

Livingston Parish Sewer District
DBA Livingston Parish Sewer District Number
Two

Annual Financial Statements

As of and for the Year Then Ended December 31, 2017
With Supplemental Information Schedules
(with 2016 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, 2017
With Supplemental Information Schedules
(with 2016 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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Merger

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 financial statements for December 31, 2016 were restated to consolidate Livingston Parish Sewer District Number One with Livingston Parish District Number Two. Interfund activity was eliminated.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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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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 Supplemental 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 Supplemental 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 Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 29, 2018 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 *Governmental 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 29, 2018

Required Supplemental 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, 2017

Introduction

The Livingston Parish Sewer District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), 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, 2017, total assets and deferred outflows were \$27,772,233, and exceeded liabilities in the amount of \$5,878,763 (i.e., net position). Of the total net position, \$1,369,690 was unrestricted and available to support short-term operations. The net investment in capital assets totaled \$2,735,420. The remaining balance was restricted for capital projects activity and debt service.
- The long-term portion of bonds payable decreased to \$20,658,474 at December 31, 2017 compared to \$21,233,037 at the end of the prior fiscal period. This was due to the bond principal payments during the fiscal year.
- For the year ended December 31, 2017, operating revenues increased to \$4,617,365 as compared to \$4,414,956 for the fiscal year ending December 31, 2016.
- The District's operating expenses, other than depreciation expense, increased by \$159,888 to \$2,341,982 for fiscal year ending December 31, 2017 as compared to \$2,182,094 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$152,615.
- The District showed an increase in net position of \$1,067,505 for the fiscal year ended December 31, 2017, as compared to a decrease of (\$1,338,763) for the fiscal year ending December 31, 2016.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2017

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, 2017**

**Condensed Statements of Net Position
2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:		Restated		
Current and Other Assets	\$ 3,739,041	\$ 5,580,477	\$ (1,841,436)	-33%
Capital Assets	23,989,264	21,651,232	2,338,032	11%
Total Assets	<u>27,728,305</u>	<u>27,231,709</u>	496,596	2%
Deferred Outflows of Resources				
Refunding of Debt	43,928	45,556	(1,628)	-4%
Total Deferred Outflows of Resources	<u>43,928</u>	<u>45,556</u>	(1,628)	-4%
Liabilities:				
Long-Term Debt Outstanding	20,658,474	21,233,037	(574,563)	-3%
Other Liabilities	1,234,996	1,232,970	2,026	0%
Total Liabilities	<u>21,893,470</u>	<u>22,466,007</u>	(572,537)	-3%
Net Position:				
Net Investment in Capital Assets	2,735,420	1,925,184	810,236	42%
Restricted for Capital Activity and Debt Service	1,773,653	1,506,919	266,734	18%
Unrestricted	1,369,690	1,379,155	(9,465)	-1%
Total Net Position	<u>\$ 5,878,763</u>	<u>\$ 4,811,258</u>	<u>\$ 1,067,505</u>	22%

The major components of change for "Current and Other Assets" is a decrease in restricted cash of \$1,981,145 for sewer expansion construction related to the Series 2012 expansion construction costs offset by an increase in Accounts Receivable of \$311,866.

"Capital Assets" increased by \$2,338,032, reflecting primarily asset additions of \$11,226,242 less the depreciation recorded on capital assets of \$616,495 for the fiscal year ending December 31, 2017. Capital asset increases included \$183,923 in sewer system improvements, \$118,498 for various equipment and improvements, \$97,397 for utility trucks, and \$2,554,707 for construction in progress relating to the 2012 sewer expansion project. The District also completed two phases of the 2012 sewer expansion project and transferred \$8,271,714 from Construction in Progress to sewer system improvements.

"Total Net Position" (total assets less total liabilities) increased \$1,067,505 for the fiscal year ended December 31, 2017, compared to a decrease of (\$1,338,763) for the fiscal year ending December 31, 2016.

Livingston Parish Sewer District

**Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2017**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2017	Year ended December 31, 2016	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 4,617,365	\$ 4,414,956	\$ 202,409	5%
Nonoperating Revenues	205,000	224,206	(19,206)	-9%
Total Revenues	4,822,365	4,639,162	183,203	4%
Expenses:				
Depreciation Expense	616,495	473,533	142,962	30%
Other Operating Expense	2,341,982	2,182,094	159,888	7%
Nonoperating Expense	796,383	3,322,298	(2,525,915)	-76%
Total Expenses	3,754,860	5,977,925	(2,223,065)	-37%
Changes in Net Position	1,067,505	(1,338,763)	2,406,268	180%
Beginning Net Position Prior to Adjustments	4,777,421	6,150,021	(1,372,600)	-22%
Prior Period Adjustments	33,837	-	33,837	-
Net Position, Beginning	4,811,258	6,150,021	(1,338,763)	-22%
Ending Net Position	\$ 5,878,763	\$ 4,811,258	\$ 1,067,505	22%

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 \$202,409 primarily due to an increase of \$145,490 in impact fees and \$36,011 in sewer fees. Nonoperating revenues decreased \$19,206 due to a decrease of \$122,683 in transfers in from other governments, increase of \$36,854 in FEMA reimbursements, and a \$65,000 increase in grants.

Total "Operating Expenses", other than depreciation expense, increased by \$159,888 to \$2,341,982 for fiscal year ending December 31, 2017 as compared to \$2,182,094 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$152,615.

Total "Nonoperating Expense" decreased by \$2,525,915. This decrease was due primarily to bond refunding transfers to the Parish Council for Series 2016 Revenue Refunding Bonds of \$2,404,141 and bond issuance cost of \$92,914 from the prior year.

The District showed an increase of \$1,067,505 (change in net position) for the fiscal year ending December 31, 2017, as compared to a decrease of (\$1,637,031) for the fiscal year ending December 31, 2016.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2017

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, 2017

	Budget Year ended December 31, 2017	Actual Year ended December 31, 2017	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 4,405,500	\$ 4,617,365	\$ 211,865
Nonoperating Revenues	168,300	205,000	36,700
Total Revenues	<u>4,573,800</u>	<u>4,822,365</u>	<u>248,565</u>
Expenses:			
Depreciation Expense	720,000	616,495	103,505
Other Operating Expense	2,925,300	2,341,982	583,318
Nonoperating Expense	928,500	796,383	132,117
Total Expenses	<u>4,573,800</u>	<u>3,754,860</u>	<u>818,940</u>
Change in Net Position	<u>\$ -</u>	<u>\$ 1,067,505</u>	<u>\$ 1,067,505</u>

Actual revenues exceeded budgeted revenues by 5% or \$248,565, and actual expenses were below their projection of expenses by 18% or \$818,940.

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, 2017

General Operating Data

	December 31, 2017	December 31, 2016	Increase (Decrease)
Customers	6,745	4,729	2,016
Total Customers	6,745	4,729	2,016

The increase in customers is primarily a result of the January 2017 merger of Livingston Parish Sewer District Number One into Livingston Parish Sewer District Number Two as approved by voters of both Districts in 2016. On February 9, 2018, the Livingston Parish Council amended the legal name of Livingston Parish Sewer District Number Two to Livingston Parish Sewer District.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2017, Livingston Parish Sewer District had \$23,989,264 (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, 2017	December 31, 2016	Increase (Decrease)	Percentage Change
Capital Assets				
Buildings	\$ 580,858	\$ 580,858	\$ -	0%
Machinery & Equipment	1,579,146	1,460,648	118,498	8%
Utility System	22,187,521	13,731,882	8,455,639	62%
Vehicles	259,349	161,952	97,397	60%
Subtotal	24,606,874	15,935,340	8,671,534	54%
Less: Accumulated Depreciation	(9,114,676)	(8,498,181)	(616,495)	7%
Capital Assets Being Depreciated, Net	15,492,198	7,437,159	8,055,039	108%
Land	193,566	193,566	-	0%
Construction in Progress	8,303,500	14,020,507	(5,717,007)	-41%
Net Capital Assets	\$ 23,989,264	\$ 21,651,232	\$ 2,338,032	11%

“Capital Assets” increased by \$2,338,032, reflecting primarily asset additions of \$11,226,242 less the depreciation recorded on capital assets of \$616,495 for the fiscal year ending December 31, 2017. Capital asset increases included \$183,923 in sewer system improvements, \$118,498 for various equipment and improvements, \$97,397 for utility trucks, and \$2,554,707 for construction in progress relating to the 2012 sewer expansion project. The District also completed two phases of the 2012 sewer expansion project and transferred \$8,271,714 from Construction in Progress to sewer system improvements.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2017

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 2014 Series Refunding Bonds at an original issue amount of \$4,625,000, 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, and the issuance of the Series 2016 Sewer Refunding Bonds at \$2,200,000 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 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, 2017 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. On June 18, 2018, The Board has passed a resolution to approve the issuance of revenue bonds not to exceed \$11,900,000 for the southern expansion of the District contingent upon State Bond Commission. 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

Livingston Parish Sewer District
Statement of Net Position
As of December 31, 2017
(with 2016 summarized comparative information)

	2017	2016 Restated
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 1,370,132	\$ 1,455,468
Receivables, Net :		
Accounts	340,714	28,848
Due From FEMA	-	97,034
Prepaid Insurance	39,786	22,648
Total Current Assets	1,750,632	1,603,998
Restricted Assets:		
Restricted Cash and Cash Equivalents	1,795,403	3,776,548
Total Restricted Assets	1,795,403	3,776,548
Property, Plant, and Equipment		
Land	193,566	193,566
Construction in Progress	8,303,500	14,020,507
Property, Plant and Equipment, Net	15,492,198	7,437,159
Total Property, Plant, and Equipment	23,989,264	21,651,232
Other Assets		
Prepaid Bond Insurance Costs, Net	190,737	197,662
Meter Deposits	2,269	2,269
Total Other Assets	193,006	199,931
Total Assets	27,728,305	27,231,709
Deferred Outflows of Resources		
Refunding of Debt	43,928	45,556
Total Deferred Outflows of Resources	43,928	45,556
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	157,116	146,840
Other Accrued Payables	10,603	12,843
Due To Other Governments	-	-
Total Current Liabilities (Payable From Current Assets)	167,719	159,683
Current Liabilities (Payable From Restricted Assets):		
Construction Payable	45,120	201,640
Accrued Interest Payable	450,157	310,647
Revenue Bonds Payable	572,000	561,000
Total Current Liabilities (Payable From Restricted Assets)	1,067,277	1,073,287
Long Term Liabilities:		
Bonds Payable	20,658,474	21,233,037
Total Long Term Liabilities	20,658,474	21,233,037
Total Liabilities	21,893,470	22,466,007
Net Position		
Net Investment in Capital Assets	2,735,420	1,925,184
Restricted for:		
Capital Projects and Debt Service	1,773,653	1,506,919
Unrestricted	1,369,690	1,379,155
Total Net Position	\$ 5,878,763	\$ 4,811,258

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, 2017
(with 2016 summarized comparative information)**

	2017	2016
		Restated
Operating Revenues		
Sewer Fees	\$ 3,978,675	\$ 3,942,664
Permits & Inspection Fees	24,650	21,250
User & Hook-up Fees	68,520	66,015
Impact Fees	529,208	383,718
Other Operating Income	16,312	1,309
Total Operating Revenues	4,617,365	4,414,956
Operating Expenses		
Salaries and Wages	459,313	501,084
Payroll Taxes & Group Insurance	90,854	108,732
Per Diem	4,900	12,300
Amortization-Prepaid Bond Insurance	4,362	10,508
Bad Debts	5,534	3,629
Depreciation	616,495	473,533
Fuel/Oil-Trucks	39,799	43,358
Insurance	142,890	175,266
Licenses & Permits	20,646	6,851
Office Expense	3,570	6,764
Other	111,451	47,794
Professional Fees	130,157	143,158
Repairs and Maintenance	826,612	673,997
Supplies	183,574	143,252
Telephone	19,701	24,313
Uniform Expense	12,312	17,111
Utilities	286,307	263,977
Total Operating Expenses	2,958,477	2,655,627
Operating Income (Loss)	1,658,888	1,759,329
Nonoperating Revenues (Expenses)		
Interest Income	6,112	4,489
FEMA Reimbursement	133,888	97,034
Grant Income	65,000	-
Interest Expense	(381,327)	(296,461)
Bond Issuance Cost	-	(92,914)
Transfer for Parish Council Debt Obligation	(67,389)	(130,037)
Flood Expense	(347,667)	(398,745)
Transfer to Other Governments	-	(2,404,141)
Transfer in from Other Governments	-	122,683
Total Nonoperating Revenues (Expenses)	(591,383)	(3,098,092)
Change in Net Position	1,067,505	(1,338,763)
Total Net Position Prior to Adjustments, Beginning	4,777,421	6,150,021
Prior Period Adjustment (Note 14)	33,837	-
Total Net Position, Beginning	4,811,258	6,150,021
Total Net Position, Ending	\$ 5,878,763	\$ 4,811,258

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, 2017
(with 2016 summarized comparative information)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		Restated
Received From Customers	\$ 4,289,187	\$ 4,166,389
Other Receipts	16,312	247,817
Payments for Operations	(1,798,601)	(1,456,150)
Payments to Employees	(548,121)	(607,557)
Net Cash Provided by Operating Activities	<u>1,958,777</u>	<u>2,350,499</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Flood Expenses	(347,667)	(398,745)
Proceeds from FEMA Reimbursements	230,922	-
Proceeds from Grants	65,000	-
(Payments for) Livingston Parish Council Debt Obligation	(67,389)	(130,037)
(Payments for) Capital Acquisitions	(3,111,047)	(2,148,046)
Principal Proceeds from (Repayments for) Long Term Debt	(563,563)	1,471,673
Transfer to Other Funds for Refunding	-	(2,153,562)
Deferred Outflows for Refunding	1,628	1,627
Debt Issue Cost Payments	-	(92,914)
Prepaid Bond Insurance Payments	6,925	(13,859)
Interest Payments for Long Term Debt	(246,179)	(304,282)
Net Cash (Used) by Capital and Related Financing Activities	<u>(4,031,370)</u>	<u>(3,768,145)</u>
Cash Flows From Investing Activities		
Receipt of Interest	6,112	4,489
Proceeds from sale (Payments) for Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>6,112</u>	<u>4,489</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(2,066,481)	(1,413,157)
Cash and Cash Equivalents, Beginning of Year	<u>5,232,016</u>	<u>6,645,173</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,165,535</u>	<u>\$ 5,232,016</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 1,370,132	\$ 1,455,468
Cash and Cash Equivalents, Restricted	1,795,403	3,776,548
Total Cash and Cash Equivalents	<u>\$ 3,165,535</u>	<u>\$ 5,232,016</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, 2017
(with 2016 summarized comparative information)

Statement C
(Continued)

	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		Restated
Operating Income (Loss)	\$ 1,658,888	\$ 1,759,329
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	620,857	484,041
(Increase) decrease in Accounts Receivable	(311,866)	(1,800)
(Increase) decrease in Prepaid Insurance	(17,138)	34,151
(Increase) decrease in Other Assets	-	1,050
Increase (decrease) in Accounts Payable	10,276	67,756
Increase (decrease) in Accrued Expenses	(2,240)	5,972
Net Cash Provided by Operating Activities	\$ 1,958,777	\$ 2,350,499

(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, 2017
(with 2016 summarized comparative information)

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 Governmental 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
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

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 Governmental 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, 2017. The District did record \$43,928 of deferred outflows of resources due to debt refundings during the year ending December 31, 2014.

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
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

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, 2017 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, 2017, 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.

Livingston Parish Sewer District
Notes to the Financial Statements
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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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

Employees of the District can earn leave based on the number of hours worked each pay period. At this time the District has no provision for leave carryover; therefore a leave accrual was not recorded in the financial statements.

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

Livingston Parish Sewer District
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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.

There were no bond issue costs for the fiscal year ended December 31, 2017.

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 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

Livingston Parish Sewer District
Notes to the Financial Statements
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(with 2016 summarized comparative information)

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, 2016, 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, 2017, the District has cash and cash equivalents (book balances) as follows:

	December 31,
	2017
Demand Deposits	\$ 3,099,506
Trust Funds	66,029
	\$ 3,165,535

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, 2017, the District has \$3,431,018 in cash and cash equivalent deposits (collected bank balances), consisting of \$3,203,417 in demand deposits and \$227,600 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 \$2,422,109 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$2,422,109 is exposed to custodial credit risk because

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

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 \$361,604 are secured from risk by \$250,000 of federal deposit insurance and \$111,604 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$111,604 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 \$227,600 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.

3. Receivables

At December 31, 2017, the District recorded \$340,714 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, 2017:

	December 31, 2017
Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 316,148
Bond Contingency Account	207,024
Bond Sinking Account	736,777
Impact Fee Fund	513,704
Construction Expansion Fund	21,750
Total Restricted Assets	\$ 1,795,403

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2017 is as follows:

	<u>Beginning Balance 12/31/16</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/17</u>
Capital Assets Being Depreciated				
Buildings	\$ 580,858	\$ -	\$ -	\$ 580,858
Machinery and Equipment	1,460,648	118,498	-	1,579,146
Utility System	13,731,882	8,455,639	-	22,187,521
Vehicles	161,952	97,397	-	259,349
Total Capital Assets Being Depreciated	15,935,340	8,671,534	-	24,606,874
Less Accumulated Depreciation	(8,498,181)	(616,495)	-	(9,114,676)
Capital Assets Being Depreciated, Net	7,437,159	8,055,039	-	15,492,198
Land	193,566	-	-	193,566
Construction in Progress	14,020,507	2,554,707	(8,271,714)	8,303,500
Total Capital Assets, Net	\$ 21,651,232	\$ 10,609,746	\$ (8,271,714)	\$ 23,989,264

Depreciation expense for the fiscal year ending December 31, 2017, totaled \$616,495. Total additions included \$183,923 in sewer system improvements, \$118,498 for various equipment and improvements, \$97,397 for utility trucks, and \$2,554,707 for construction in progress relating to the 2012 sewer expansion project. The District also completed two phases of the 2012 sewer expansion project and transferred \$8,271,714 from Construction in Progress to sewer system improvements. The construction expenditures for the Series 2012 Expansion included a total of \$437,924 of interest expense capitalized during the current fiscal year ended.

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2017:

<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	\$ 402,000	\$ -	\$ (46,000)	\$ 356,000	\$ 47,000
Sewer Expansion Bonds, Series 2012	14,660,000	-	(395,000)	14,265,000	400,000
Revenue Refunding Bonds, Series 2014	4,475,000	-	(105,000)	4,370,000	105,000
Revenue Refunding Bonds, Series 2016	2,200,000	-	(15,000)	2,185,000	20,000
Total Long-Term Debt	21,737,000	-	(561,000)	21,176,000	572,000
Plus:					
Unamortized Premium	57,037	-	(2,563)	54,474	2,563
Total Long-Term Debt	\$ 21,794,037	\$ -	\$ (563,563)	\$ 21,230,474	\$ 574,563

Livingston Parish Sewer District
Notes to the Financial Statements
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(with 2016 summarized comparative information)

Bonds Payable as of December 31, 2017 is as follows:

	December 31, 2017	December 31, 2016
Revenue Refunding Bonds \$ 572,000 Sewer Revenue Bonds, Series 2012 Dated 6/28/2012 due in annual installments of principal and semi-annual installments of interest - varying from \$56,804 to \$53,755 interest at 2.85%, with bonds maturing 3/1/2024.	\$ 356,000	\$ 402,000
Sewer Expansion Bonds \$ 15,900,000 Sewer Expansion Bonds, Series 2012 Dated 11/21/2012 due in annual installments of principal and semi-annual installments of interest - varying from \$853,230 to \$847,960 interest from 2.0% to 3.6%, with bonds maturing 3/1/2042.	14,265,000	14,660,000
Revenue Refunding Bonds \$ 4,625,000 Sewer Revenue Bonds, Series 2014 Dated 7/22/2014 due in annual installments of principal and semi-annual installments of interest - varying from \$261,300 to \$226,099 interest from 2.0% to 4.0%, with bonds maturing 3/1/2044.	4,370,000	4,475,000
Revenue Refunding Bonds \$ 2,200,000 Sewer Revenue Bonds, Series 2016 Dated 5/16/2016 due in annual installments of principal and semi-annual installments of interest - varying from \$66,000 to \$149,894 interest from 1.25% to 4.0%, with bonds maturing 3/1/2039.	2,185,000	2,200,000
	\$ 21,176,000	\$ 21,737,000

The annual requirements to amortize all debt outstanding as of December 31, 2017, including interest payments of \$10,545,235 are as follows:

	Series 2012 Revenue Refunding Bonds	Series 2012 Sewer Expansion Bonds	Series 2012 Revenue Re funding Bonds	Series 2016 Revenue Re funding Bonds	Total
Year Ending 12/31/17	\$ 572,000	\$15,900,000	\$ 4,625,000	\$ 2,200,000	Total
2018	\$ 56,476	\$ 848,305	\$ 258,188	\$ 85,197	\$ 1,248,166
2019	56,123	850,305	261,038	84,947	1,252,413
2020	56,726	852,105	258,188	149,291	1,316,310
2021	56,287	848,705	261,301	148,080	1,314,373
2022	56,805	850,205	258,138	146,720	1,311,868
2023 to 2027	110,035	4,253,650	1,291,015	733,366	6,388,066
2028 to 2032	-	4,260,650	1,286,704	726,931	6,274,285
2033 to 2037	-	4,255,375	1,287,834	731,342	6,274,551
2038 to 2042	-	4,253,000	1,283,700	294,703	5,831,403
2043 to 2044	-	-	509,800	-	509,800
	\$ 392,452	\$ 21,272,300	\$ 6,955,906	\$ 3,100,577	\$ 31,721,235

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

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.

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

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
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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.

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 \$124,800 for 2017, with remaining obligations consisting of \$63,600 for 2018 and \$61,200 for 2019.

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

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

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 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, 2017, the required deposits of \$15,854 were made and the Reserve Fund was fully funded.

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

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

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 \$191,170, for the prior fiscal year end, with \$15,854 required in deposits for the fiscal year ended. For the fiscal year-end December 31, 2017, 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.

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 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, 2017, the computation for the bond debt coverage ratio (Net Revenues to bond deposit requirements) was in compliance with bond provisions requiring the 125% ratio.

8. Restricted Net Position

At December 31, 2017, Livingston Parish Sewer District recorded \$1,773,653 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.

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.

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

11. Litigation

At December 31, 2017, 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. An obligation remains for the Livingston Parish Sewer District, to pay obligations not refunded of the Series 2009 Livingston Parish Council bond issue. Remaining obligations of the Series 2009 bond issue total \$63,600 for 2018 and \$61,200 for 2019.

13. Flood Expenses

As of December 31, 2017, the District incurred \$347,667 in expenses related to the August 2016 Flood disaster. These expenses were incurred to repair sewerage facilities and to facilitate continuing operation of these facilities during the disaster. Expenses incurred relate to overall operation of the sewerage system and efforts to provide continuing services to major sewer treatment facilities including sewer plant facilities added at a cost of \$4,851,517 on January 1, 1986, a wastewater plant added at a cost of \$4,890,900 on July 1, 2015, and to construction in progress expenditures totaling \$14,009,404 at December 31, 2016, for the Series 2012 Construction Expansion Program. As such, an impairment loss cannot be calculated.

The District has received a total of \$133,888 from FEMA for disaster assistance during the fiscal year ended December 31, 2017. The District is still working with GOHSEP to obtain available reimbursements for disaster assistance.

14. Restatement of Net Position/Prior Period Adjustment

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.

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017
(with 2016 summarized comparative information)

At the merger date of January 1, 2017, the following amounts from Livingston Parish Sewer District Number One were merged into Livingston Parish Sewer District Number Two (now known as Livingston Parish Sewer District):

Assets	
Current Assets	\$ 633,987
Restricted Assets	204,773
Property, Plant, and Equipment	627,995
Other Assets	<u>160</u>
Total Assets	<u>1,466,915</u>
Liabilities	
Current Liabilities	1,652
Long Term Liabilities	<u>-</u>
Total Liabilities	<u>1,652</u>
Net Position	
Net Investment in Capital Assets	627,995
Restricted for Debt Service	204,773
Unrestricted	<u>632,495</u>
Total Net Position	<u>\$ 1,465,263</u>

The financial statements for December 31, 2016 were restated to consolidate Livingston Parish Sewer District Number One with Livingston Parish District Number Two. Interfund activity was eliminated.

During 2017, it was determined that a debt service bank account was created for the Series 2016 bonds. This account was omitted from the prior year report. A prior period adjustment was made to correct this omission and beginning net position was restated as follows:

Beginning Net Position Prior to Adjustments	\$ 4,777,421
To record debt service account for Series 2016 bonds	33,837
Beginning Net Position, After Prior Period Adjustment	<u>\$ 4,811,258</u>

15. Subsequent Events

Subsequent events have been evaluated by management through June 29, 2018, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2017, other than those noted in the following paragraph.

On June 18, 2018, The Board has passed a resolution to approve the issuance of revenue bonds not to exceed \$11,900,000 for the southern expansion of the District contingent upon State Bond Commission.

Other Supplemental 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, 2017
(With Comparative Amounts for the Year Ended December 31, 2016)

	2017 Budget	2017 Actual	Variance Favorable (Unfavorable)	2016 Actual Restated
Operating Revenues				
Sewer Fees	\$ 3,881,000	\$ 3,978,675	\$ 97,675	\$ 3,942,664
Permits & Inspection Fees	20,000	24,650	4,650	21,250
User & Hook-up Fees	64,000	68,520	4,520	66,015
Impact Fees	440,000	529,208	89,208	383,718
Other Operating Income	500	16,312	15,812	1,309
Total Operating Revenues	<u>4,405,500</u>	<u>4,617,365</u>	<u>211,865</u>	<u>4,414,956</u>
Operating Expenses				
Salaries and Wages	500,000	459,313	40,687	501,084
Payroll Taxes & Group Insurance	101,500	90,854	10,646	108,732
Per Diem	5,200	4,900	300	12,300
Amortization	10,400	4,362	6,038	10,508
Bad Debts	4,000	5,534	(1,534)	3,629
Depreciation	720,000	616,495	103,505	473,533
Fuel/Oil-Trucks	45,000	39,799	5,201	43,358
Insurance	135,000	142,890	(7,890)	175,266
Licenses & Permits	21,000	20,646	354	6,851
Office Expense	2,600	3,570	(970)	6,764
Other	408,600	111,451	297,149	47,794
Professional Fees	105,000	130,157	(25,157)	143,158
Repairs and Maintenance	1,069,000	826,612	242,388	673,997
Supplies	179,000	183,574	(4,574)	143,252
Telephone	21,000	19,701	1,299	24,313
Uniform Expense	10,000	12,312	(2,312)	17,111
Utilities	308,000	286,307	21,693	263,977
Total Operating Expenses	<u>3,645,300</u>	<u>2,958,477</u>	<u>686,823</u>	<u>2,655,627</u>
Operating Income (Loss)	<u>760,200</u>	<u>1,658,888</u>	<u>898,688</u>	<u>1,759,329</u>
Nonoperating Revenues (Expenses)				
Interest Income	5,000	6,112	1,112	4,489
FEMA Reimbursement	119,200	133,888	14,688	97,034
Grant Income	44,100	65,000	20,900	-
Interest Expense	(385,000)	(381,327)	3,673	(296,461)
Bond Issuance Cost	-	-	-	(92,914)
Transfer for Parish Debt Obligation	(152,500)	(67,389)	85,111	(130,037)
Flood Expense	(391,000)	(347,667)	43,333	(398,745)
Transfer to Other Governments	-	-	-	(2,404,141)
Transfer in from Other Governments	-	-	-	122,683
Total Nonoperating Revenues (Expenses)	<u>(760,200)</u>	<u>(591,383)</u>	<u>168,817</u>	<u>(3,098,092)</u>
Change in Net Position	<u>-</u>	<u>1,067,505</u>	<u>1,067,505</u>	<u>(1,338,763)</u>
Total Net Position, Beginning	4,777,421	4,777,421	-	6,150,021
Prior Period Adjustments	-	33,837	33,837	-
Adjusted Net Position, Beginning	<u>4,777,421</u>	<u>4,811,258</u>	<u>33,837</u>	<u>6,150,021</u>
Total Net Position, Ending	<u>\$ 4,777,421</u>	<u>\$ 5,878,763</u>	<u>\$ 1,101,342</u>	<u>\$ 4,811,258</u>

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, 2017**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Michael Dougay, Chairman (225) 791-8295	36375 Page Drive Denham Springs, LA 70706	\$ 1,100	Until Re-appointed
Thomas Jarreau (225) 664-8060	28943 Juban Rd Denham Springs, LA 70726	1,200	Until Re-appointed
Norris Achord (225) 686-0591	32375 Cane Market Rd Walker, LA 70785	400	Until Re-appointed
Asa Faulkner (225) 287-8518	8562 Beechwood Drive Denham Springs, LA 70706	800	Until Re-appointed
Larry Tarver (225) 665-4347	24189 Springlake Drive Walker, LA 70785	1,200	Until Re-appointed
J. Kyle Parker (225) 572-7817	36426 Lucas Drive Denham Springs, LA 70706	100	Expired January 2018
Thomas M. Hall (225) 454-2500	8602 R. Dawes Drive Denham Springs, LA 70706	100	Expired January 2018
		<u>\$ 4,900</u>	

See independent auditor's report.

Schedule 4

**Livingston Parish Sewer District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2017**

Agency Head Name: Michael Dougay, Chairman

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

See independent auditor's report.

Livingston Parish Sewer District
Schedule of Customers and Schedule of Sewer Rates
For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Customers	6,745	4,729	2,016
Total Customers	<u>6,745</u>	<u>4,729</u>	<u>2,016</u>

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

<u>Sewer Fees (Effective June 1, 2015)</u>	<u>Impact Fee</u>	<u>Size Tap</u>
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.

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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, 2017, 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 29, 2018.

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 significant deficiencies. [Findings 2017-I1 and 2017-I2]

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

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 29, 2018

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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, 2017**

Section II Financial Statement Findings

Finding Number: 2017-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.

Finding Number: 2017-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 detail 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.

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,

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

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.

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, 2017**

Section I Internal Control and Compliance Material to the Financial Statements

Finding Number: 2016-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:

- 5) Direct approval by the board for all key financial transactions.
- 6) Maintenance of detail registers to support all disbursements.
- 7) Monthly reconciliation and reporting by an outside accountant.
- 8) 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 2017-I1.

Finding Number: 2016-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 detail 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, 2017**

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 2017-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, 2017



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CERTIFIED PUBLIC ACCOUNTANTS
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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, 2017 through December 31, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

Written policies and procedures were obtained and address the functions noted above. 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 how purchases are initiated and the preparation and approval process of purchase requisitions and purchase orders. However, these policies and procedures have not been approved by the Board. There were no written policies and procedures addressing the remaining functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above. However, these policies and procedures have not been approved by the Board.
- d) **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and address the functions noted above. 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 payroll processing. However, these policies and procedures have not been approved by the Board. There were no written policies and procedures addressing the remaining functions noted above.
- 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 had contracting procedures that it followed 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, and (5) monitoring card usage
The District had credit card procedures that it followed 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 had travel and expense reimbursement procedures that it followed but these were not in writing. The District did not have any travel or expense reimbursements during the fiscal year.
- 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. Note: Ethics requirements are not applicable to nonprofits.
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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
The District had debt procedures that it followed but these were not in writing.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The board met (with a quorum) at least monthly.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The minutes reference monthly budget-to-actual comparisons.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes reference financial information for at least one meeting during the fiscal period.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that the listing is complete.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all bank accounts for all months in the fiscal period noting that reconciliations have been prepared for all months in the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations for all accounts did not include evidence of management review, although the District maintains that they are reviewed by Management and made available to the Board for review as well.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No items outstanding for more than 6 months were noted; therefore, this is not applicable.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that the listing is complete.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5

locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Sewer fees and related collections are sent monthly from the third party billing agents. These payments are received by the outside accounting firm and they are responsible for depositing the checks in the bank, recording the related transaction, and reconciling the related bank account. There are no employees that are responsible for collecting cash that are depositing, recording the related transactions, or reconciling the related bank account. The District does not have a cash drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Written documentation was obtained and addresses the functions noted above.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions noted.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Due No exceptions noted.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found the following exception: 17 selections were for recurring purchases or services and were not accompanied by a purchase order. Per written policies, recurring purchases and services do not require purchase orders. Initiation and approval functions are separate.

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Same as 9a above.

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Same as 9a above. Also, all invoices had evidence of approval.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The outside accountant is responsible for processing payments and adding vendors to the purchasing system only after approval from the Board is given.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Written documentation was obtained and addresses the functions noted above.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or machine is used.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Listing of all active credit cards, bank cards, and fuel cards, including the card numbers and name of person who maintain possession of cards, and management's representation that the listing is complete was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.])

Monthly statements were obtained and supporting documentation included approval by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Of the ten credit cards selected, 7 (multiple cards all from the same vendor) had a late fee assessed, since the payment was one day late the month before the selected statement.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Transaction supported; no exceptions noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Transaction supported; no exceptions noted.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Transaction supported; no exceptions noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan,

pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of all travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The District had travel and expense reimbursement procedures that it followed but these were not in writing. The District did not have any travel or expense reimbursements during the fiscal year.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Not applicable. The District did not have any travel or expense reimbursements during the fiscal year.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Not applicable. The District did not have any travel or expense reimbursements during the fiscal year.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Not applicable. The District did not have any travel or expense reimbursements during the fiscal year.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Not applicable. The District did not have any travel or expense reimbursements during the fiscal year.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of

funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable. The District did not have any travel or expense reimbursements during the fiscal year.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable. The District did not have any travel or expense reimbursements during the fiscal year.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Selected five contract vendors from the listing and obtained the related contracts. No exceptions noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

All five contracts were subject to the Louisiana Public Bid Law. No exception noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Two of the five contracts were amended. These contracts were amended for change orders relating to construction projects. One change order was for \$71,661 the other change order was for \$156,217. The change orders were for additional items being added to the original contract.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No noncompliance with the terms and conditions of the contract noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Board approval noted in board minutes.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Payments were noted as made in strict accordance with the pay rate structure; no exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No changes in pay for any employee during the fiscal year.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Selected 16 employees (1/3 of employees). Selected employees documented their daily attendance and leave; no exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisor approval is verbal only. There is no written evidence of approval.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written documentation that the entity maintains written leave records noted.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

All terminated employees were seasonal work release employees only; therefore no termination payments were made.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Obtained documentation; No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No employees had completed the required ethics training by fiscal year end; however most of the employees have completed the training by the report date. There were a couple of field workers that have been heavily involved in repair work that haven't been in the office to complete the training.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Inquired; none noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No debt issued; therefore, this is not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Supporting documentation obtained. The District made all scheduled debt service payments and maintained debt reserves as required by debt covenants.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Inquired; none noted.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Notice is posted on the District premises. The District does not have a website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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.S24:513, this report is distributed by the LLA as a public document.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

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

June 29, 2018