primarily of increased interest expense. The major reasons for Actual Other Operating Expenses being over budget ($10,152) were attributed to increases in employee benefits and payroll taxes in the amount of $40,386 along with over budget on bad debts of $21,001 and on utilities of $16,952 with the netting effect of favorable decreases in repairs and maintenance of $72,838, contractual services of $13,941, and vehicle expenses of $8,373.

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, 2016 and 2015, the District had the following number of customers:

	December 31, 2016	December 31, 2015	Increase (Decrease)
Customers			
Residential	18,741	18,368	373
Nonresidential	1,156	1,098	58
Total Customers	19,897	19,466	431

Revenue and Expense Data Per Customer Per Month

	December 31, 2016	December 31, 2015	Increase (Decrease)	Percentage Change
Water Sales	23.55	22.23	1.32	6%
Operating Revenues	26.13	25.19	0.94	4%
Total Revenues	26.76	27.05	(0.29)	(1%)
Operating Expenses	20.16	19.56	0.60	3%
Total Expenses	22.70	21.85	0.85	4%

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 ended December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015	Increase (Decrease)
Accounts Receivable			
Current	$ 546,147	$ 326,595	$ 219,552
31-60 Days Past Due	60,280	13,360	46,920
61-90 Days Past Due	28,470	3,383	25,087
Over 90 Days Past Due	31,100	18,477	12,623
Subtotal	665,997	361,815	304,182
Allowance for Uncollectible Accounts	(31,100)	(17,303)	(13,797)
Net Accounts Receivable	$ 634,897	$ 344,512	$ 290,385

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ended December 31, 2016, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had $31,265,182 (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.

	December 31, 2016	December 31, 2015	Increase (Decrease)	Percentage Change
Capital Assets				
Land	$ 553,594	$ 553,594	$ -	0%
Construction in Progress	958,903	306,175	652,728	213%
Utility System	41,832,631	41,465,495	367,136	1%
Buildings	974,108	929,598	44,510	5%
Equipment	1,465,759	1,311,173	154,586	12%
Furniture and Fixtures	41,565	29,215	12,350	42%
Vehicles	500,232	486,649	13,583	3%
Subtotal	46,326,792	45,081,899	1,244,893	3%
Less: Accumulated Depreciation	(15,061,610)	(13,924,769)	(1,136,841)	8%
Net Capital Assets	$ 31,265,182	$ 31,157,130	$ 108,052	0%

Long-Term Debt

The primary source of long-term financing for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana are seven series of existing bonds financed by financial institutions and various government agencies. During 2012, the District refunded several series of bonds in order to reduce interest expense and fees over the life of the bonds. The refunding of the Series 2000 bonds and Series 2005 bonds resulted in a decrease of total debt service payments over the next 14 years by $728,956 and resulted in an economic gain of $628,526. The partial refunding of the Series 2004 bonds resulted in a decrease of total debt service payments over the next 17 years by $585,966 and an economic gain of $480,303. Details including balances, payments, and interest rates are included in Note 6 - Long-Term Debt.

Bonds financed for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana require a specific debt service to net income ratio, referred to as the "Bond Debt Coverage Ratio" in Footnote 8 - Long Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 8, 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 amortization, and the aforementioned debt requirements must equal at least 125%. For existing bonds at December 31, 2016, the Bond Debt Coverage Ratio exceeded the 125% requirement.

Future Economic Plans

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana'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. During 2010, the District, based on the District's consulting engineer's recommendation, approved resolutions authorizing additional loan proceeds from the Department of Health and Hospitals (DHH) to fund a maximum of Twelve Million ($12,000,000) in construction improvements and expansions. Funds are to be repaid with a pledge of revenues by the District. During 2012, the District completed the construction and placed in service the improvement and expansions related to the $4,000,000 Series 2010A Revenue Bonds. The District closed the loan on the $8,000,000 Series 2011A Bonds during the fourth quarter of 2011, and began construction in the first quarter of 2012. At December 31, 2016, the District had received $5,686,648 ($1,125,000 which has been forgiven) in bond anticipation notes of an authorized $8,000,000 Series 2011A Revenue Bond and construction is expected to be finalized in 2018. During 2012, the District fully refunded the Series 2000 bonds and Series 2005 bonds and partially refunded the Series 2004 bonds in order to reduce interest expense and fees over the life of the bonds. The new refunding bonds are classified as the 2012A, 2012B, 2012C and 2012D bonds.

In 2016, the District had a slower numerical customer growth than experienced in the past five years due mainly to the August 2016 federal disaster event, but actually provided more water to the customer base of the District resulting in water related revenue increasing by 8.29% while overall operating expenses increased only by 5.34%. The rebound from the federal disaster of 2016 experienced by customers is now showing signs of consistent growth again so far in 2017. Development plans are once again taking action which will again increase the customer base of the District in the years ahead as experienced since 2010.

Contacting the District's Management

This financial report is designed to provide a general overview of the finances of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana, for all those interested in the District's finances. Questions regarding any of the information in this report or request for additional information should be addressed to Manager, Ward Two Water District of Livingston Parish, Post Office Box 637, Denham Springs, Louisiana 70727.

Statement A

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET

AS OF DECEMBER 31, 2016
(With Comparative Totals as of December 31, 2015)

	2016	2015
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 566,584	$ 806,722
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of $31,100)	634,897	344,512
Unbilled Water Sales	215,082	254,167
Due from Other Governments	43,968	98,673
Other	11,661	-
	905,608	697,352
Restricted Assets:		
Cash and Cash Equivalents -		
Cash for Customer Deposits	500,436	479,943
Bond Covenant Accounts	4,299,748	4,257,224
Construction Account	190,806	241,666
	4,990,990	4,978,833
Due from Other Governments	120,405	12,780
	5,111,395	4,991,613
Inventory	487,287	535,581
Prepaid Insurance	98,987	121,674
Total Current Assets	7,169,861	7,152,942
Noncurrent Assets:		
Deposits	492	492
Capital Assets:		
Land and Construction in Progress	1,512,497	859,769
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	29,752,685	30,297,361
Total Capital Assets	31,265,182	31,157,130
Total Noncurrent Assets	31,265,674	31,157,622
Total Assets	38,435,535	38,310,564
Deferred Outflows of Resources		
Deferred Amount on Refunding of Debt	659,276	722,524
Total Assets and Deferred Outflows of Resources	$ 39,094,811	$ 39,033,088

The accompanying notes are an integral part of this statement.

	2016	2015
Liabilities		
Current Liabilities:		
Accounts Payable	$ 106,244	$ 185,162
Accrued Payables	41,881	23,952
Construction Payable	97,789	12,780
Accumulated Unpaid Vacation	13,383	11,794
Customer Deposits	1,161,635	1,134,907
Bond Anticipation Note Payable	4,145,646	3,658,881
Bonds Payable - Current Portion	1,481,000	1,445,000
Accrued Interest on Bonds Payable	142,834	149,047
Total Current Liabilities	7,190,412	6,621,523
Noncurrent Liabilities:		
Bonds Payable	14,676,000	16,157,000
Accumulated Unpaid Vacation	40,150	35,382
Total Long-Term Liabilities	14,716,150	16,192,382
Total Liabilities	21,906,562	22,813,905
Net Position		
Net Investment in Capital Assets	11,621,812	10,618,773
Restricted for:		
Capital Projects and Debt Service	4,370,336	4,349,843
Unrestricted	1,196,101	1,250,567
Total Net Position	17,188,249	16,219,183
Total Liabilities and Net Position	$ 39,094,811	$ 39,033,088

Statement B

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Operating Revenues:		
Water Sales	$ 5,622,671	$ 5,192,229
Water Tap Fees	208,438	215,768
Service Charges	103,310	133,961
Penalty Charges	67,917	106,908
Sewer Billing Fees	110,179	111,833
Other	125,774	122,826
Total Operating Revenues	6,238,289	5,883,525
Operating Expenses:		
Personal Services and Benefits	1,697,416	1,623,980
Bad Debts	24,001	8,613
Bank Fees	127,233	114,998
Contractual Services	354,059	435,502
Depreciation	1,220,571	1,197,456
Insurance	170,618	157,344
Office Expense	174,772	156,246
Repairs and Maintenance	534,162	377,024
Supplies	93,512	93,138
Utilities	355,952	335,919
Vehicle Expense	61,627	69,505
Total Operating Expenses	4,813,923	4,569,725
Operating Income	1,424,366	1,313,800
Nonoperating Revenues (Expenses):		
Interest Income	4,614	2,240
Interest Expense	(605,796)	(534,312)
Gain (Loss) on Disposal of Assets	(27,758)	17,450
Other Income	174,905	414,986
Other Expense	(1,265)	-
Total Nonoperating Revenues (Expenses)	(455,300)	(99,636)
Change in Net Position	969,066	1,214,164
Net Position - Beginning of Year	16,219,183	15,005,019
Net Position - End of Year	$ 17,188,249	$ 16,219,183

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 6,006,032	$ 5,718,435
Cash Payments to Suppliers for Goods and Services	(1,879,872)	(1,739,076)
Cash Payments to Employees for Services and Benefits	(1,673,130)	(1,627,015)
Other Receipts (Payments)	173,640	414,986
Net Cash Provided by Operating Activities	2,626,670	2,767,330
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,274,678)	(827,696)
Proceeds from Sale of Assets	24,790	17,450
Interest Expense Paid that was Capitalized	(21,482)	(125,307)
Interest Expense Paid on Bonds Not Capitalized	(548,763)	(485,427)
Proceeds from Issuance of Debt	540,140	109,562
Principal Repayment on Debt	(1,606,000)	(1,831,000)
Net Receipts from Customer Deposits	26,728	64,703
Net Cash Used in Capital and Related Financing Activities	(2,859,265)	(3,077,715)
Cash Flows from Investing Activities:		
Interest Income Received	4,614	2,240
Net Cash Provided by Investing Activities	4,614	2,240
Net Decrease in Cash and Cash Equivalents	(227,981)	(308,145)
Cash and Cash Equivalents, Beginning of Year	5,785,555	6,093,700
Cash and Cash Equivalents, End of Year	$ 5,557,574	$ 5,785,555

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 1,424,366	$ 1,313,800
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,220,571	1,197,456
Provision for Bad Debt	24,001	8,613
Miscellaneous Revenues less Expenses	173,640	414,986
(Increase) Decrease in Accounts Receivable	(314,386)	(13,288)
(Increase) Decrease in Unbilled Receivable	39,085	(53,156)
(Increase) Decrease in Other Receivable	(11,661)	27
(Increase) Decrease in Due from Other Governments	54,705	(98,673)
(Increase) Decrease in Inventory	48,294	(27,146)
(Increase) Decrease in Prepaid Insurance	22,687	(7,075)
Increase (Decrease) in Accounts Payable	(78,918)	34,821
Increase (Decrease) in Compensated Absences	6,357	3,804
Increase (Decrease) in Accrued Expenses	17,929	(6,839)
Net Cash Provided by Operating Activities	$ 2,626,670	$ 2,767,330
Schedule of Noncash Capital and Related Financing Activities:		
Amortization of Advanced Refunding Difference	$ 63,245	$ 61,464
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents, Unrestricted	$ 566,584	$ 806,722
Cash and Cash Equivalents, Restricted	4,990,990	4,978,833
Total Cash and Cash Equivalents	$ 5,557,574	$ 5,785,555

The accompanying notes are an integral part of this statement.

(1) Organization, Nature of Operations, and Summary of Significant Accounting Policies -

A. Organization and Nature of Operations

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana was created by 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 rural Livingston Parish, 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 Livingston Parish. 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 has thirty-three full time and one part time employees. As of December 31, 2016 there were 19,897 metered customers, representing an increase in customers of 431 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

B. Financial Reporting Entity

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council.

The accompanying financial statements present information only on the activities and the fund maintained by the District and do not present information on the Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for Livingston Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Governmental Accounting Standards Board (GASB) Statement 61.

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements establish standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

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. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used. The District follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements.*

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.

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 statement of revenues, expenses and changes in net position includes all charges for services and 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 principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise 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.

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments 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.

E. Inventories

Inventory held primarily consists of supplies for system maintenance and 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.

F. 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, 2016.

G. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, including receivables reported as due from other government, are classified as restricted assets because their use is limited by applicable bond covenants or to ongoing construction projects funded by the bonds. In addition, certain resources are set aside to reimburse customers their utility deposits upon discontinuance of service.

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than $500, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. 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 date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings and Improvements	20 to 40
Machinery and Equipment	5 to 10
Furniture and Fixtures	5 to 10
Vehicles	5
Utility System	40

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

J. Accumulated Unpaid Vacation and Sick Pay

The 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 District’s basic financial statements.

GASB Statement Number 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 employee's 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.

K. Long-Term Obligations

Long-term liabilities are recognized within the Proprietary Fund. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. Prepaid insurance costs related to debt issuance is reported as an asset and recognized over the life of the related debt.

L. Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or 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 position 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 position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

M. Summary Financial Information for 2015

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

(2) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with original maturity dates of 90 days or less. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments at December 31, 2016:

	Book Balance	Bank Balance
Petty Cash	$ 1,000	$ -
Demand Deposits and Savings Accounts	1,256,826	1,615,530
Restricted Cash Held in Bank Trust Accounts	4,299,748	4,299,204
	$5,557,574	$5,914,734

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. 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. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2016, none of the District's bank balance of $5,914,734 was exposed to custodial credit risk.

(3) Receivables -

The following is a summary of receivables at December 31, 2016:

Accounts Receivable:	
Current	$ 546,147
31-60 Days Past Due	60,280
61-90 Days Past Due	28,470
Over 90 Days Past Due	31,100
Subtotal	665,997
Less: Allowance for Uncollectible Accounts	(31,100)
Net Accounts Receivable	$ 634,897

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 receivable, and the allowance for uncollectible accounts is adjusted to a reasonable estimate of collectability. Bad debt expense totaled $24,001 for the year ended December 31, 2016.

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 year. At December 31, 2016, accrued amounts were $215,082.

(4) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2016 is as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Capital Assets not being Depreciated:				
Land	$ 553,594	$ -	$ -	$ 553,594
Construction in Progress	306,175	669,247	(16,519)	958,903
Total Capital Assets not being Depreciated	859,769	669,247	(16,519)	1,512,497
Capital Assets being Depreciated:				
Buildings and Improvements	929,598	139,044	(94,534)	974,108
Equipment	1,311,173	154,586	-	1,465,759
Furniture and Fixtures	29,215	12,350	-	41,565
Vehicles	486,649	55,325	(41,742)	500,232
Utility System	41,465,495	367,136	-	41,832,631
Total Capital Assets being Depreciated	44,222,130	728,441	(136,276)	44,814,295
Less Accumulated Depreciation for:				
Buildings and Improvements	246,343	24,137	(50,790)	219,690
Equipment	1,060,099	53,236	-	1,113,335
Furniture and Fixtures	25,535	1,583	-	27,118
Vehicles	272,755	69,964	(32,940)	309,779
Utility System	12,320,037	1,071,651	-	13,391,688
Total Accumulated Depreciation	13,924,769	1,220,571	(83,730)	15,061,610
Total Capital Assets being Depreciated, Net	30,297,361	(492,130)	(52,546)	29,752,685
Total Capital Assets, Net	$ 31,157,130	$ 177,117	$ (69,065)	$ 31,265,182

Depreciation expense for the year ended December 31, 2016 was $1,220,571. Construction in progress at December 31, 2016, is detailed in Note 15 - Commitments.

(5) Short-Term Debt -

On April 21, 2009, the District adopted a resolution granting preliminary authorization to proceed with the issuance of not exceeding Twenty Million and no/100 dollars ($20,000,000) in aggregate amount of water revenue bonds. Based on the cost analysis provided by the District's consulting engineer, the Board determined that the Bonds should be issued in an amount not to exceed Twelve Million and no/100 Dollars ($12,000,000) and that the placement of the bonds under the Program with the Louisiana Department of Health and Hospitals (DHH) was the most cost-effective financing option for the District. On July 26, 2010, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, the maximum sum of Four Million Dollars ($4,000,000). Construction was finalized during 2012 and the loan was converted to a bond payable and is referred to as Waterworks Revenue Bonds, Series 2010A issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year.

On June 1, 2011, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, an additional maximum sum of Eight Million Dollars ($8,000,000). Once construction is finalized, the loan will be converted to a bond payable and referred to as Waterworks Revenue Bonds, Series 2011 issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year. The final bond payment schedule will be revised by DHH after final payment of the bonds to the District. In the Loan and Pledge Agreement under section 3.02, it states that upon the payment of each principal draw on the loan, and without any further action on the part of the DHH or the District, thirty percent (30%) of the principal amount of each such draw on the loan shall immediately and irrevocably be deemed to be forgiven by the DHH, up to a maximum amount of principal forgiveness of $1,125,000, and no interest shall accrue on the principal amount that is so forgiven. During 2013, the District met the maximum amount of principal forgiveness.

For the year ended December 31, 2016, the Series 2011 project is in the construction phases, with total bond proceeds received net of principal forgiven reported as Bond Anticipation Note Payable with a balance of $4,145,646.

(6) Long-Term Debt -

The following is a summary of long-term obligation transactions for the year ended December 31, 2016:

Description	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016	Due Within One Year
Long-Term Debt					
General Obligation Bonds	$ 71,000	$ -	$ (35,000)	$ 36,000	$ 36,000
2010A DHH Bonds	3,301,000	-	(185,000)	3,116,000	190,000
2012A Revenue Bonds	3,985,000	-	(530,000)	3,455,000	545,000
2012B Revenue Bonds	4,035,000	-	(320,000)	3,715,000	330,000
2012D Revenue Bonds	6,210,000	-	(375,000)	5,835,000	380,000
Total Long-Term Debt	$ 17,602,000	$ -	$ (1,445,000)	$ 16,157,000	$ 1,481,000

1977 General Obligation Bonds:

The $650,000 bonds were issued on November 11, 1977, and are due to the United States Department of Agriculture, Rural Development Service with semi-annual payment installments including principal and interest at 5% through September 1, 2017. The debt service requirements to maturity for the USDA 1977 General Obligation Bonds are as follows:

Year	Principal	Interest	Total
2017	$ 36,000	$ 900	$ 36,900

2010 Waterworks System Revenue Bonds:

The $4,000,000 bonds were issued on July 26, 2010, and are due to the Louisiana Department of Health and Hospitals with semi-annual payment installments including principal, interest at 2.95% and a DEQ .5% administrative fee through April 1, 2030. The bonds were issued through the Louisiana Department of Health and Hospitals through the Drinking Water Revolving Loan Fund to fund the waterworks expansion project. The debt service requirements to maturity for the 2010 Waterworks System Revenue Bonds are as follows:

Year	Principal	Interest	Administrative Fee	Total
2017	$ 190,000	$ 89,090	$ 15,105	$ 294,195
2018	194,000	83,426	14,145	291,571
2019	199,000	77,629	13,162	289,791
2020	204,000	71,685	12,155	287,840
2021	209,000	65,593	11,113	285,706
2022 to 2026	1,121,000	231,413	39,240	1,391,653
2027 to 2030	999,000	59,767	10,130	1,068,897
	$3,116,000	$ 678,603	$ 115,050	$3,909,653

2012A, 2012B, and 2012C Water Revenue Refunding Bonds:

On June 29, 2012, the District issued $5,355,000 Series 2012A, $4,540,000 Series 2012B, and $470,000 Series 2012C Water Revenue Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2000 DEQ Revenue bonds and the Series 2005 DHH bonds, interest and administrative fees. The District refunded the Series 2000 and Series 2005 bonds to decrease total debt service payments over the next 14 years by $728,956 and to obtain an economic gain of $628,526.

The Series 2012A bonds have semi-annual payment installments including principal and interest at 2.285% through April 1, 2022. The Series 2012B bonds have semi-annual payment installments including principal and interest at 2.563% through April 1, 2026. The Series 2012C bonds had semi-annual payment installments including principal and interest at 2.75% through April 1, 2014.

The debt service requirements to maturity for these Water Revenue Refunding Bonds are as follows:

Series 2012A Water Revenue Refunding Bonds

Year	Principal	Interest	Total
2017	$ 545,000	$ 72,720	$ 617,720
2018	555,000	60,153	615,153
2019	570,000	47,300	617,300
2020	580,000	34,161	614,161
2021	595,000	20,736	615,736
2022	610,000	6,969	616,969
	$3,455,000	$ 242,039	$ 3,697,039

Series 2012B Water Revenue Refunding Bonds

Year	Principal	Interest	Total
2017	$ 330,000	$ 90,987	$ 420,987
2018	340,000	82,400	422,400
2019	350,000	73,558	423,558
2020	355,000	64,524	419,524
2021	365,000	55,297	420,297
2022 to 2026	1,975,000	129,111	2,104,111
	$3,715,000	$ 495,877	$ 4,210,877

2012D Water Revenue Refunding Bonds:

On June 29, 2012, the District issued $6,725,000 Series 2012D Water Revenue Refunding Bonds for the purpose of refunding $5,915,000 of the outstanding balance of the Series 2004 Waterworks System Revenue Parity Bonds and interest and redemption premium associated with the Series 2004 Bonds. The net proceeds of $6,579,468 (after payment of $191,791 in cost of issuance) plus an additional $47,816 of the sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, $5,915,000 of the 2004 Series Bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books. The $5,915,000 of defeased bonds were paid off during 2014.

The Series 2012D bonds have semi-annual payment installments including principal and interest at 2.585% through April 1, 2029. The debt service requirements to maturity for the Series 2012D bonds are as follows:

Year	Principal	Interest	Total
2017	$ 380,000	$ 145,923	$ 525,923
2018	395,000	135,906	530,906
2019	405,000	125,566	530,566
2020	415,000	114,968	529,968
2021	425,000	104,111	529,111
2021 to 2026	2,290,000	347,941	2,637,941
2027 to 2029	1,525,000	59,778	1,584,778
	$5,835,000	$1,034,193	$ 6,869,193

The advance refunding of the Series 2004 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $710,232 which was deferred and is being amortized over the life of the new bonds. The difference is reported in the accompanying financial statements as a deferred outflow of resources and is being charged to operations as a component of interest expense. The District refunded the Series 2004 bonds to decrease total debt service payments over the next 17 years by $585,966 and to obtain an economic gain of $480,303.

Deferred Amount on Prior Advanced Refunding:

On April 1, 1994, 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 U.S government securities valued at $2,063,413 and deposited them into an irrevocable trust with an escrow agent to provide for all future debt service payments on the $1,820,000 of 1989 series bonds. As a result, $1,820,000 of the 1989 series bonds are considered to be defeased and the liability for the bonds has been removed from the District's books. Further, on April 1, 2004, the District issued the 2004 Waterworks System Revenue Parity Bonds for $8,250,000 that paid $3,165,000 for the redemption of 1994 Waterworks Revenue Bonds.

The 1994 advance refunding of the 1989 bonds 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 deferred outflow of resources, 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 $187,383 and to obtain an economic gain of $115,345.

Debt Service Requirements to Maturity:

The annual requirements to amortize all long term debt outstanding as of December 31, 2016 including expected interest payments of $2,451,612 and administration fees of $115,050 are as follows:

Year Ending	Principal	Interest	Administration Fee	Total
2017	$ 1,481,000	$ 399,620	$ 15,105	$ 1,895,725
2018	1,484,000	361,885	14,145	1,860,030
2019	1,524,000	324,053	13,162	1,861,215
2020	1,554,000	285,338	12,155	1,851,493
2021	1,594,000	245,737	11,113	1,850,850
2022 to 2026	5,996,000	715,434	39,240	6,750,674
2027 to 2030	2,524,000	119,545	10,130	2,653,675
	$ 16,157,000	$2,451,612	$ 115,050	$ 18,723,662

(7) Deferred Outflows of Resources -

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* provide guidance on reporting the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refundings resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At December 31, 2016, the District had a deferred amount on refunding of debt of $659,276 which is comprised of $47,814 for the 1994 advanced refunding and $611,462 for the 2012 advanced refunding of debt.

(8) Long-Term Debt Restricted Assets and Bond Covenant Requirements -

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2016. As of December 31, 2016, debt covenants relate to existing parity bonds, consisting of the 2010 Waterworks System Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds. The District's compliance with bond covenants as of December 31, 2016, 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.

	Sinking Fund	Reserve Fund	Renewal and Replacement Fund	Total
Required Balance	$ 1,371,335	$ 2,314,764	$ 500,000	$ 4,186,099
Current Reserved Amount	1,481,824	2,317,204	500,720	4,299,748
Amount Over (Under) Funded	$ 110,489	$ 2,440	$ 720	$ 113,649

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 20th 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 1/12 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, including the 2010 Waterworks System Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds.

At December 31, 2016, the District Sinking Fund bond deposits requirements were over funded by $110,489 for the 2010, 2012A, 2012B, and 2012D bond issues. The District made the required installments for the year ended December 31, 2016.

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 20th day of each month of each year, a sum at least equal to 25 percent of the amount required to be paid into the Sinking Fund for each month with respect 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 "Reserve Fund Requirement"), 2010 Waterworks System Revenue Bonds and the Series 2012A, 2012B, and 2012D Water Revenue Refunding bonds and any additional Parity Obligations hereafter issued. The 2012 Water Revenue Refunding Bonds were issued in parity with existing bond obligations and bond covenants specify that 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 exceeding five (5) years from the date of delivery of such additional parity obligations an amount of money equal to the Reserve Fund Requirement. The District chose to increase monthly payments over 5 years to fund the increased installment requirements for the 2012 Water Revenue Refunding bonds. At December 31, 2016, the District maintained a balance of $2,317,204 which was $2,440 more than the bond deposit requirements at year end. 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.

Renewal and Replacement Fund

The Renewal and Replacement Fund is established pursuant to the 2004 Bond Resolution, and is restated in 2012 Water Revenue Refunding bonds' Revenue Bond Resolution to apply to any subsequent Outstanding Parity Bonds. The Fund is 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 preceding 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 of 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 of 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 year ended December 31, 2016, the Renewal and Replacement Fund was fully funded with a balance of $500,720.

Bond Debt Coverage Ratio

Bond covenants of the outstanding parity obligations 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 sufficient to pay operations and maintenance expenses in each fiscal year and provide net revenues in each fiscal year in an amount equal to at least one hundred twenty-five percent of the required deposits to the Sinking Fund established in the Series 2004 Bond Resolution, Series 2010 Bond Resolution, Series 2012 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 Series 2004 bonds, Series 2010 bonds and Series 2012 bonds exceeded the 125 percent ratio for the year ended December 31, 2016.

(9) Restricted and Designated Net Position -

At December 31, 2016, the District recorded $4,370,336 in Restricted Net Position (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.

(10) 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.

(11) Litigation -

There is no outstanding litigation at December 31, 2016 for Ward Two Water District of Livingston Parish for which the District would expect an unfavorable outcome.

(12) Compensated Absences and Retirement Plan -

At December 31, 2016, the employees of the District have accumulated and vested $53,533 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post employment benefits.

The District does not belong to a retirement system; however, the District contributes to the Social Security System as required by law. In September 2012, the District adopted a 457(b) deferred compensation plan and the District elected to match employee contributions up to a maximum of 3 percent. The District contributed $36,037 into the 457(b) plan during 2016. Under the 457(b) plan, the Districts contributions are vested based on an employee's years of service in accordance with the terms of the Adoption Agreement.

(13) Compensation Paid to Board Members -

Compensation paid to the board members for 2016 were as follows:

Name / Contact Number	Title	Address and Telephone	Compensation Received
Theodore Graham (225) 664-9189	President	33550 Cane Market Road Walker, LA 70785	$ 1,600
John Easterly (225) 665-9794	Vice-President	37917 Louisiana Highway 16 Denham Springs, LA 70706-0334	1,400
Stanley Spillman (225) 665-2669	Secretary - Treasurer	P.O. Box 692 Watson, LA 70786	1,600
Shyrl Westmoreland (225) 664-2597	Board Member	29709 Bickford Lane Denham Springs, LA 70726	1,600
Jimmie McCoy (225) 665-3596	Board Member	37375 Louisiana Highway 16 Denham Springs, LA 70706-0326	1,600
			$ 7,800

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

(14) Schedule of Compensation, Benefits and Other Payments to Agency Head -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Theodore Graham, the District's Board President, who was the acting agency head for the year ended December 31, 2016:

Agency Head Name: Theodore Graham, Board President

Purpose	Amount
Salary	$ -
Benefits- health insurance	11,107
Benefits-retirement	-
Benefits- life insurance	30
Per diem	1,600
Reimbursements	-
	$ 12,737

(15) Commitments -

Following is a schedule that lists the various projects and projected costs of each along with amounts spent to date:

Project Name	Contract Amount	Spent to Date	Remaining Commitment
Current Bond Projects			
Juban Crossing Water Well Construction	$ 633,812	$ 573,812	$ 60,000
Juban Crossing Water Tank Construction	1,567,300	20,000	1,547,300
Juban Crossing Water Tank Design	93,176	93,176	-
Juban Crossing Water Well Design	51,191	51,191	-
Total Current Bond Projects	2,345,479	738,179	1,607,300
Other Projects	220,724	220,724	-
Total Incomplete Construction at December 31, 2016	$ 2,566,203	$ 958,903	$ 1,607,300

Total construction period interest costs of $21,482 were capitalized in 2016.

(16) Current Year Adoption of New Accounting Standards -

The District adopted the following recently issued GASB Standards in the preparation of their component unit financial statements:

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No 72 - *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of these standards had no impact on the government wide or the governmental fund financial statements, but provide for guidance, clarification and/or additional disclosures in the notes to the basic financial statements.

(17) Current Accounting Pronouncements -

In January 2016, the Governmental Accounting Standards Board issued GASB Statement No 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

In March 2016, the Governmental Accounting Standards Board issued GASB Statement No 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

Management is currently evaluating the effects of each of the new GASB pronouncements.

(18) Subsequent Events-

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 20, 2017, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

Schedule 1

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Water Sales	$ 5,225,000	$ 5,455,000	$ 5,622,671	$ 167,671
Water Tap Fees	212,000	210,000	208,438	(1,562)
Service Charges	147,500	108,000	103,310	(4,690)
Penalty Charges	105,500	70,000	67,917	(2,083)
Sewer Billing Fees	105,500	110,500	110,179	(321)
Other	120,000	115,000	125,774	10,774
Total Operating Revenues	5,915,500	6,068,500	6,238,289	169,789
Operating Expenses:				
Personal Services and Benefits:				
Salaries and Wages	1,222,000	1,200,000	1,219,230	(19,230)
Director's Fees	7,000	7,000	7,800	(800)
Employee Benefits and Payroll Taxes	436,000	430,000	470,386	(40,386)
	1,665,000	1,637,000	1,697,416	(60,416)
Bad Debts	3,000	3,000	24,001	(21,001)
Bank Card Charges and Fees	115,000	125,000	127,233	(2,233)
Contractual Services:				
Meter Reading	170,000	167,000	166,686	314
Professional Fees	225,000	164,000	149,873	14,127
Telemetry	37,000	37,000	37,500	(500)
	432,000	368,000	354,059	13,941
Depreciation	1,140,000	1,180,000	1,220,571	(40,571)
Insurance	160,000	160,000	170,618	(10,618)
Office Expense:				
Advertising	3,000	3,000	3,853	(853)
Computer and Printer Supplies	52,500	53,000	55,770	(2,770)
Miscellaneous	20,000	22,200	20,530	1,670
Postage	100,000	95,000	94,619	381
	175,500	173,200	174,772	(1,572)
Repairs and Maintenance	463,000	607,000	534,162	72,838
Supplies:				
Chlorination	50,000	55,000	48,687	6,313
Miscellaneous	20,000	18,000	15,171	2,829
Supplies	30,000	28,000	29,654	(1,654)
	100,000	101,000	93,512	7,488

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Expenses (Continued):				
Utilities:				
Utilities	295,000	300,000	309,461	(9,461)
Telephone	39,000	39,000	46,491	(7,491)
	334,000	339,000	355,952	(16,952)
Vehicle Expense	115,000	70,000	61,627	8,373
Total Operating Expenses	4,702,500	4,763,200	4,813,923	(50,723)
Operating Income	1,213,000	1,305,300	1,424,366	119,066
Nonoperating Revenues (Expenses):				
Interest Income	3,000	3,000	4,614	1,614
Interest Expense	(540,000)	(540,000)	(605,796)	(65,796)
Gain (Loss) on Disposal of Assets	-	4,000	(27,758)	(31,758)
Other Income	76,500	136,500	174,905	38,405
Other Expense	-	(1,500)	(1,265)	235
Total Nonoperating Revenues (Expenses)	(460,500)	(398,000)	(455,300)	(57,300)
Change in Net Position	752,500	907,300	969,066	61,766
Net Position - Beginning of Year	16,219,183	16,219,183	16,219,183	-
Net Position - End of Year	$ 16,971,683	$ 17,126,483	$ 17,188,249	$ 61,766

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2016

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Arch Insurance	Commercial Package Policy:		10/31/2016 to
Policy Number	Property and Inland Marine Coverage		10/31/2017
GWPKG0122706	Real and Personal Property Owned	Per Schedule on File	
	Mobile Equipment Owned	Per Schedule on File	
	Property Deductible per occurrence	2,500	
	Inland Marine Deductible per occurrence	1,000	
	General Liability		
	Bodily Injury and Property Damage		
	Per Occurrence	1,000,000	
	Aggregate	3,000,000	
	Personal Injury and Advertising Injury		
	Per Person or Organization	1,000,000	
	Aggregate	3,000,000	
	Professional Liability		
	Per Claim	1,000,000	
	Aggregate	3,000,000	
	Deductible per error or omission	1,000	
	Wrongful Acts		
	Per Claim	1,000,000	
	Aggregate	3,000,000	
	Deductible per wrongful act	1,000	
	Employee Benefits Liability		
	Per Person	1,000,000	
	Aggregate	3,000,000	
	Damage to Premises Rented		
	Any One Premises	100,000	
	Employee Practices Liability		
	Per Claim	1,000,000	
	Aggregate	3,000,000	
	Crime Coverage		
	Employee Dishonesty ($1,000 Deductible)	1,000,000	
	Forgery and Alteration ($1,000 Deductible)	100,000	
	Theft Disappearance and Destruction		
	Inside ($1,000 Deductible)	50,000	
	Outside ($1,000 Deductible)	50,000	
	Computer Fraud ($1,000 Deductible)	50,000	

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Arch Insurance (Continued)			
Policy Number	Automobile Coverage		10/31/2016 to
GWFXS0122706	Physical Damage	Per Schedule on File	10/31/2017
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Excess Insurance Coverage		
	Any One Occurrence Limit	4,000,000	
	Annual Aggregate Limit	4,000,000	
Travelers Casualty and Surety	Cyber Coverage w/Identity Fraud Expense		10/31/2016 to
Insurance Company	Reimbursement		10/31/2017
Policy Number 105699834	Network & Information / Security Limit of Liability	1,000,000	
	Communication and Media Limit of Liability	500,000	
	Regulatory Defense Expenses Limit of Liability	500,000	
	Crisis Management Event Expenses	250,000	
	Security Breach Remediation & Notification Expense	250,000	
	CyberRisk Policy Aggregate	1,000,000	
	Retention	2,500	
Louisiana Workers	Workers Compensation Insurance		10/31/2016 to
Compensation Corporation	State of Louisiana Coverage Only		10/31/2017
Policy Number 77205-B	Employers Liability Insurance		
	Bodily Injury by Accident - Each Accident	1,000,000	
	Bodily Injury by Disease - Policy Limit	1,000,000	
	Bodily Injury by Disease - Each Employee	1,000,000	

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF WATER RATES, TAP FEES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2016

			Tap Fees	
Water Fees			Inch Tap	Fee
First 2,000 Gallons	$	13.50	3/4" Tap	$ 385
Per Next 1,000 Gallons of Water up to 3,000 Gallons		2.52	1" Tap	$ 560
Per Next 1,000 Gallons of Water up to 5,000 Gallons		2.12	1 1/2" Tap	$ 650
Per Next 1,000 Gallons of Water over 10,000 Gallons		1.37	2" Tap	$ 700
			4" Tap	Varies

Customers	
Residential	18,741
Nonresidential	1,156
Total Customers	19,897

See independent auditor's report.

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

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

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

We have audited, in accordance with the 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, the financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2017

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2016

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2016

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None