

Livingston Parish Sewer District
DBA Livingston Parish Sewer District Number
Two

Annual Financial Statements

As of and for the Year Then Ended December 31, 2019
With Supplementary Information Schedules
(with 2018 summarized comparative information)



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Livingston Parish Sewer District
Annual Financial Statements
As of and for the Year Ended December 31, 2019
With Supplementary Information Schedules
(with 2018 summarized comparative information)

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Independent Auditor's Report

To the Board of Commissioners
Livingston Parish Sewer District
Livingston Parish Council
Denham Springs, Louisiana 70438

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Livingston Parish Sewer District, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's 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 opinions 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 entity'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 entity'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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Livingston Parish Sewer District, as of December 31, 2019, and the respective changes in the 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 the Livingston Parish Sewer District's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 7 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 response 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.

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CERTIFIED PUBLIC ACCOUNTANTS
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Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule listed as Other Supplementary Information, included in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedules listed as Other Supplementary Information in the table of contents is the responsibility of management and was derived from and relates 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 supplementary information is 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 24, 2020 on our consideration of Livingston Parish Sewer District's internal control over financial reporting and 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 provide an opinion on 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 the Livingston Parish Sewer District's internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana
June 24, 2020

Required Supplementary Information
Management's Discussion and Analysis

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

Introduction

The Livingston Parish Sewer District (the District) is pleased to present its Annual Financial Statements developed in compliance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards more fully described in the financial statement footnotes as *Footnote 1- Summary of Significant Accounting Policies*.

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, 2019, total assets and deferred outflows were \$39,038,256, and exceeded liabilities in the amount of \$7,859,509 (i.e., net position). Of the total net position, \$2,036,047 was unrestricted and available to support short-term operations. The net investment in capital assets totaled \$3,919,874. The remaining balance was restricted for capital projects activity and debt service.
- The long-term portion of bonds payable decreased to \$732,887 at December 31, 2019 compared to an increase of \$30,243,911 at the end of the prior fiscal period. This was due to the issuance of Series 2019 Revenue Refunding Bonds that paid off Series 2014 Revenue Refunding Bonds less bond principal payments during the fiscal year.
- For the year ended December 31, 2019, operating revenues increased to \$5,154,827 as compared to \$4,872,428 for the fiscal year ending December 31, 2018.
- The District's operating expenses, other than depreciation expense, increased by \$393,792 to \$2,849,137 for fiscal year ending December 31, 2019 as compared to \$2,455,345 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$162,996, salaries and wages of \$85,671, other miscellaneous expenses of \$79,757, and professional fees of \$34,214.
- The District showed an increase in net position of \$1,105,720 for the fiscal year ended December 31, 2019, as compared to an increase of \$658,109 for the fiscal year ending December 31, 2018.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

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 Sewer 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 Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position 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, key information schedules on operation of the District, and if applicable, schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure, if applicable.

Financial Analysis

The purpose of financial analysis is to help determine whether Livingston Parish Sewer 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 Statement of Net Position, 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 liabilities, 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.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

Condensed Statements of Net Position 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:		(Restated)		
Current and Other Assets	\$ 11,924,309	\$ 13,330,743	\$ (1,406,434)	-11%
Capital Assets	<u>27,066,567</u>	<u>25,197,396</u>	<u>1,869,171</u>	7%
Total Assets	<u>38,990,876</u>	<u>38,528,139</u>	<u>462,737</u>	1%
Deferred Outflows of Resources				
Refunding of Debt	<u>47,380</u>	<u>42,301</u>	<u>5,079</u>	12%
Total Deferred Outflows of Resources	<u>47,380</u>	<u>42,301</u>	<u>5,079</u>	12%
Liabilities:				
Long-Term Debt Outstanding	29,544,024	30,243,911	(699,887)	-2%
Other Liabilities	<u>1,634,723</u>	<u>1,572,740</u>	<u>61,983</u>	4%
Total Liabilities	<u>31,178,747</u>	<u>31,816,651</u>	<u>(637,904)</u>	-2%
Net Position:				
Net Investment in Capital Assets	3,919,874	2,871,749	1,048,125	36%
Restricted for Capital Activity and Debt Service	1,903,588	2,559,412	(655,824)	-26%
Unrestricted	<u>2,036,047</u>	<u>1,322,628</u>	<u>713,419</u>	54%
Total Net Position	<u>\$ 7,859,509</u>	<u>\$ 6,753,789</u>	<u>\$ 1,105,720</u>	16%

The major components of change for "Current and Other Assets" is a decrease in restricted cash of \$2,026,948 for sewer expansion construction related to the Series 2018 construction funds and an increase in unrestricted cash of \$926,920.

"Capital Assets" increased by \$1,869,171, reflecting primarily asset additions of \$4,098,789 less the depreciation recorded on capital assets of \$1,001,569 for the fiscal year ending December 31, 2019. Capital asset increases included \$216,594 in sewer system improvements, \$329,534 for bridge replacement, \$121,138 for various equipment and improvements, and \$2,203,475 for construction in progress relating to the Juban expansion and the southern expansion project. The District also completed the Juban expansion project and transferred \$1,228,049 from Construction in Progress to sewer system improvements.

"Total Net Position" (total assets less total liabilities) increased \$1,105,720 for the fiscal year ended December 31, 2019, compared to an increase of \$658,109 for the fiscal year ending December 31, 2018.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2019	Year ended December 31, 2018 (Restated)	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 5,154,827	\$ 4,872,428	\$ 282,399	6%
Nonoperating Revenues	1,101,840	544,834	557,006	102%
Total Revenues	<u>6,256,667</u>	<u>5,417,262</u>	<u>839,405</u>	15%
Expenses:				
Depreciation Expense	1,001,569	859,113	142,456	17%
Other Operating Expense	2,849,137	2,455,345	393,792	16%
Nonoperating Expense	1,300,241	1,444,695	(144,454)	-10%
Total Expenses	<u>5,150,947</u>	<u>4,759,153</u>	<u>391,794</u>	8%
Changes in Net Position	<u>1,105,720</u>	<u>658,109</u>	<u>447,611</u>	68%
Beginning Net Position Prior to Adjustments	8,824,489	5,878,763	2,945,726	50%
Prior Period Adjustments	<u>(2,070,700)</u>	<u>216,917</u>	<u>(2,287,617)</u>	-1055%
Net Position, Beginning	<u>6,753,789</u>	<u>6,095,680</u>	<u>658,109</u>	11%
Ending Net Position	<u>\$ 7,859,509</u>	<u>\$ 6,753,789</u>	<u>\$ 1,105,720</u>	16%

While the Statement of Net Position shows the change in financial position of 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 Livingston Parish Sewer District is being conservatively managed.

Total "Operating Revenues" (including sewer sales and revenues related to providing sewer maintenance fees and impact fees) increased by \$282,399 primarily due to an increase of \$109,959 in impact fees and \$247,598 in sewer fees and a decrease of \$144,149 in development fees. Nonoperating revenues increased \$557,006 due to increases of \$233,729 in FEMA reimbursements and \$199,726 in reimbursements for Juban Expansion.

Total "Operating Expenses", other than depreciation expense, increased by \$393,792 to \$2,849,137 for fiscal year ending December 31, 2019 as compared to \$2,455,345 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$162,996, salaries and wages of \$85,671, other miscellaneous expenses of \$79,757, and professional fees of \$34,214.

Total "Nonoperating Expense" decreased by \$144,454. This decrease was due primarily to bond refunding transfers to the Parish Council for Series 2016 Revenue Refunding Bonds of \$92,447, bond issuance cost of \$167,934, flood expenses of \$61,382, and an increase of \$177,309 in interest expense.

The District showed an increase of \$1,105,720 (change in net position) for the fiscal year ending December 31, 2019, as compared to an increase of \$658,109 for the fiscal year ending December 31, 2018.

Livingston Parish Sewer District

Management’s Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

Budgetary Highlights

Livingston Parish Sewer District adopts an annual operating budget to enhance management and operation of the District. 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 – Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual”, as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2019

	Budget Year ended December 31, 2019	Actual Year ended December 31, 2019	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 5,045,737	\$ 5,154,827	\$ 109,090
Nonoperating Revenues	905,263	1,101,840	196,577
Total Revenues	5,951,000	6,256,667	305,667
Expenses:			
Depreciation Expense	940,000	1,001,569	(61,569)
Other Operating Expense	4,036,000	2,849,137	1,186,863
Nonoperating Expense	975,000	1,300,241	(325,241)
Total Expenses	5,951,000	5,150,947	800,053
Change in Net Position	\$ -	\$ 1,105,720	\$ 1,105,720

Actual revenues exceeded budgeted revenues by approximately 5.14% or \$305,667, and actual expenses were below their projection of expenses by approximately 13.44% or \$800,053.

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.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

General Operating Data

	December 31, 2019	December 31, 2018	Increase (Decrease)
Customers	8,063	7,188	875
Total Customers	8,063	7,188	875

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2019, Livingston Parish Sewer District had \$27,066,567 (net of accumulated depreciation) recorded in capital assets. This includes sewer line systems and improvements, land, buildings, machinery and equipment, and vehicles used to operate the sewerage system. The changes in capital assets are presented in the table below.

	December 31, 2019	December 31, 2018	Increase (Decrease)	Percentage Change
Capital Assets				
Buildings	\$ 580,858	\$ 580,858	-	0%
Machinery & Equipment	1,740,148	1,619,011	121,137	7%
Utility System	32,930,197	31,156,020	1,774,177	6%
Vehicles	333,130	333,130	-	0%
Subtotal	35,584,333	33,689,019	1,895,314	6%
Less: Accumulated Depreciation	(10,975,358)	(9,973,789)	(1,001,569)	-10%
Capital Assets Being Depreciated, Net	24,608,975	23,715,230	893,745	4%
Land	193,566	193,566	-	0%
Construction in Progress	2,264,026	1,288,600	975,426	76%
Net Capital Assets	\$ 27,066,567	\$ 25,197,396	\$ 1,869,171	7%

“Capital Assets” increased by \$1,869,171, reflecting primarily asset additions of \$4,098,789 less the depreciation recorded on capital assets of \$1,001,569 for the fiscal year ending December 31, 2019. Capital asset increases included \$216,594 in sewer system improvements, \$329,534 for bridge replacement, \$121,138 for various equipment and improvements, and \$2,203,475 for construction in progress relating to the Juban expansion and the southern expansion project. The District also completed the Juban expansion project and transferred \$1,228,049 from Construction in Progress to sewer system improvements.

Long-Term Offerings

The primary source of long-term financing for Livingston Parish Sewer District are bonds issued through private lenders. With the issuance of the 2012 Refunding Bonds at \$572,000, the issuance of the 2012 Ward Two Sewer District Expansion bonds at \$15,900,000, the issuance of the Series 2016 Sewer Refunding Bonds at \$2,200,000, the issuance of the Series 2018 Revenue Bonds at \$10,315,000, and the issuance of the Series 2019 Revenue Refunding Bonds at \$3,980,000 the District covenants that net income will be maintained at a sufficient level to cover all operating and maintenance expenses and to cover bond requirements including debt installments and bond deposit requirements agreed to with the issuance of revenue bonds for the District. The District has also

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2019

assumed responsibility for payment of the bonds issued by the Livingston Parish Council, the Livingston Parish Sewer District No. 2, Series 2009. The reader should refer to *Footnote 7 – Flow of Funds Restrictions on Use* and *Footnote 12 – Other Commitments and Contingencies* for a discussion of the District's compliance to bond covenants. The District for the fiscal year ending December 31, 2019 complied with bond covenants requiring a 125% ratio of Net Revenues to bond deposit requirements. The reader should also refer to *Footnote 12 - Other Commitments and Contingencies* on the payments of the Series 2009 Bonds of the Livingston Parish Council, for which the District is contractually obligated to pay debt installments.

Future Economic Plans

The Livingston Parish Sewer District's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. The Board's emphasis is on providing services at the lowest cost available and to actively pursue projects that result in better service for customers.

Requests for Information

This financial report is designed to provide a general overview of Livingston Parish Sewer District's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District's accountant, Randy Smith at 277 East Railroad Avenue, Suite A, Denham Springs, LA 70726, at (225) 664-7579.

Financial Statements

Statement A

Livingston Parish Sewer District
Statement of Net Position
As of December 31, 2019
(with 2018 summarized comparative information)

	<u>2019</u>	<u>2018</u> (Restated)
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 2,036,800	\$ 1,109,880
Receivables, Net :		
Accounts	27,903	339,111
Due From Other Governments	343,290	455,202
Other Receivables	118,000	-
Prepaid Insurance	35,456	33,888
Total Current Assets	<u>2,561,449</u>	<u>1,938,081</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	9,123,908	11,150,856
Total Restricted Assets	<u>9,123,908</u>	<u>11,150,856</u>
Property, Plant, and Equipment		
Land	193,566	193,566
Construction in Progress	2,264,026	1,288,600
Property, Plant and Equipment, Net	<u>24,608,975</u>	<u>23,715,230</u>
Total Property, Plant, and Equipment	<u>27,066,567</u>	<u>25,197,396</u>
Other Assets		
Prepaid Bond Insurance Costs, Net	236,683	239,537
Meter Deposits	2,269	2,269
Total Other Assets	<u>238,952</u>	<u>241,806</u>
Total Assets	<u>38,990,876</u>	<u>38,528,139</u>
Deferred Outflows of Resources		
Refunding of Debt	47,380	42,301
Total Deferred Outflows of Resources	<u>47,380</u>	<u>42,301</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	164,352	257,826
Other Accrued Payables	133,469	5,406
Due To Other Governments	-	667
Total Current Liabilities (Payable From Current Assets)	<u>297,821</u>	<u>263,899</u>
Current Liabilities (Payable From Restricted Assets):		
Construction Payable	267,989	85,180
Accrued Interest Payable	513,913	635,661
Revenue Bonds Payable	555,000	588,000
Total Current Liabilities (Payable From Restricted Assets)	<u>1,336,902</u>	<u>1,308,841</u>
Long Term Liabilities:		
Bonds Payable	29,544,024	30,243,911
Total Long Term Liabilities	<u>29,544,024</u>	<u>30,243,911</u>
Total Liabilities	<u>31,178,747</u>	<u>31,816,651</u>
Net Position		
Net Investment in Capital Assets	3,919,874	2,871,749
Restricted for:		
Capital Projects and Debt Service	1,903,588	2,559,412
Unrestricted	2,036,047	1,322,628
Total Net Position	<u>\$ 7,859,509</u>	<u>\$ 6,753,789</u>

The accompanying notes are an integral part of these financial statements.

Statement B

Livingston Parish Sewer District
Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2019
(with 2018 summarized comparative information)

	<u>2019</u>	<u>2018</u>
Operating Revenues		(Restated)
Sewer Fees	\$ 4,388,380	\$ 4,140,782
Permits & Inspection Fees	65,108	53,502
User & Hook-up Fees	114,974	66,306
Impact Fees	575,926	465,967
Development Fees	-	144,149
Other Operating Income	10,439	1,722
Total Operating Revenues	<u>5,154,827</u>	<u>4,872,428</u>
Operating Expenses		
Salaries and Wages	551,086	465,515
Payroll Taxes & Group Insurance	119,363	112,251
Per Diem	5,300	5,900
Amortization-Prepaid Bond Insurance	9,864	8,150
Bad Debts	7,954	11,520
Depreciation	1,001,569	859,113
Fuel/Oil-Trucks	49,135	47,542
Insurance	115,403	140,194
Licenses & Permits	12,425	10,342
Office Expense	6,091	3,332
Other	191,194	111,437
Professional Fees	188,301	154,087
Repairs and Maintenance	1,043,991	880,995
Supplies	164,635	145,194
Telephone	18,741	18,910
Uniform Expense	14,851	14,141
Utilities	350,803	325,835
Total Operating Expenses	<u>3,850,706</u>	<u>3,314,458</u>
Operating Income (Loss)	<u>1,304,121</u>	<u>1,557,970</u>
Nonoperating Revenues (Expenses)		
Interest Income	168,301	89,750
FEMA Reimbursement	288,676	54,947
Grant Income	45,000	-
Interest Expense	(1,037,605)	(860,296)
Bond Issuance Cost	(133,135)	(301,069)
Transfer for Parish Council Debt Obligation	(69,741)	(162,188)
Flood Expense	(59,760)	(121,142)
Reimbursement for Juban Expansion	599,863	400,137
Total Nonoperating Revenues (Expenses)	<u>(198,401)</u>	<u>(899,861)</u>
Change in Net Position	<u>1,105,720</u>	<u>658,109</u>
Total Net Position Prior to Adjustments, Beginning	8,824,489	5,878,763
Prior Period Adjustment (Note 14)	(2,070,700)	216,917
Total Net Position, Beginning	<u>6,753,789</u>	<u>6,095,680</u>
Total Net Position, Ending	<u>\$ 7,859,509</u>	<u>\$ 6,753,789</u>

The accompanying notes are an integral part of this statement.

Livingston Parish Sewer District
Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2019
(with 2018 summarized comparative information)

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		(Restated)
Received From Customers	\$ 5,455,596	\$ 4,872,309
Other Receipts	292,694	(398,533)
Payments for Operations	(2,137,562)	(1,760,410)
Payments to Employees	(668,690)	(585,374)
Net Cash Provided by Operating Activities	<u>2,942,038</u>	<u>2,127,992</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Flood Expenses	(59,760)	(121,142)
Proceeds from FEMA Reimbursements	333	-
Proceeds from Grants	45,000	-
Reimbursements for Juban Expansion	599,863	400,137
(Payments for) Livingston Parish Council Debt Obligation	(70,408)	(161,521)
(Payments for) Capital Acquisitions	(2,687,931)	(2,027,185)
Principal Proceeds from (Repayments for) Long Term Debt	(732,887)	9,601,437
Deferred Outflows for Refunding	(5,079)	1,627
Debt Issue Cost Payments	(133,135)	(301,069)
Prepaid Bond Insurance Payments	2,854	(48,800)
Interest Payments for Long Term Debt	(1,169,217)	(682,942)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,210,367)</u>	<u>6,660,542</u>
Cash Flows From Investing Activities		
Receipt of Interest	168,301	89,750
Proceeds from sale (Payments) for Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>168,301</u>	<u>89,750</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(1,100,028)	8,878,284
Cash and Cash Equivalents, Beginning of Year	<u>12,260,736</u>	<u>3,382,452</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,160,708</u>	<u>\$ 12,260,736</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 2,036,800	\$ 1,109,880
Cash and Cash Equivalents, Restricted	<u>9,123,908</u>	<u>11,150,856</u>
Total Cash and Cash Equivalents	<u>\$ 11,160,708</u>	<u>\$ 12,260,736</u>

(Continued)

The accompanying notes are an integral part of this statement.

Livingston Parish Sewer District
Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2019
(with 2018 summarized comparative information)

Statement C
(Continued)

	2019	2018
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		(Restated)
Operating Income (Loss)	\$ 1,304,121	\$ 1,557,970
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,011,433	867,263
(Increase) decrease in Accounts Receivable	311,208	1,603
(Increase) decrease in Prepaid Insurance	(1,568)	5,898
(Increase) decrease in Other Assets	(118,000)	-
(Increase) decrease in Due (to) and from Other Governments	400,255	(400,255)
Increase (decrease) in Accounts Payable	(93,474)	100,710
Increase (decrease) in Accrued Expenses	128,063	(5,197)
Net Cash Provided by Operating Activities	\$ 2,942,038	\$ 2,127,992

(Concluded)

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Notes to the Financial Statements

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2019
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Introduction

Livingston Parish Sewer District (the District) was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on October 26, 1974, pursuant to the provisions of R.S. 33:3811, et, seq., of the Louisiana Revised Statutes of 1950.

On November 8, 2016, voters authorized the merger of Livingston Parish Sewer District Number One into Livingston Parish Sewer District Number Two. The proposition stated that in order to consolidate operations, achieve maximum budget efficiency and reduce the costs of operations, that the two Districts be granted the authority to merge in accordance with Article VI, Section 16 of the Constitution of the State of Louisiana of 1974. On December 15, 2016, the District, after consultation with legal services and the Louisiana Legislative Auditor, approved a motion to approve the merger, effective January 1, 2017. On February 9, 2018, the Livingston Parish Council amended the legal name of Livingston Parish Sewer District Number Two to Livingston Parish Sewer District.

The District is located in and around Denham Springs, Louisiana. The purpose of the District is to provide sanitation services to customers within the boundaries of the District. The board is composed of a maximum of five board members appointed by the Livingston Parish Council. Board members are compensated for meeting attendance at the rate of \$100 per meeting.

Livingston Parish Sewer District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

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 Sewer District is considered a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements should be 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 and 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 Government Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

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 originally including a statement of net assets (or balance sheet), a statement of activities and changes in net position, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. 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 position.

Livingston Parish Sewer District
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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote 1, Section J – Net Position*. As required by the Government Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ending December 31, 2012. The District did not have any deferred inflows at December 31, 2019. The District did record \$47,380 of deferred outflows of resources due to debt refundings during the year ending December 31, 2019.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote 1, Section I – Long-Term Debt Obligations*.

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. 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 principal 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.

Livingston Parish Sewer District
Notes to the Financial Statements
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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

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.

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.

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

As of December 31, 2019 the District had no investments.

D. Inventories

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. Inventories are valued at cost using the first-in, first-out method. As of December 31, 2019, the District had no significant inventory.

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.

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 than \$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 sewer 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure Assets	40 Years
Land Improvements	40 Years
Buildings and Building Improvements	40 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	3 - 10 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. Effective for fiscal year 2019, the District no longer capitalizes interest during the construction period on a prospective basis as per GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

H. Compensated Absences

Full time employees of the District, who were employed by Employer sequent to June 30th of the previous year and one week prior to January 1st of the current year shall receive within the current calendar year a vacation of one week with pay. Employees who were employed by Employer prior to July 1st of the preceding year shall receive within the current calendar year a vacation of two weeks with pay. Employees with seven years or more will be granted a total of three weeks with pay within the current calendar year. Employees with twelve years or more of service will be granted a total of four weeks with pay within the current calendar year. Employees with eighteen years or more of service will be granted a total of five weeks with pay within the current calendar year. Employees with twenty-five years or more of service will be granted a total of six weeks with pay within the current calendar year. Vacation leave may be carried over to the following year up to a maximum of 384 hours. In the event that work-related problems would not allow a person to take vacations, the employee may be paid compensation for up to the amount earned that fiscal year on approval by the Board. Upon separation, after six months of employment, each employee shall be paid any earned vacation accumulated.

Sick leave is earned after the first six months of full employment. Employees earn 80 hours of sick leave per year based on a twelve-month year. Unused sick leave may not be carried over to the following year. No cash payments shall be made for accumulated sick leave.

I. Long-Term Debt Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65.

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the

Livingston Parish Sewer District
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costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued (“old”) debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

The District had bond issue costs of \$133,135 related to the issuance of the Series 2019 Sewer Revenue Refunding Bonds for the fiscal year ended December 31, 2019.

J. Net Position

GASB Statement No. 34, Basic Financial Statements, Management’s Discussion and Analysis, for State and Local Governments, required reclassification of net assets into three separate components. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in

Livingston Parish Sewer District
Notes to the Financial Statements
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capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- **Restricted Component of Net Position** - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized information. Such information does not include sufficient detail 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, 2018, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments recorded in the current period have been reflected in prior period data presented wherever possible.

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 requires management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2019, the District has cash and cash equivalents (book balances) as follows:

	December 31, 2019
Demand Deposits	\$ 3,677,220
Trust Funds	7,483,488
	\$ 11,160,708

Livingston Parish Sewer District
Notes to the Financial Statements
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2019, the District has \$15,363,809 in cash and cash equivalent deposits (collected bank balances), consisting of \$3,775,351 in demand deposits and \$11,588,458 in Trust Funds. The demand deposits are held in two banks. Demand deposits in one bank are secured from risk by \$250,000 of federal deposit insurance and \$3,458,248 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$3,458,248 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The demand deposits in the second bank of \$67,104 are secured from risk by \$250,000 of federal deposit insurance. The \$11,588,458 of Trust Funds is fully collateralized by the Trust Fund department of the participating bank.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions 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.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial risk. However, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

3. Receivables

At December 31, 2019, the District recorded \$27,903 in customer accounts receivable. Billing services for the District are contracted with Ward 2 Water District of Livingston Parish and the City of Denham Springs. Accounts receivable at fiscal year-end includes the amounts collected but not yet remitted to the District. Customer accounts are written off as deemed uncollectible and any allowance for uncollectible accounts is deemed immaterial at fiscal year-end.

4. Restricted Assets

The following is a summary of restricted assets at December 31, 2019:

	December 31, 2019
Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 84,542
Bond Contingency Account	21,300
Bond Sinking Account	1,358,363
Impact Fee Fund	432,970
Construction Expansion Fund	7,220,320
Cash Bond Escrow Account	6,413
Total Restricted Assets	<u>\$ 9,123,908</u>

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Notes to the Financial Statements
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5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2019 is as follows:

	Beginning Balance 12/31/18	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/19
Capital Assets Being Depreciated				
Buildings	\$ 580,858	\$ -	\$ -	\$ 580,858
Machinery and Equipment	1,619,011	121,138	-	1,740,148
Utility System	31,156,020	1,774,176	-	32,930,197
Vehicles	333,130	-	-	333,130
Total Capital Assets Being Depreciated	33,689,019	1,895,314	-	35,584,333
Less Accumulated Depreciation	(9,973,789)	(1,001,569)	-	(10,975,358)
Capital Assets Being Depreciated, Net	23,715,230	893,745	-	24,608,975
Land	193,566	-	-	193,566
Construction in Progress	1,288,600	2,203,475	(1,228,049)	2,264,026
Total Capital Assets, Net	\$ 25,197,396	\$ 3,097,220	\$ (1,228,049)	\$ 27,066,567

Depreciation expense for the fiscal year ending December 31, 2019, totaled \$1,001,569. Total additions included \$216,594 in sewer system improvements, \$329,534 for bridge replacement, \$121,138 for various equipment and improvements, and \$2,203,475 for construction in progress relating to the Juban expansion and the southern expansion project. The District also completed the Juban expansion project and transferred \$1,228,049 from Construction in Progress to sewer system improvements.

Livingston Parish Sewer District
Notes to the Financial Statements
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6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2019:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
Revenue Refunding Bonds, Series 2012	\$ 309,000	\$ -	\$ (48,000)	\$ 261,000	\$ 50,000
Sewer Expansion Bonds, Series 2012	13,865,000	-	(410,000)	13,455,000	420,000
Revenue Refunding Bonds, Series 2014	4,265,000	-	(4,265,000)	-	-
Revenue Refunding Bonds, Series 2016	2,165,000	-	(20,000)	2,145,000	85,000
Revenue Bonds, Series 2018	10,315,000	-	-	10,315,000	-
Revenue Refunding Bonds, Series 2019	-	3,980,000	-	3,980,000	-
Total Long-Term Debt	<u>30,919,000</u>	<u>3,980,000</u>	<u>(4,743,000)</u>	<u>30,156,000</u>	<u>555,000</u>
Plus:					
Unamortized Premium (Discount)	<u>(87,089)</u>	<u>27,926</u>	<u>2,187</u>	<u>(56,976)</u>	<u>(1,072)</u>
Total Long-Term Debt	<u>\$ 30,831,911</u>	<u>\$ 4,007,926</u>	<u>\$ (4,740,813)</u>	<u>\$ 30,099,024</u>	<u>\$ 553,928</u>

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Notes to the Financial Statements
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The annual requirements to amortize all debt outstanding as of December 31, 2019, including interest payments of \$18,003,578 are as follows:

Year Ending 12/31/19	Series 2012 Revenue Refunding Bonds \$572,000			Series 2012 Sewer Expansion Bonds \$15,900,000			Series 2016 Revenue Refunding Bonds \$2,200,000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 50,000	\$ 6,726	\$ 56,726	\$ 420,000	\$ 432,105	\$ 852,105	\$ 85,000	\$ 64,291	\$ 149,291
2021	51,000	5,287	56,287	425,000	423,705	848,705	85,000	63,080	148,080
2022	53,000	3,805	56,805	435,000	415,205	850,205	85,000	61,720	146,720
2023	54,000	2,280	56,280	445,000	404,330	849,330	85,000	60,275	145,275
2024	53,000	755	53,755	460,000	390,980	850,980	90,000	58,700	148,700
2025 to 2029	-	-	-	2,520,000	1,739,200	4,259,200	470,000	257,490	727,490
2030 to 2034	-	-	-	2,920,000	1,334,950	4,254,950	570,000	161,556	731,556
2035 to 2039	-	-	-	3,455,000	805,235	4,260,235	675,000	58,319	733,319
2040 to 2044	-	-	-	2,375,000	172,980	2,547,980	-	-	-
2045 to 2048	-	-	-	-	-	-	-	-	-
	\$ 261,000	\$ 18,853	\$ 279,853	\$ 13,455,000	\$ 6,118,690	\$ 19,573,690	\$ 2,145,000	\$ 785,431	\$ 2,930,431

Year Ending 12/31/19	Series 2018 Sewer Revenue Bonds \$10,315,000			Series 2019 Revenue Refunding Bonds \$3,980,000			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ -	\$ 376,349	\$ 376,349	\$ -	\$ 195,437	\$ 195,437	\$ 555,000	\$ 1,074,908	\$ 1,629,908
2021	-	376,349	376,349	120,000	115,425	235,425	681,000	983,846	1,664,846
2022	-	376,349	376,349	120,000	111,825	231,825	693,000	968,904	1,661,904
2023	-	376,349	376,349	125,000	108,150	233,150	709,000	951,384	1,660,384
2024	-	376,349	376,349	125,000	104,400	229,400	728,000	931,184	1,659,184
2025 to 2029	270,000	1,862,132	2,132,132	695,000	463,875	1,158,875	3,955,000	4,322,697	8,277,697
2030 to 2034	340,000	1,812,060	2,152,060	795,000	361,275	1,156,275	4,625,000	3,669,841	8,294,841
2035 to 2039	415,000	1,747,144	2,162,144	925,000	232,125	1,157,125	5,470,000	2,842,823	8,312,823
2040 to 2044	3,060,000	1,531,135	4,591,135	1,075,000	82,125	1,157,125	6,510,000	1,786,240	8,296,240
2045 to 2048	6,230,000	471,751	6,701,751	-	-	-	6,230,000	471,751	6,701,751
	\$ 10,315,000	\$ 9,305,967	\$ 19,620,967	\$ 3,980,000	\$ 1,774,637	\$ 5,754,637	\$ 30,156,000	\$ 18,003,578	\$ 48,159,578

7. Flow of Funds, Restrictions on Use

On February 28, 1984, the District issued \$1,047,000 of United States Farmer's Home Administration (referred to as USDA) Sewer Revenue Bonds. The bonds were issued at an annual interest rate of 5.0%, and were due in installments of \$62,077 through February 28, 2024. These bonds were refunded by the Livingston Parish Sewer District # 2 Revenue Refunding Bonds, Refunding Series 2012, issued on June 28, 2012, at an issue amount of \$572,000. The Series 2012 Refunding Bonds of \$572,000 bonds were issued at an annual interest rate of 2.85%, and are due in annual installments of principal and semi-annual installments of interest expense, with the bonds maturing on March 1, 2024. The proceeds derived from the sale of the Bonds in the amount of \$572,000, along with certain other proceeds of the District as issuer in the amount of \$5,300, provided funding of \$556,154 for the Paying Agent to redeem in full the Series 1984 Bonds, and \$21,146 to pay the costs of issuance of the Bonds. The bond issuance costs totaling \$21,146 were recorded in the fiscal year ending December 31, 2012, as an expense in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Series 2012 Refunding Bonds were issued in parity with the \$4,950,000 Series 2004 Sewerage System Revenue Bonds, and in parity with the Issuer's outstanding obligations under a Local Services Agreement dated December 22, 2009, by and between the Issuer and Parish of Livingston, State of Louisiana, executed in accordance with the issuance by the Local Government Environmental Facilities and Community Development Authority of its \$2,500,000 Revenue Bonds.

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On July 21, 2004, the District approved a resolution for issuance of \$4,950,000 in Sewer Revenue Bonds, at interest rates varying from 1.625% to 5.2%, with the bonds maturing on March 1, 2044. Series 2004 Sewer Revenue Bonds were originally issued in parity with the 1984 USDA Bonds, refunded by the Series 2012, and the Series 1977-B Bonds, were paid off in 2012. The Series 2004 Sewer Revenue Bonds were refunded by issuance of the Sewerage System Refunding Bonds, Series 2014, dated July 22, 2014.

On November 14, 2012, the District issued \$15,900,000 of Ward Two Sewer District Expansion revenue bonds. These bonds were intended to extend services to a minimum of 2,484 additional customers, and will provide for construction expenditures that benefit Livingston Sewer District No. 1, and Livingston Sewer District No. 2. The bonds were issued at annual interest rates ranging from 2 to 3.6% and are due in annual installments of principal and interest beginning on March 31, 2013, with bond maturity date on March 1, 2042. These bonds are secured by Net Revenues on a parity with the Issuer's outstanding \$4,625,000 Sewerage System Refunding Bonds, Series 2014, outstanding \$572,000 Revenue Refunding Bonds, Series 2012, and obligations under a Local Services Agreement dated December 22, 2009, by and between the Issuer and Parish of Livingston, State of Louisiana, executed in accordance with the issuance by the Local Government Environmental Facilities and Community Development Authority of its \$2,500,000 Revenue Bonds.

On July 22, 2014, the District issued Sewerage System Refunding Bonds, Series 2014, in the amount of \$4,625,000. This refunding issue provided for refunding of the Series 2004 Sewer Revenue Bonds, originally issued at \$4,950,000. At the time of closing, the Series 2014 bond issue refunded the outstanding principal balance of \$4,295,000 of the Series 2004 bonds. The Series 2014 issued at \$4,625,000 is payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 2% to 4%, with principal and interest installments beginning on March 1, 2015, to maturity on March 1, 2044.

The Series 2014 Refunding is categorized as an Advance Refunding since the new debt proceeds were placed with an escrow agent and invested until they are used to pay principal and interest on the debt at a future time. An in-substance defeasance for accounting and reporting purposes is deemed to have occurred since the debtor irrevocably placed cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of interest and principal of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal. For the Advance Refunding, the District must report the difference between the reacquisition price and the net carrying amount as a deferred outflow or deferred inflow of resources and recognize the difference as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. Footnote 9 of GASB Statement 62 provides a definition of reacquisition price for an Advance Refunding as the amount that is placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and call premium. A premium or discount pertaining to the new debt is not considered part of the reacquisition price but, instead is a separate item related to and amortized over the life of the new debt. Net Carrying Amount is the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt. For the Series 2014 Refunding, the District recognized a Deferred Outflow of \$49,488, consisting of Reacquisition Price of \$4,483,229 placed in escrow plus less Carrying Amount of \$4,295,000 less reserve funds of \$138,741 applied to the refunding transaction. The Series 2014 Sewer Revenue Bonds were refunded by issuance of the Sewerage System Refunding Bonds, Series 201-, dated December 12, 2019.

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On May 19, 2016, the District issued \$2,200,000 of Revenue Refunding Bonds, Series 2016. The Series 2016 bonds issued at \$2,200,00 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 1.25% to 4%, with principal and interest installments beginning on May 19, 2016, to maturity on March 1, 2039. With the issuance of the Series 2016 bonds, the District incurred bond issuance costs of \$92,914. Also incurred were Prepaid Insurance Costs of \$12,056, and \$58,535 related to bond premium, which are amortized over the life of the bond.

These Series 2016 bonds were issued to accomplish a partial refunding of the Series 2009 bonds issued at \$2,500,000 by the Livingston Parish Council. Concurrent with the issuance of the bonds, Livingston Sewer District also recorded \$122,683 as a transfer in from the Livingston Parish Council for debt reserve funds of Series 2009 bond issue for funds used to pay bond issuance costs, and a transfer to the Livingston Parish Council in the amount of \$2,276,245 for refunding of the Series 2009 bonds of the Livingston Parish Council. The Series 2009 bonds of the Livingston Parish Council were an issuance by the Livingston Parish Council pursuant to the Local Government Environmental Facilities and Community Development Authority. Not refunded by the Series 2016 bond issue were debt installments through year 2019 of the Series 2009 bond issue of the Livingston Parish Council, and these debt installments remain an obligation of Livingston Sewer District No. 2. The remaining obligations of the Series 2009 bond issue were \$61,200 for 2019. At fiscal year end, this obligation was fully paid.

The bond restrictions were revised with the issuance of the 2014 Sewer Revenue Bond Issue at \$4,625,000, and the Series 2012 Refunding Bonds at \$572,000, and the issuance of the Series 2016 Refunding Bonds, with variations noted below. The \$15,900,000 Series 2012 Ward Two Sewer Expansions Bonds, and the Series 2016 Refunding Bonds, were also issued in parity with these bonds, but the provisions described below for the Reserve Fund and the Depreciation and Contingency Fund, as listed below, do not apply to the \$15,900,000 Series 2012 Bonds or the Series 2016 Refunding Bonds. The Reserve Fund for these bonds was funded by insurance at the time of bond closing, and the bond documents do not specify a requirement for a Depreciation and Contingency Fund. Bond restrictions are described below:

Sewerage System Bond and Interest Sinking Fund (the Sinking Fund): Each month the District shall transfer from the Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (which must be a member of the Federal Deposit Insurance Corporation), monthly in advance on or before the 20th day of each month of each year a sum equal to 1/12 of the principal and interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principals and interest as the same respectively become due. The \$15,900,000 Series 2012 bonds specify a required payment by the 25th of each month to the Sinking Fund in an amount sufficient in amount to make the principal and interest payments due on the Bonds. Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal and interest on the bond and parity bonds. Said fiscal agent shall make available from the revenue bond sinking fund to the paying agent such funds as are available from the Sinking Fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

At fiscal year-end, all required deposits were made to the Sinking Fund, and the Sinking Fund was fully funded.

Sewerage System Revenue Bond Reserve Fund (the Reserve Fund): Each month the District must transfer into the Reserve fund, monthly in advance on or before the 20th day of each month of each year, a sum equal to five percent of the sum required by applicable bond covenants, such

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payments to continue until an amount has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund. The amount that must be deposited each month to the Reserve Fund is equal to 5% of the required monthly interest and principal installments for outstanding parity bonds.

The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds. The Series 2014 bond refunding required a \$261,300 deposit to the Debt Service Reserve Fund. Required deposits, as detailed above, supplement the \$261,300 deposit. For the fiscal year ending December 31, 2019, the required deposits of \$15,854 were made and the Reserve Fund was fully funded before being paid off by the Series 2019 Revenue Refunding Bonds dated December 12, 2019.

The Series 2014 bond covenants also note that the obligations of the issuer pursuant to the 2009 LSA (the Series 2009 obligations which are an obligation of the Livingston Parish Council) are secured by a separate reserve fund, and the Series 2012 bonds, issued at \$15,900,000, are secured by a Reserve Fund Alternate Investments. In no event shall funds in the Reserve Fund be used to make payments on the 2009 LSA or the Series 2012 \$15,900,000 bond issue.

Sewerage System Depreciation and Contingency Fund (the Depreciation and Contingency Fund): Each month the District shall transfer from the Sewerage System Revenue Fund an amount monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent of the amount, for each parity bond, to be paid monthly into the Sinking Fund. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and Reserve Fund. The required balance of the Depreciation and Contingency totaled \$222,878, for the prior fiscal year end, with \$15,854 required in deposits for the fiscal year ended. For the fiscal year-end December 31, 2019, all required Depreciation and Contingency Fund monthly deposits totaling \$15,854 for the District had been made as required, and the Depreciation and Contingency Fund was fully funded before being paid off by the Series 2019 Revenue Refunding Bonds dated December 12, 2019.

Bond Debt Coverage Factor: With the issuance of the parity bonds, the District (the Issuer) covenants to fix, establish, maintain and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always

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provide revenues in each fiscal year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year; (ii) to provide Net Revenues in an amount sufficient to make deposits in the Sinking Fund and the Reserve Fund established by the Prior Bond Resolutions and maintained by the Bond Resolution for the payment of the principal and interest on the bonds, the Parity Bonds, and any Additional Parity Obligations issued hereafter; (iii) provide Net Revenues in an amount equal to one hundred twenty-five percent (125%) of the required deposits to the Sinking Fund for the security and payment of the Bonds and the Parity Bonds; (iv) make all other payments required by the Bond Resolution; and (v) pay all other obligations or indebtedness payable out of the Revenues for such fiscal year. The Issuer further covenants 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 such purposes.

For the fiscal year ending December 31, 2019, the computation for the bond debt coverage ratio (Net Revenues to bond deposit requirements) was in compliance with bond provisions requiring the 125% ratio.

On July 19, 2018, the District issued \$10,315,000 of Revenue Bonds, Series 2018 for construction of the southern expansion project. The Series 2018 bonds issued at \$10,315,000 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 3.0% to 3.7%, with interest installments beginning on March 1, 2019 and principal installments beginning on March 1, 2025, to maturity on March 1, 2048. With the issuance of the Series 2018 bonds, the District incurred bond issuance costs of \$301,069. Also incurred were Prepaid Insurance Costs of \$57,533, and \$140,980 related to a bond discount, which are amortized over the life of the bond.

Sinking Fund: All payments of principal of and interest on the Bonds are expected to be made from the 2018 Debt Service Fund. Such account serves as a debt service fund for the payment of principal of and interest on the Bonds. Amounts deposited into the Debt Service Fund which are required to pay a portion of the next maturing principal of and next due interest on the Bonds are expected to be deposited monthly (but not more than one year prior to such payment). It is expected that all such amounts (together with investment income thereon) will be used to pay such principal and interest within thirteen months from the date of receipt.

At fiscal year-end, all required deposits were made to the Sinking Fund, and the Sinking Fund was fully funded.

Reserve Fund: The Reserve Fund will initially be funded with a surety bond insurance policy. The Underwriter has represented in the Issue Price Certificate that the establishment of the Reserve Fund in the amount thereof is reasonably required, in that the establishment of the Reserve Fund at the level of funding equal to the Reserve Fund Amount was a material factor in selling the Bonds at the lowest possible Yields.

On December 12, 2019, the District issued \$3,980,000 of Revenue Refunding Bonds, Series 2019. This refunding issue provided for current refunding of the Series 2014 Sewer Revenue Refunding Bonds, originally issued at \$4,625,000. At the time of closing, the Series 2019 bond issue refunded the outstanding principal balance of \$4,265,000 of the Series 2016 bonds. The Series 2019 bonds issued at \$3,980,000 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 2.25% to 3.00%, with interest installments beginning on March 1, 2020 and principal installments beginning on March 1, 2021, to maturity on March 1, 2044. With the issuance of the Series 2019 bonds, the District incurred bond issuance costs of \$133,135. Also incurred were Prepaid Insurance Costs of \$13,717, and \$27,926 related to a bond premium, which are amortized over the life of the bond.

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For the Current Refunding, the District must report the difference between the reacquisition price and the net carrying amount as a deferred outflow or deferred inflow of resources and recognize the difference as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. Footnote 9 of GASB Statement 62 provides a definition of reacquisition price for a Current Refunding as the principal amount remaining on the old debt plus any call premium, any unamortized prepaid insurance, and any miscellaneous costs that must be paid to refund the debt currently. A premium or discount pertaining to the new debt is not considered part of the reacquisition price but, instead is a separate item related to and amortized over the life of the new debt. Net Carrying Amount is the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt. For current refunding or prior refunding, the deferral of the difference between the net carrying amount of the prior refunding debt and the cost/reacquisition price of the new debt, together with the unamortized balance from the prior refunding. For the Series 2019 Refunding, the District recognized a Deferred Outflow of \$6,706, consisting of Reacquisition Price of \$4,155,000 less Carrying Amount of \$4,161,706. This Deferred Outflow was added to the unamortized Deferred Outflow from Series 2014 Refunding of \$40,674 for a total Deferred Outflow of \$47,380 that will be amortized over the shorter of the original period remaining (300 months) or life of latest refunding (300 months).

Sinking Fund: All payments of principal of and interest on the Bonds are expected to be made from the 2019 Debt Service Fund. Such account serves as a debt service fund for the payment of principal of and interest on the Bonds. Amounts deposited into the Debt Service Fund which are required to pay a portion of the next maturing principal of and next due interest on the Bonds are expected to be deposited by the District with the paying agent fifteen days prior to each interest payment date on the Bonds. It is expected that all such amounts (together with investment income thereon) will be used to pay such principal and interest within thirteen months from the date of receipt.

At fiscal year-end, all required deposits were made to the Sinking Fund, and the Sinking Fund was fully funded.

Reserve Fund: The Reserve Fund will initially be funded with a surety bond insurance policy. The Underwriter has represented in the Issue Price Certificate that the establishment of the Reserve Fund in the amount thereof is reasonably required, in that the establishment of the Reserve Fund at the level of funding equal to the Reserve Fund Amount was a material factor in selling the Bonds at the lowest possible Yields.

8. Restricted Net Position

At December 31, 2019, Livingston Parish Sewer District recorded \$1,903,588 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, impact fees received for expansion, 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.

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9. Intergovernmental Agreements

Billing services for the District are contracted to the City to Denham Springs and Ward Two Water District of Livingston Parish.

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 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.

11. Litigation

At December 31, 2019, the District was not involved in any outstanding litigation or claims.

12. Other Commitments and Contingencies

The Bonds, Livingston Sewer District No. 2, Series 2009, were originally issued to the Livingston Parish Council on December 22, 2009. As described in *Footnote 6 – Long-Term Obligations*, on May 16, 2016, Livingston Parish Sewer District No. 2, issued bonds dated May 16, 2016, in the amount of \$2,200,000, for a partial refunding of the Series 2009 Bonds of the Livingston Parish Council. The obligation remaining for the Livingston Parish Sewer District, to pay obligations not refunded of the Series 2009 Livingston Parish Council bond issue, was paid off during fiscal year end.

During the fiscal year ending December 31, 2019, the District entered into a contract with Alvin Fairburn and Associates for \$1,301,767 for engineering and related items for the southern expansion project of the Series 2018 project. The District has incurred \$710,823 in costs related to this contract. There is approximately \$590,944 remaining in contracts related to engineering for this project.

13. Flood Expenses

As of December 31, 2019, the District incurred approximately \$858,100 in expenses related to the August 2016 Flood disaster. Of these costs \$389,294 was incurred during the fiscal year December 31, 2019. These expenses were incurred to repair sewerage facilities, to replace the bridge to the District office, and to facilitate continuing operation of these facilities during the disaster.

The District recorded a receivable of \$343,290 from FEMA for disaster assistance during the fiscal year ended December 31, 2019. The District is still working with GOHSEP to obtain available reimbursements for disaster assistance. The District is currently undergoing a cost analysis to determine the amount of eligible reimbursements from FEMA.

Livingston Parish Sewer District
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14. Restatement of Net Position/Prior Period Adjustment

During 2019, it was determined that an Escrow account to refund the Series 2009 bond which was related to the Series 2016 refunding bonds was included in the prior year report in error. A prior period adjustment was made to correct this error and beginning net position was restated as follows:

Beginning Net Position Prior to Adjustments	\$ 8,824,489
To remove Escrow for Series 2009	(2,070,700)
Beginning Net Position, After Prior Period Adjustment	<u>\$ 6,753,789</u>

15. Subsequent Events

Subsequent events have been evaluated by management through June 24, 2020, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. Other than noted below, no events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2019.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic and this pandemic has resulted in federal, state, and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders, and quarantining of people that may have been exposed to the virus. As the COVID-19 pandemic is complex and rapidly evolving, at this point we cannot reasonably estimate the duration or severity of this pandemic nor its impact on the entity, its financial position, change in financial position, or cash flows.

Other Supplementary Information

Livingston Parish Sewer District
Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2019
(With Comparative Amounts for the Year Ended December 31, 2018)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual (Restated)
Operating Revenues				
Sewer Fees	\$ 4,358,000	\$ 4,388,380	\$ 30,380	\$ 4,140,782
Permits & Inspection Fees	66,737	65,108	(1,629)	53,502
User & Hook-up Fees	98,000	114,974	16,974	66,306
Impact Fees	523,000	575,926	52,926	465,967
Development Fees	-	-	-	144,149
Other Operating Income	-	10,439	10,439	1,722
Total Operating Revenues	<u>5,045,737</u>	<u>5,154,827</u>	<u>109,090</u>	<u>4,872,428</u>
Operating Expenses				
Salaries and Wages	560,000	551,186	8,814	465,515
Payroll Taxes & Group Insurance	115,000	119,363	(4,363)	112,251
Per Diem	5,400	5,200	200	5,900
Amortization	10,400	9,864	536	8,150
Bad Debts	6,000	7,954	(1,954)	11,520
Depreciation	940,000	1,001,569	(61,569)	859,113
Fuel/Oil-Trucks	47,000	49,135	(2,135)	47,542
Insurance	145,000	115,403	29,597	140,194
Licenses & Permits	15,000	12,425	2,575	10,342
Office Expense	5,900	6,091	(191)	3,332
Other	371,300	191,194	180,106	111,437
Professional Fees	181,000	188,301	(7,301)	154,087
Repairs and Maintenance	2,060,500	1,043,991	1,016,509	880,995
Supplies	154,000	164,635	(10,635)	145,194
Telephone	18,000	18,741	(741)	18,910
Uniform Expense	16,500	14,851	1,649	14,141
Utilities	325,000	350,803	(25,803)	325,835
Total Operating Expenses	<u>4,976,000</u>	<u>3,850,706</u>	<u>1,125,294</u>	<u>3,314,458</u>
Operating Income (Loss)	<u>69,737</u>	<u>1,304,121</u>	<u>1,234,384</u>	<u>1,557,970</u>
Nonoperating Revenues (Expenses)				
Interest Income	183,400	168,301	(15,099)	89,750
FEMA Reimbursement	77,000	288,676	211,676	54,947
Grant Income	45,000	45,000	-	-
Interest Expense	(860,000)	(1,037,605)	(177,605)	(860,296)
Bond Issuance Cost	-	(133,135)	(133,135)	(301,069)
Transfer for Parish Debt Obligation	-	(69,741)	(69,741)	(162,188)
Flood Expense	(115,000)	(59,760)	55,240	(121,142)
Reimbursement for Juban Expansion	599,863	599,863	-	400,137
Total Nonoperating Revenues (Expenses)	<u>(69,737)</u>	<u>(198,401)</u>	<u>(128,664)</u>	<u>(899,861)</u>
Change in Net Position	<u>-</u>	<u>1,105,720</u>	<u>1,105,720</u>	<u>658,109</u>
Total Net Position, Beginning	8,824,489	8,824,489	-	5,878,763
Prior Period Adjustments	-	(2,070,700)	(2,070,700)	216,917
Adjusted Net Position, Beginning	<u>8,824,489</u>	<u>6,753,789</u>	<u>(2,070,700)</u>	<u>6,095,680</u>
Total Net Position, Ending	<u>\$ 8,824,489</u>	<u>\$ 7,859,509</u>	<u>\$ (964,980)</u>	<u>\$ 6,753,789</u>

See independent auditor's report.

Livingston Parish Sewer District
Schedule of Insurance
For the year ended December 31, 2019

Insurance Company / Policy Number	Coverage	Amount	Period
American Alternative Insurance Corp (AAIC) GPPA-PF-6056210	Commercial Package:		3/24/2019 to 3/24/2020
	Commercial Property (Scheduled)	\$ 18,862,426	
	General Liability:		
	Each Occurrence	1,000,000	
	Damage to Premises Rented	1,000,000	
	Medical Expense	10,000	
	Personal and Advertising Injury	1,000,000	
	General Aggregate	3,000,000	
	Products-Completed Oper Aggreg.	3,000,000	
	Employee Theft	10,000	
	Public Officials & Management Liab:		
	Each "Wrongful Act" or Offense	1,000,000	
	General Aggregate (Combined)	3,000,000	
	Inland Marine	49,987	
	Rented or Borrowed Equipment	250,000	
	Commercial Excess Liability:		
	Each Occurrence	1,000,000	
	Claims-Made Aggregate	5,000,000	
	Commercial Auto:		
	Liability (Combined Single Limit-CSL)	1,000,000	
Uninsured Motorists (CSL)	1,000,000		
Physical Damage (As Scheduled)			
Western Surety Co. Bond # 18306688	Employee Dishonesty (Position Schedule)	310,000	7/15/2019 to 7/15/2020
Western Surety Co. Bond # 18279338	Crime Bond	135,000	9/17/2019 to 9/17/2020
Louisiana Workers Comp Policy # 15296-S	Workers Compensation at Statutory Employers Liability (each accident) Employees Liability (each accident)	 1,000,000 1,000,000	3/24/2019 to 3/24/2020

See independent auditor's report.

Schedule 3

**Livingston Parish Sewer District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2019**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Michael Dougay, Chairman (225) 978-8988	36375 Page Drive Denham Springs, LA 70706	\$ 1,100	Until Re-appointed
Harry Wells (225) 485-1676	26170 John L Lane Denham Springs, LA 70726	900	Until Re-appointed
Norris Achord (225) 603-6612	32375 Cane Market Rd Walker, LA 70785	1,100	Until Re-appointed
Asa Faulkner (225) 287-8518	8562 Beechwood Drive Denham Springs, LA 70706	900	Until Re-appointed
Larry Tarver (225) 347-1616	24189 Springlake Drive Walker, LA 70785	1,300	Until Re-appointed
		<u>\$ 5,300</u>	

See independent auditor's report.

Schedule 4

**Livingston Parish Sewer District
Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2019**

Agency Head Name: Michael Dougay, Chairman

Purpose	Amount
Board Member Per Diem	\$ 1,100
Employer Paid Payroll Taxes	84
	<u>\$ 1,184</u>

See independent auditor's report.

Schedule 5

Livingston Parish Sewer District
Schedule of Customers and Schedule of Sewer Rates
For the year ended December 31, 2019

	2019	2018	Increase (Decrease)
Customers	8,063	7,188	875
Total Customers	8,063	7,188	875

Tap Fee is \$300.98 (plus road bore)
plus additional Impact Fee as indicated
below:

Sewer Fees (Effective June 1, 2015)	Impact Fee	Size Tap
Residential Sewer Rates:	\$ 1,702	3/4" Tap
\$ 32.50 - First 2,000 Gallons	1,762	1" Tap
3.75 - All Over 2,000 Gallons, per Thousand	5,253	1 & 1/2" Tap
32.50 - Residential With Own Well - Flat Rate	21,915	2" Tap
	23,429	3" Tap
Commercial Sewer Rates:	56,818	4" Tap
\$ 48.50 - Plus \$4.25 Per Thousand Gallons Flat Rate Plus Usage	120,919	6" Tap
48.50 - Flat Rate Only. Commercial W/own Well.	346,301	8" Tap
48.50 - \$48.50 Per Unit Plus \$4.25 Per Thousand Gallons. Commercial With Multiple Connections Having a Single Water Meter		

See independent auditor's report.

Bruce C. Harrell, CPA
Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy Westcott Garcia, CPA
Michael P. Estay, CPA
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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Livingston Parish Sewer District
Denham Springs, Louisiana 70438

We have audited, 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, the financial statements of the business-type activities of the Livingston Parish Sewer District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Livingston Parish Sewer District's basic financial statements and have issued our report dated June 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Livingston Parish Sewer District's internal control over financial reporting 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 Livingston Parish Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston Parish Sewer 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 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 the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be

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To Members of the Board of Commissioners
Livingston Parish Sewer District
Livingston Parish Council
Page 2

significant deficiencies. is described in Findings 2019-I1 and 2019-I2 in the accompanying *Schedule of Findings and Responses*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston Parish Sewer District’s financial statements are free of 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 once instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in Finding 2019-C1 in the accompanying *Schedule of Findings and Responses*.

Livingston Parish Sewer District’s Response to Findings

Livingston Parish Sewer District’s response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The Livingston Parish Sewer District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results 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.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana
June 24, 2020

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Section I Summary of Auditor's Results

Financial Statements

a. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified
Disclaimer Adverse

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

Internal Control:

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance:

Noncompliance Material to Financial Statements Yes No

Federal Awards - NA

Internal Control over major federal Programs:

Material Weaknesses Yes No Significant Deficiencies Yes No

Type of auditor's report issued on compliance for major federal programs:

Unmodified Qualified
Disclaimer Adverse

Are there findings required to be reported in accordance with 2 CFR 200.516(a)

Yes No

Was a management letter issued?

Yes No

Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

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

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Section II Financial Statement Findings

Finding Number: 2019-I1 Lack of Proper Segregation of Duties (Significant Deficiency)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions, and maintaining custody of related assets.

Condition: With all smaller agencies, there will be limited personnel for recording receipts and disbursements and for reporting financial transactions. The District has implemented the following compensating controls:

- 1) Direct approval by the board for all key financial transactions.
- 2) Maintenance of detail registers to support all disbursements.
- 3) Monthly reconciliation and reporting by an outside accountant.
- 4) Approval and signing of checks by board members.

Cause: Due to the size and nature of the District, there are few administrative employees and as such, some incompatible duties are not adequately segregated.

Effect: Inadequate segregation of duties exposes the District to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendations: The District must remain vigilant in identifying compensating controls and ensuring that those implemented are operating effectively.

Management's Response: Compensating controls will be further reviewed and implemented where possible.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

Finding Number: 2019-I2 Accounts Receivable Documentation (Significant Deficiency)

Criteria: The District relies on third-party billing agents to process the utility billings for sewer services since the sewer accounts are included in customer accounts that provide water and sewer, and sometimes gas service billings. Documentation provided by the billing agents must be sufficient to determine that accounts receivable and sewer service revenue are reasonably valued. Since the primary objective of the billing agent utility system software is to provide services to its own customers, the District often has to work with the billing agents to obtain utility billing software program changes necessary for reporting transactions of the District.

Condition: The District took the steps in prior years to obtain from the smaller secondary billing agent detailed payment registers, registers to verify billings, and reports to verify account activity, including the addition of new customers. This smaller billing agent had begun to send more detailed registers and reports; however, due to the flooding in August of 2016, these detailed reports stopped being received. The reports provided by this billing agent now consist of only a summary payment sheet.

Effect: Sufficient documentation is necessary to determine that receivables are complete and that sewer service revenues are correctly stated.

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Recommendations: We recommend that the District obtain from the smaller secondary billing agent, reports similar to those obtained from the primary billing agent. This should include, at a minimum, detailed payment registers, billing registers, and reports necessary to verify account billings and account changes.

Response by Management: We will contact our secondary billing agents to increase the level of documentation for sewer payments and billings.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

Finding Number: 2019-C1 Ethics Training (Noncompliance)

Criteria: LRS 42:1170 requires all public servants obtain a minimum of one-hour education and training on the Code of Governmental Ethics during each year of his public employment or term in office.

Condition: The District did not have documentation of the required ethics training for employees or board members for the year ending December 31, 2019.

Cause: Failure to complete training or provide certificate.

Effect: Noncompliance with the above referenced statutes.

Recommendations: The District should ensure that all employees and board members complete the required training each year. The District should put into place a tracking system for the completion of the required annual course, such as a worksheet that includes all employees and copies of their completion certificates. Management should communicate a required completion deadline date and follow up with consequences for failure to meet the deadline.

Management's Response: Management will have all employees and board members complete the ethics training as soon as possible. Management will work on implementing the auditor's recommendation.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

Section III Federal Award Findings and Questioned Costs

None

**Livingston Parish Sewer District
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2019**

Section I Internal Control and Compliance Material to the Financial Statements

Finding Number: 2018-I1 Lack of Proper Segregation of Duties (Significant Deficiency)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions, and maintaining custody of related assets.

Condition: With all smaller agencies, there will be limited personnel for recording receipts and disbursements and for reporting financial transactions. The District has implemented the following compensating controls:

- 1) Direct approval by the board for all key financial transactions.
- 2) Maintenance of detail registers to support all disbursements.
- 3) Monthly reconciliation and reporting by an outside accountant.
- 4) Approval and signing of checks by board members.

Cause: Due to the size and nature of the District, there are few administrative employees and as such, some incompatible duties are not adequately segregated.

Effect: Inadequate segregation of duties exposes the District to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendations: The District must remain vigilant in identifying compensating controls and ensuring that those implemented are operating effectively.

Management's Response: Compensating controls will be further reviewed and implemented where possible.

Current Year Status: Lack of segregation of duties is a continuing issue with smaller entities. The District continues to look for opportunities to implement compensating controls. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2019-I1.

Finding Number: 2018-I2 Accounts Receivable Documentation (Significant Deficiency)

Criteria: The District relies on third-party billing agents to process the utility billings for sewer services since the sewer accounts are included in customer accounts that provide water and sewer, and sometimes gas service billings. Documentation provided by the billing agents must be sufficient to determine that accounts receivable and sewer service revenue are reasonably valued. Since the primary objective of the billing agent utility system software is to provide services to its own customers, the District often has to work with the billing agents to obtain utility billing software program changes necessary for reporting transactions of the District.

Condition: The District took the steps in prior years to obtain from the smaller secondary billing agent detailed payment registers, registers to verify billings, and reports to verify account activity, including the addition of new customers. This smaller billing agent had begun to send more detailed registers and reports; however, due to the flooding in August of 2016, these detailed reports stopped being received. The reports provided by this billing agent now consist of only a summary payment sheet.

Effect: Sufficient documentation is necessary to determine that receivables are complete and that sewer service revenues are correctly stated.

**Livingston Parish Sewer District
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2019**

Recommendations: We recommend that the District obtain from the smaller secondary billing agent, reports similar to those obtained from the primary billing agent. This should include, at a minimum, detailed payment registers, billing registers, and reports necessary to verify account billings and account changes.

Response by Management: We will contact our secondary billing agent to increase the level of documentation for sewer payments and billings.

Current Year Status: Despite contacting the secondary billing agent, the District was still unable to obtain more detailed documentation related to sewer payments and billing. This is primarily due to the continued effects related to the flood. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2019-I2.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

This schedule was prepared by management.

Livingston Parish Sewer District
DBA Livingston Parish Sewer District
Number Two

Statewide Agreed-Upon Procedures
As of and for the Year Ended December 31, 2019



BRUCE HARRELL & COMPANY
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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Michael Dougay, Chairman and Members of the Board of Commissioners
Livingston Parish Sewer District
Denham Springs, Louisiana 70438

We have performed the procedures enumerated below, which were agreed to by the Livingston Parish Sewer District (Entity) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUP's.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Written policies and procedures were obtained and address the functions noted. However, these policies and procedures have not been approved by the Board.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and address the functions noted with the following exceptions: (1) The policy does not specifically address the controls to ensure compliance with public bid law; and (2) The policy fails to mention the documentation required

to be maintained for all bids and price quotes. These policies and procedures have not been approved by the Board.

c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained and address the functions noted. However, these policies and procedures have not been approved by the board.

d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained and address the functions noted. However, these policies and procedures have not been approved by the board.

e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and address the functions noted. However, these policies and procedures have not been approved by the board.

f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The District has contracting procedures that it follows but these were not in writing.

g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The District has credit card procedures that it follows but these were not in writing.

h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The District has travel and expense reimbursement procedures that it follows but these were not in writing.

i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained and address actions to be taken if an ethics violation takes place. However, there were no written policies and procedures addressing the remaining functions noted above.

j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District has debt service procedures that it follows but these were not in writing.

k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software

patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The District doesn't have written procedures on the items described above.

Management's Response to all written policies and procedures exceptions: We will amend written policies and procedures as needed and obtain board approval.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

2. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained listing of all credit cards and management's representation that the listing is complete.

3. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

No exceptions noted.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

4. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

No exceptions noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

5. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

None of the reimbursements used per diem.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Ethics

6. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

None of the 5 employees selected have completed the one-hour ethics training during the fiscal period.

Management’s Response: Since most employees work in the field, it has been difficult to schedule the employees time to complete the training. We will look into group training options and have all employees complete the ethics training immediately.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

There was no evidence of documentation of signed verification of having read the ethics policy during the fiscal period.

Management’s Response: The District will have employees read the ethics policy and sign that he or she has read the policy.

Debt Service

7. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Obtained listing and management's representation that the listing is complete. The District only had one bond issued during the fiscal period. Viewed supporting documentation and noted State Bond Commission Approval.

8. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Selected bond and inspected bond covenants in bond transcript. Selected bond had no reserve balance requirements. It is funded with a surety bond insurance policy.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on the control or compliance. Accordingly, this report is not suitable for any other purposes. Under Louisiana Revised Statute R.S.24:513, this report is distributed by the LLA as a public document.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

June 24, 2020