

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

**REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS**

DECEMBER 31, 2021

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH
HAMMOND, LOUISIANA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

INDEPENDENT AUDITOR'S REPORT

Board Members of
Sewerage District No. 1 of Tangipahoa Parish
Hammond, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish (the District), (a component unit of the Tangipahoa Parish Council), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sewerage District No. 1 of Tangipahoa Parish’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Sewerage District No. 1 of Tangipahoa Parish’s December 31, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis information on pages 4 through 10 and the information presented in the schedule of proportionate share of the net pension liability (Schedule 1) and the schedule of contributions (Schedule 2) on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents as Schedules 3 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements.

Schedules 3 through 7 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sewerage District No. 1 of Tangipahoa Parish's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
August 2, 2022

**Sewerage District No. 1 of Tangipahoa Parish
Hammond, Louisiana
Management's Discussion and Analysis
December 31, 2021**

Introduction

The Sewerage District No. 1 of Tangipahoa Parish (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 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 *Note 1 – Summary of Significant Accounting Policies*.

The District's Management's Discussion and Analysis (MD&A) 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 and the accompanying financial statement footnotes.

Financial Highlights

- At December 31, 2021, total assets and deferred outflows of resources were \$24,278,366 and exceeded liabilities and deferred inflows of resources in the amount of \$9,567,954 (i.e., net position). Of the total net position, \$1,398,384 was unrestricted, with \$5,055,983 net investment in capital assets, and the balance of \$3,113,587 restricted for capital activity and debt service. Total net position increased by \$343,070.
- For the year ended December 31, 2021, operating revenues including user fee revenues decreased \$31,760 (approximately 1%) to \$3,362,168 as compared to \$3,393,928 for the fiscal year ending December 31, 2020.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$108,922 or 4.4%. The major component of the change was a net increase in supplies and repairs and maintenance of \$147,630.
- Total long term debt decreased by \$210,393 during the fiscal year ending December 31, 2021 as a result of paying down debt by \$206,697, and a decrease in net pension liability of \$3,696 as discussed further in Notes 8 and 9.

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 Sewerage District No. 1 of Tangipahoa Parish'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 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 Sewerage District No. 1 of Tangipahoa Parish 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.

Condensed Statement of Net Position
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current Assets and Other Assets	\$8,043,934	\$8,957,582	\$ (913,648)	(10%)
Capital Assets	16,072,828	15,158,388	914,440	6%
Total Assets	<u>24,116,762</u>	<u>24,115,970</u>	<u>792</u>	0%
Total Deferred Outflows of Resources	<u>161,604</u>	<u>124,645</u>	<u>36,959</u>	30%
Liabilities:				
Current Liabilities	438,382	658,729	(220,347)	(33%)
Long-Term Liabilities	<u>13,971,153</u>	<u>14,181,546</u>	<u>(210,393)</u>	(1%)
Total Liabilities	<u>14,409,535</u>	<u>14,840,275</u>	<u>(430,740)</u>	(3%)
Total Deferred Inflows of Resources	<u>300,877</u>	<u>175,456</u>	<u>125,421</u>	71%
Net Position:				
Net Investment in Capital Assets, Net of Related Debt	5,055,983	5,127,186	(71,203)	(1%)
Restricted for Capital Activity and Debt Service	3,113,587	4,450,881	(1,337,294)	(30%)
Unrestricted (Deficit)	<u>1,398,384</u>	<u>(353,183)</u>	<u>1,751,567</u>	496%
Total Net Position	<u>\$9,567,954</u>	<u>\$9,224,884</u>	<u>\$ 343,070</u>	4%

Current and Other Assets includes current assets for operations, restricted assets, and other assets. The decrease in this category consists primarily of a decrease in restricted cash for payments on sewer system improvements.

Capital Assets increased by \$914,440 net of accumulated depreciation, largely as a result of the increase in Sewer Systems.

Total long term debt decreased by \$210,393 during the fiscal year ending December 31, 2021 as a result of paying down debt by \$206,697, and a decrease in net pension liability of \$3,696.

Total Deferred Outflows of increased by \$36,959 due to adjustments related to pension plan activity.

Total Deferred Inflows of Resources increased by \$125,421 due to adjustments related to pension plan activity.

Total net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) increased by \$343,070 for the fiscal year ending December 31, 2021. The largest change was an increase of the \$1,751,567 in unrestricted net assets.

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$3,362,168	\$3,393,928	\$ (31,760)	(1%)
Nonoperating Revenues	20,370	75,577	(55,207)	(73%)
Total Revenues	<u>3,382,538</u>	<u>3,469,505</u>	<u>(86,967)</u>	(3%)
Expenses:				
Depreciation	469,447	315,605	153,842	49%
Other Operating Expenses	2,105,149	2,150,069	(44,920)	(2%)
Nonoperating Expenses	464,872	625,968	(161,096)	(26%)
Total Expenses	<u>3,039,468</u>	<u>3,091,642</u>	<u>(52,174)</u>	(2%)
Change in Net Position	343,070	377,863	(34,793)	(9%)
Beginning Net Position	9,224,884	8,847,021	377,863	4%
Ending Net Position	<u>\$9,567,954</u>	<u>\$9,224,884</u>	<u>\$ 343,070</u>	4%

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 shows an increase in net position of \$343,070 for the fiscal year ending December 31, 2021 as does the Condensed Statements of Net Position on the prior page.

The District's total revenues decreased by \$86,967 in 2021 after a \$221,212 increase in 2020. This was due primarily to a decrease in non-operating revenues received and there was a decrease in operating revenues - impact fees. In the prior year, there was a large impact fee of \$143,600 received on one subdivision.

The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$108,922 or 4.4%. The major component of the change was a net increase in supplies and repairs and maintenance of \$147,630. There was also an increase in depreciation expense of \$153,842 and decreases of \$165,018 in lift station and plant maintenance and of \$30,916 in insurance.

Budgetary Highlights

Sewerage District No. 1 of Tangipahoa Parish adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. 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 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 the "Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

**Condensed Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2021**

	Original Budget December 31, 2021	Final Budget December 31, 2021	Actual December 31, 2021	Favorable (Unfavorable) Variance
Revenues:				
Operating Revenues	\$ 3,368,820	\$ 3,368,820	\$ 3,362,168	\$ (6,652)
Nonoperating Revenues	-	-	20,370	20,370
Total Revenues	<u>3,368,820</u>	<u>3,368,820</u>	<u>3,382,538</u>	<u>13,718</u>
Expenses:				
Depreciation	280,000	280,000	469,447	(189,447)
Other Operating Expenses	2,159,270	2,197,200	2,105,149	92,051
Nonoperating Expenses	428,500	428,500	464,872	(36,372)
Total Expenses	<u>2,867,770</u>	<u>2,905,700</u>	<u>3,039,468</u>	<u>(133,768)</u>
Change in Net Position	<u>\$ 501,050</u>	<u>\$ 463,120</u>	<u>\$ 343,070</u>	<u>\$ (120,050)</u>

- Actual revenues for the fiscal year ended December 31, 2021 showed an increase of \$13,718 over final budgeted revenues. The greatest differences coming from an increase of \$20,370 in the amount of other income collected over what was budgeted.
- Actual expenses, including depreciation, showed an unfavorable variance to the final budget in the amount of \$133,768. The unfavorable variance is primarily in the following operating expense categories:
 - Salaries and Wages expense was over budget by \$47,596.
 - Employee Benefits expense was under budget by \$24,810.
 - Depreciation expense was over budget by \$189,447.
 - Lift Station and Plant Maintenance was under budget by \$101,407.

Other Significant Trends and Account Changes

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

General Operating Data

As of December 31, 2021 and 2020, the District had the following number of customers:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>Increase</u> <u>(Decrease)</u>
Customers			
Residential	5,892	5,713	179
Nonresidential	71	76	(5)
Total Customers	<u>5,963</u>	<u>5,789</u>	<u>174</u>

One key measure of a sewer district's profitability, and the ability to generate positive cash flows, is the ability of the sewer system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2021 and 2020.

Accounts Receivable For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase</u> <u>(Decrease)</u>
Accounts Receivable			
Current	\$ 255,461	\$ 247,624	\$ 7,837
31-60 Days Past Due	220,376	32,612	187,764
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>475,837</u>	<u>280,236</u>	<u>195,601</u>
Allowance for Uncollectible Accounts	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 472,837</u>	<u>\$ 277,236</u>	<u>\$ 195,601</u>

Total receivables for sewer service increased by \$195,601. The total of \$3,000 listed as allowance for uncollectible accounts reflects an amount considered adequate for past due accounts referred for collection.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2021, Sewerage District No. 1 of Tangipahoa Parish had \$15,928,757 (net of accumulated depreciation) recorded in capital assets. The changes in capital assets are presented in the table below.

Capital Assets
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 424,908	\$ 423,186	\$ 1,722	0%
Construction in Progress	907,334	8,604,385	(7,697,051)	(89%)
Software	15,281	15,281	-	0%
Buildings	654,562	654,562	-	0%
Machinery and Equipment	808,581	681,744	126,837	19%
Vehicles	107,228	107,228	-	0%
Sewer Systems	<u>18,497,263</u>	<u>9,688,955</u>	<u>8,808,308</u>	91%
Total Capital Assets	21,415,157	20,175,341	1,239,816	6%
Less: Accumulated Depreciation	<u>(5,486,400)</u>	<u>(5,016,953)</u>	<u>(469,447)</u>	9%
Net Capital Assets	<u><u>\$15,928,757</u></u>	<u><u>\$15,158,388</u></u>	<u><u>\$ 770,369</u></u>	5%

Capital Assets increased by \$770,369 net of accumulated depreciation, largely as a result of an increase in Sewer Systems during the current year.

Long-Term Debt Offerings

The primary source of long-term financing for Sewerage District No. 1 of Tangipahoa Parish is through the issuance of revenue bonds. Interim financing, pending completion of construction, is generally financed by private financial institutions, or through the issuance of revenue bonds. Interest rates for long-term debt at December 31, 2021, range from 2.00% to 4.00%, with initial payment terms for bonds generally at 30 years. Details including balances, payments, and interest rates are included in Note 9 - Long-Term Debt.

Future Economic Plans

The District continues to grow to match population increases and commercial growth in Tangipahoa Parish. With this continued growth, the District must develop plans not only to meet the needs of its existing citizens but must continually plan for the future. In this process the District must continually review its financial structure to ensure a continuity of services, while reviewing options for financing capital projects that meet health and environmental standards and encourage planned development.

Requests for Information

This financial report is designed to provide a general overview of Sewerage District No. 1 of Tangipahoa Parish's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 15485 W. Club Deluxe Road, Hammond, LA 70403. The phone number for the District is 985-542-8877.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOHA PARISH
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021	2020
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 4,229,222	\$ 3,996,248
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$3,000)	472,837	277,236
Restricted Assets:		
Cash and Cash Equivalents	3,236,490	4,575,322
Prepaid Items	105,385	108,776
Total Current Assets	8,043,934	8,957,582
Capital Assets:		
Land	424,908	423,186
Construction in Progress	907,334	8,604,385
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	14,596,515	6,130,817
Total Capital Assets	15,928,757	15,158,388
Net Pension Asset	144,071	-
Total Non-Current Assets	16,072,828	15,158,388
Total Assets	24,116,762	24,115,970
<u>Deferred Outflows of Resources</u>		
Deferred Outflows - Related to Pensions	161,604	124,645
Total Deferred Outflows of Resources	161,604	124,645
<u>Liabilities</u>		
Current Liabilities - Payable from Current Assets:		
Accounts Payable	237,414	469,934
Other Accrued Payables	78,065	64,354
Accrued Interest on Bonds Payable	122,903	124,441
Total Current Liabilities - Payable from Current Assets	438,382	658,729
Current Liabilities - Payable from Restricted Assets:		
Bonds Payable - Current Portion	216,780	206,697
Total Current Liabilities - Payable from Restricted Assets	216,780	206,697
Noncurrent Liabilities:		
Bonds Payable	13,754,373	13,971,153
Net Pension Liability	-	3,696
Total Long-Term Liabilities	13,754,373	13,974,849
Total Liabilities	14,409,535	14,840,275
<u>Deferred Inflows of Resources</u>		
Deferred Inflows - Related to Pensions	300,877	175,456
Total Deferred Inflows of Resources	300,877	175,456
<u>Net Position</u>		
Net Investment in Capital Assets	5,055,983	5,127,186
Restricted for:		
Capital Projects and Debt Service	3,113,587	4,450,881
Unrestricted (Deficit)	1,398,384	(353,183)
Total Net Position	\$ 9,567,954	\$ 9,224,884

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Sewer Service Revenues	\$ 3,075,532	\$ 2,959,678
Impact Fees	189,871	349,724
Connection Fees	23,927	65,820
Intergovernmental	6,908	6,352
Other	65,930	12,354
Total Operating Revenues	<u>3,362,168</u>	<u>3,393,928</u>
Operating Expenses:		
Salaries and Wages	594,596	537,015
Employee Benefits	201,190	241,688
Bad Debts	-	638
Billing Costs	81,146	77,129
Depreciation	469,447	315,605
Director's and Recording Secretary Expense	7,800	8,100
Engineering and Surveyor Fees	30,960	54,270
Insurance	44,250	75,166
Lift Station and Plant Maintenance	119,598	284,616
Other	55,663	49,797
Professional Fees	153,428	144,193
Rentals	51,029	58,241
Repairs and Maintenance	316,568	213,376
Supplies	129,743	85,305
Utilities	277,292	288,789
Vehicle Expenses	41,886	31,746
Total Operating Expenses	<u>2,574,596</u>	<u>2,465,674</u>
Operating Income	787,572	928,254
Nonoperating Revenues (Expenses):		
Dividend Income	1,048	23,278
Interest Income	19,322	48,206
Interest Expense	(464,872)	(434,062)
Gain (Loss) on Disposal of Assets	-	4,093
Debt Issuance Cost	-	(191,906)
Total Nonoperating Revenues (Expenses)	<u>(444,502)</u>	<u>(550,391)</u>
Change in Net Position	343,070	377,863
Net Position - Beginning of Year	<u>9,224,884</u>	<u>8,847,021</u>
Net Position - End of Year	<u><u>\$ 9,567,954</u></u>	<u><u>\$ 9,224,884</u></u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 3,093,729	\$ 3,351,885
Cash Payments to Suppliers for Goods and Services	(1,538,492)	(1,240,443)
Cash Payments to Employees for Services and Benefits	(841,380)	(779,828)
Other Receipts (Payments)	<u>72,838</u>	<u>18,706</u>
Net Cash Provided by Operating Activities	786,695	1,350,320
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,239,816)	(6,429,301)
Proceeds from Sale of Assets	-	4,093
Proceeds from Issuance of Debt	-	5,128,541
Principal Repayment on Long Term Debt	(205,000)	(200,000)
Debt Issuance Cost Paid	-	(191,906)
Interest Expense Paid on Long Term Debt	<u>(468,107)</u>	<u>(392,733)</u>
Net Cash Used in Capital and Related Financing Activities	(1,912,923)	(2,081,306)
Cash Flows From Investing Activities:		
Dividend Income Received	1,048	23,278
Interest Income Received	<u>19,322</u>	<u>48,206</u>
Net Cash Provided by Investing Activities	<u>20,370</u>	<u>71,484</u>
Net Decrease in Cash and Cash Equivalents	(1,105,858)	(659,502)
Cash and Cash Equivalents, Beginning of Year	<u>8,571,570</u>	<u>9,231,072</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,465,712</u>	<u>\$ 8,571,570</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 4,229,222	\$ 3,996,248
Cash and Cash Equivalents, Restricted	<u>3,236,490</u>	<u>4,575,322</u>
Total Cash and Cash Equivalents	<u>\$ 7,465,712</u>	<u>\$ 8,571,570</u>

(CONTINUED)

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021	2020
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 787,572	\$ 928,254
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	469,447	315,605
Provision for Bad Debt	-	638
Pension Expense Adjustment	(59,305)	109
(Increase) Decrease in Accounts Receivable	(195,601)	(22,699)
(Increase) Decrease in Prepaid Insurance	3,391	(36,656)
Increase (Decrease) in Accounts Payable	(232,520)	166,303
Increase (Decrease) in Accrued Expenses	13,711	(1,234)
	\$ 786,695	\$ 1,350,320
Net Cash Provided by Operating Activities	\$ 786,695	\$ 1,350,320

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOHA PARISH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

A. Organization and Nature of Operations

In 1985, the Tangipahoa Parish Police Jury (now Tangipahoa Parish Council) voted to create a parish wide sewerage district, in accordance with Louisiana Revised Statute 33:3811, thus creating the Sewerage District No. 1 of Tangipahoa Parish. The Sewerage District No. 1 of Tangipahoa Parish is governed by a board of commissioners consisting of five members. The board is appointed by the parish council and paid according to the number of meetings attended. The District encompasses all non-incorporated areas, with a few exclusions for some previously franchised areas of Tangipahoa Parish. At December 31, 2021, Sewerage District No. 1 of Tangipahoa Parish provided service to a total of approximately 5,963 customers.

B. Financial Reporting Entity

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

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

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

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

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

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used. The District follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

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

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

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

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

D. Cash and Cash Equivalents and Investments

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

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

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 District does not have any investments at December 31, 2021.

E. 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.

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2021.

G. 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.

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including 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.

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

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	7 to 39
Machinery and Equipment	5 to 7
Vehicles	5
Sewer Systems	24 to 40

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

I. Compensated Absences

The District has the following policy related to vacation and sick leave:

Full-time employees earn five days of paid vacation after working full-time for one year, ten days of paid vacation after working full-time for three years, and fifteen days of paid vacation after working full-time for ten years. Employees are allowed to accumulate vacation leave and upon separation from employment will be paid at the current rate of pay. Full-time employees accrue sick leave at a rate of one day for each month of continuous employment until a maximum of 180 days have been accumulated. Upon separation from service, any accumulated sick leave is forfeited. Overtime can be earned from the first day of employment.

GASB Statement Number 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

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

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

J. Long-Term Obligations

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

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

K. Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. 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 - This 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 - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

M. Summary Financial Information for 2020

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

N. COVID-19 Pandemic

The COVID-19 outbreak in the United States and globally has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon the District's financial condition and future results of operations, as well as upon the significant estimates and assumptions that may be utilized in reporting certain assets and liabilities.

(2) **Cash and Cash Equivalents -**

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

Cash and cash equivalents are stated at cost, which approximates market. The following is a summary of cash and cash equivalents at December 31, 2021:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 200	\$ -
Interest Bearing Demand Deposits	4,229,022	4,339,184
Restricted Cash Held in Bank Trust Accounts	3,236,490	3,236,490
	<u>\$ 7,465,712</u>	<u>\$ 7,575,674</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2021, none of the District's bank balance of \$7,575,674 was exposed to custodial credit risk.

(3) Receivables -

The following is a summary of receivables at December 31, 2021:

Accounts Receivable:	
Current	\$ 255,461
31-60 Days Past Due	220,376
61-90 Days Past Due	-
Over 90 Days Past Due	-
Subtotal	<u>475,837</u>
Less: Allowance for Uncollectible Accounts	<u>(3,000)</u>
Net Accounts Receivable	<u>\$ 472,837</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Billings for the District are primarily by cooperative agreement with water systems, since the provision of sewer services is dependent on the provision and maintenance of water services. The primary billing service for the District is by agreement with Tangipahoa Water District and is required by resolution of the Tangipahoa Parish Council. Billing services are also provided by the City of Hammond and various smaller water systems. The District records accounts receivable at fiscal year-end based on the collections received by the respective water district in the final month of the fiscal year.

The District established an allowance for uncollectible accounts based on past experience in customer collections. Periodically, the Board reviews the aging of receivables and determines the actual amounts uncollectible. Per Board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOHA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

(4) Restricted Assets -

The following is a summary of restricted assets at December 31, 2021:

Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 191,095
Construction Account(s)	<u>3,045,395</u>
Total Restricted Assets	<u><u>\$ 3,236,490</u></u>

(5) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2021 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>December 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2021</u>
Capital Assets not being Depreciated:				
Land	\$ 423,186	\$ 1,722	\$ -	\$ 424,908
Construction in Progress	<u>8,604,385</u>	<u>1,111,257</u>	<u>(8,808,308)</u>	<u>907,334</u>
Total Capital Assets not being Depreciated	9,027,571	1,112,979	(8,808,308)	1,332,242
Capital Assets being Depreciated:				
Software	15,281	-	-	15,281
Buildings and Improvements	654,562	-	-	654,562
Machinery and Equipment	681,744	126,837	-	808,581
Vehicles	107,228	-	-	107,228
Sewer Systems	<u>9,688,955</u>	<u>8,808,308</u>	<u>-</u>	<u>18,497,263</u>
Total Capital Assets being Depreciated	11,147,770	8,935,145	-	20,082,915
Less Accumulated Depreciation	<u>5,016,953</u>	<u>469,447</u>	<u>-</u>	<u>5,486,400</u>
Total Capital Assets being Depreciated, Net	6,130,817	8,465,698	-	14,596,515
Total Capital Assets, Net	<u><u>\$ 15,158,388</u></u>	<u><u>\$ 9,578,677</u></u>	<u><u>\$(8,808,308)</u></u>	<u><u>\$ 15,928,757</u></u>

Depreciation expense for the year ended December 31, 2021 was \$469,447.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

(6) Commitments -

Following is a schedule that lists the various projects and projects costs of each along with amounts spent to date at December 31, 2021:

Project Name	Contract Amount	Spent to Date	Remaining Commitment
Current Bond Projects			
Bedico WWTP	\$ 147,549	\$ 147,549	\$ -
Club Deluxe Expansion	474,717	336,780	137,937
Tangi Lakes LS	753,901	50,561	703,340
SE Treatment Facility Maintenance Building Design and Development	477,045	202,568	274,477
Northwest Regional WWTP Improvements	44,138	44,138	-
Haven LS & FM Improvements	20,579	20,579	-
Lift Station, Force Main Improvements, and Other Projects	18,460	18,460	-
Total Current Bond Projects	<u>1,936,389</u>	<u>820,635</u>	<u>1,115,754</u>
Other Projects			
Velma Improvements	<u>1,192,220</u>	<u>86,699</u>	<u>1,105,521</u>
Total Incomplete Construction at December 31, 2021	<u>\$ 3,128,609</u>	<u>\$ 907,334</u>	<u>\$ 2,221,275</u>

(7) Accounts Payable and Accrued Liabilities -

The following is a summary of accounts payable and accrued liabilities at December 31, 2021:

Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 237,414
Other Accrued Liabilities	
Payroll Taxes	1,674
Vacation	63,851
Wages	<u>12,540</u>
Total Other Accrued Liabilities	78,065
Accrued Interest on Bonds Payable	<u>122,903</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 438,382</u>

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

(8) Retirement Plan -

The District follows the requirements of GASB Statement 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68. These standards require the District to record its proportionate share of each of the pension plans net pension liability and report the following disclosures:

General Information about the Pension Plan

Parochial Employees Retirement System of Louisiana Plan Description:

The District's employees are members of the Parochial Employees' Retirement System (PERS) - Plan "A", a cost-sharing multiple-employer defined benefit plan administered by the Parochial Employees' Retirement System of Louisiana. PERS was established and provided for by R.S. 11:1901 of the Louisiana Revised Statute. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. PERS issues a publicly available financial report that can be obtained at www.persla.org.

Benefits Provided:

The following is a description of the plan and their benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System. Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

- 1 - Any age with thirty (30) years of creditable service.
- 2 - Age 55 with twenty-five (25) years of creditable service.
- 3 - Age 60 with a minimum of ten (10) years of creditable service.
- 4 - Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

- 1 - Age 55 with thirty (30) years of creditable service.
- 2 - Age 62 with a minimum of ten (10) years of creditable service.
- 3 - Age 67 with a minimum of seven (7) years of creditable service.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

2. Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

3. Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date. For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

4. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a normal retirement allowance if eligible. Otherwise, the disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or the accrual percentage as defined for retirement benefits multiplied by final compensation multiplied by years of services assuming continued services to age sixty for members hired prior to January 1, 2007 or age sixty-two for members hired on or after January 1, 2007.

5. Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions:

According to state statute, contributions for all employers are actuarially determined each year. The District's required contribution rate for the period January 1, 2021 to December 31, 2021 was 12.25%. Employees were required to contribute 9.50% of their annual salary for the applicable period. Contributions to PERS from the District were \$72,720 for the year ended December 31, 2021.

According to state statute, PERS also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. The amount of non-employer contributions recognized as revenue in the government-wide governmental activities statement of activities was \$6,908 for the year ended December 31, 2021.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the District reported a net pension asset of \$144,071 for its proportionate share of the net pension liability of PERS. For PERS, the net pension liability was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the District's proportion was .082165% for PERS which was an increase of .00367% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2021, the District recognized pension expense of \$20,323 for PERS.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,076	\$ 17,196
Changes in assumptions	47,135	-
Net difference between projected and actual earnings on pension plan investments	-	281,183
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,673	2,498
Employer contributions subsequent to the measurement date	72,720	-
Total	<u>\$ 161,604</u>	<u>\$ 300,877</u>

The District reported a total of \$72,720 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

Year ended December 31:

2021	\$ (58,007)
2022	(20,061)
2023	(87,988)
2024	(45,937)
	<hr/>
	\$ (211,993)
	<hr/>

Actuarial Assumptions:

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2020 for PERS are as follows:

	<u>PERS</u>
Inflation	2.30%
Salary increases	4.75% including inflation
Investment rate of return	6.40% (net of investment expense, including inflation)

Mortality Rates. Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.

For PERS' cost of living adjustments, the present value of future retirement benefits is based on benefits currently being paid by the Systems and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

For PERS, the long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

of rebalancing/diversification. The resulting expected long-term rate of return is 7.00% for the year ended December 31, 2020. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.86%
Equity	51.0%	3.36%
Alternatives	14.0%	0.67%
Real Assets	2.0%	0.11%
Total	<u>100.0%</u>	<u>5.00%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

Discount Rate

For PERS, the discount rate used to measure the total pension liability was 6.40% which represents a 0.10% decrease from the prior measurement date of December 31, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers and non-employer contributing entities will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate as of December 31, 2020 for PERS:

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

	<u>Changes in Discount Rate</u>		
		Current	
	1% Decrease	Discount	1% Increase
	5.40%	6.40%	7.40%
Net Pension Liability (Asset)	<u>\$ 302,071</u>	<u>\$ (144,071)</u>	<u>\$ (517,702)</u>

Pension Plans Fiduciary Net Position

PERS issued a stand-alone audit report on its financial statements for the year ended December 31, 2020. Access to the audit report can be found on the System’s website: www.persla.org or on the Office of Louisiana Legislative Auditor’s official website: www.lla.state.la.us.

Payables to the Pension Plans

There was no payable due to PERS at December 31, 2021.

(9) Long-Term Debt -

The following is a summary of long-term obligation transactions for the year ended December 31, 2021:

<u>Direct Placement Borrowings</u>	Balance			Balance		Due Within
Description	December 31, 2020	Additions	Deletions	December 31, 2021	One Year	
Long-Term Debt:						
Revenue and Refunding						
Bonds 2017 Series	\$ 8,975,000	\$ -	\$ (205,000)	\$ 8,770,000	\$ 215,000	
Premium on Revenue and						
Refunding Bonds 2017 Series	74,309	-	(1,697)	72,612	1,780	
Revenue Bonds 2020 Series	4,845,000	-	-	4,845,000	-	
Premium on Revenue						
Bonds 2020 Series	283,541	-	-	283,541	-	
Total Long-Term Debt	<u>\$ 14,177,850</u>	<u>\$ -</u>	<u>\$ (206,697)</u>	<u>\$ 13,971,153</u>	<u>\$ 216,780</u>	

Revenue Bonds 2020 Series

On May 15, 2020, the District issued \$4,845,000 Series 2020 Revenue Bonds for the purpose of (i) acquiring, construction, extending and improving the sewerage system owned by the District; (ii) funding a municipal bond insurance policy; (iii) funding a debt service reserve fund with a municipal surety bond policy; and (iv) financing the costs of issuance allocated to the bonds. The Series 2020 Bonds have semi-annual payment installments including principal and interest at 2% to 4% through October 1, 2049. The debt service requirements to maturity for the Series 2020 bonds are as follows:

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 177,944	\$ 177,944
2023	-	177,944	177,944
2024	-	177,944	177,944
2025	100,000	177,944	277,944
2026	100,000	175,944	275,944
2027 to 2031	545,000	842,219	1,387,219
2032 to 2036	655,000	731,519	1,386,519
2037 to 2041	790,000	591,563	1,381,563
2042 to 2046	930,000	449,463	1,379,463
2047 to 2049	1,725,000	160,800	1,885,800
	<u>\$4,845,000</u>	<u>\$3,663,284</u>	<u>\$ 8,508,284</u>

Revenue and Refunding Bonds 2017 Series

On October 26, 2017, the District issued \$9,535,000 Series 2017 Revenue and Refunding Bonds for the purpose of (i) acquiring, construction, extending and improving the sewerage system owned by the District; (ii) currently refunding two of the District’s outstanding Sewer Revenue Bonds Series 2003, each issued September 25, 2003; (iii) funding a municipal bond insurance policy; (iv) funding a debt service fund with a municipal bond insurance policy; and (v) financing the costs of issuance allocated to the bonds. The Series 2017 Bonds have semi-annual payment installments including principal and interest at 3% to 4% through October 1, 2047. The debt service requirements to maturity for the Series 2017 bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 215,000	\$ 313,670	\$ 528,670
2023	220,000	307,220	527,220
2024	225,000	300,620	525,620
2025	235,000	293,870	528,870
2026	240,000	286,820	526,820
2027 to 2031	1,325,000	1,305,900	2,630,900
2032 to 2036	1,605,000	1,030,850	2,635,850
2037 to 2041	1,910,000	725,734	2,635,734
2042 to 2046	2,285,000	353,664	2,638,664
2047	510,000	18,872	528,872
	<u>\$8,770,000</u>	<u>\$4,937,220</u>	<u>\$13,707,220</u>

SEWERAGE DISTRICT NO. 1 OF TANGIPAOHA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

Debt Service Requirements to Maturity:

The annual requirements to amortize long term debt outstanding as of December 31, 2021 including expected interest payments of \$8,600,501 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 215,000	\$ 491,614	\$ 706,614
2023	220,000	485,164	705,164
2024	225,000	478,564	703,564
2025	335,000	471,814	806,814
2026	340,000	462,764	802,764
2027 to 2031	1,870,000	2,148,119	4,018,119
2032 to 2036	2,260,000	1,762,369	4,022,369
2037 to 2041	2,700,000	1,317,297	4,017,297
2042 to 2046	3,215,000	803,127	4,018,127
2047 to 2049	2,235,000	179,672	2,414,672
	<u>\$ 13,615,000</u>	<u>\$ 8,600,504</u>	<u>\$ 22,215,504</u>

(10) Sewer Revenue Bond Resolution Covenants -

As of December 31, 2021, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana (District), has Revenue Refunding Bonds Series 2017 and Revenue Bonds Series 2020 outstanding. The Series 2017 and Series 2020 bond resolutions, covering all the bonds, specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) Provide that all income and revenues derived by the issuer from the operation of the system shall be deposited in a separate and special bank account (the “Sewer Fund”) with the regularly designated fiscal agent bank of the issuer.
- b) Bond covenants of the outstanding parity obligations require the District to fix, establish, maintain, levy and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents, or other charges for services and facilities of the system and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to (i) pay operation and maintenance expenses; (ii) provide net revenues in an amount sufficient to make payments and deposits required by the bond resolution for the payment of principal and interest on the bonds and any additional parity obligations 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

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

bonds plus the payment of principal and interest on any additional parity obligations; (iv) make all other payments required by the bond resolution; (v) pay all other obligations or indebtedness payable out of the revenues for such fiscal year. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes. The calculated bond debt coverage ratio for existing Bonds exceeded the 125 percent ratio for the fiscal year ended December 31, 2021.

- c) The establishment and maintenance of a “Sewer Bond and Interest Sinking Fund” (the “Sinking Fund”) into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the Bonds as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20th day of each month of each year, a sum equal to 1/6 of the interest payable on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal payable on the Bonds on any next principal payment date. At December 31, 2021, the Sinking Fund requirements for the interest and principal accounts on the Series 2017 and Series 2020 Bonds were fully funded with actual balances of \$132,837 and \$58,258, and are reported as restricted cash.

During the fiscal year ended December 31, 2021, the District was in substantial compliance with bond covenants noted above.

(11) Lease Obligations - Operating Leases -

The District entered into one 48-month lease on one crane truck in September 2020. The monthly lease payments are \$888 and the lease terms end in September 2024. The lease contains non-appropriation clauses whereby the leases are cancellable if funding is not available. Future minimum lease commitments at December 31, 2021 are as follows:

<u>For the Year Ending December 31,</u>	
2022	\$ 10,656
2023	10,656
2024	<u>7,104</u>
Total Minimum Future Lease Payments	<u><u>\$ 28,416</u></u>

The District entered into one 48-month lease on one service truck in August 2020. The monthly lease payments are \$638 and the lease terms end in August 2024. The lease contains non-appropriation clauses whereby the leases are cancellable if funding is not available. Future minimum lease commitments at December 31, 2021 are as follows:

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

<u>For the Year Ending December 31,</u>	
2022	\$ 7,656
2023	7,656
2024	<u>4,466</u>
Total Minimum Future Lease Payments	<u><u>\$ 19,778</u></u>

The District entered into one 48-month lease on one service truck in February 2019. The monthly lease payments are \$769 and the lease terms end in February 2023. The lease contains non-appropriation clauses whereby the leases are cancellable if funding is not available. Future minimum lease commitments at December 31, 2021 are as follows:

<u>For the Year Ending December 31,</u>	
2022	\$ 9,228
2023	<u>769</u>
Total Minimum Future Lease Payments	<u><u>\$ 9,997</u></u>

The District entered into two 48-month leases on service trucks in May 2018. The combined monthly lease payments are \$1,325 and the lease terms end in May 2022. The leases contain non-appropriation clauses whereby the leases are cancellable if funding is not available. Future minimum lease commitments at December 31, 2021 are as follows:

<u>For the Year Ending December 31,</u>	
2022	<u>\$ 6,625</u>
Total Minimum Future Lease Payments	<u><u>\$ 6,625</u></u>

Lease expense for the year ended December 31, 2021 amounts to \$43,717.

(12) Employee Health Insurance -

As a component unit of the parish, the District obtains health insurance coverage for its employees through the coverage of the parish and reimburses the parish for the cost of the insurance. The District's portion of the insurance expense related to its employees is invoiced by the Parish. Insurance expense for the District employee health insurance was \$172,358 for the year ended December 31, 2021.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

(13) Restricted and Designated Net Position -

At December 31, 2021, the District recorded \$3,113,587 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants 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.

(14) Risk Management -

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

(15) Sewerage Treatment Plant -

The District's community sewerage wastewater treatment plants (WWTPs) utilizes a treatment process that consists of an arrangement of processes, equipment, and structures for treating, neutralizing, stabilizing, or disposing of domestic wastewater and the intermediate byproducts of the treatment process. When domestic wastewater treatment works are decommissioned, the decommissioning efforts must be completed in a way that ensures protection of waters of the state and the surrounding environment in accordance with appropriate environmental regulations. The District's WWTPs are maintained in the configuration as permitted, in working order and operated efficiently to minimize upsets, discharges of excessive pollutants, bypassing of discharges from the system, and health hazards and nuisances, and to consistently produce effluent water quality meeting the minimum requirements of the secondary treatment standard in accordance with Louisiana Administrative Code Title 51, Part XIII §505. No asset retirement obligation has been recognized related to the District's WWTPs because it cannot be reasonably estimated at this time and the District intends to maintain and expand the WWTPs as needed.

(16) Litigation -

There is no outstanding litigation at December 31, 2021 for which the District would expect an unfavorable outcome.

(17) Current Accounting Pronouncements -

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

In May 2020, the Governmental Accounting Standards Board GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is currently evaluating the effects of the new GASB pronouncement.

(18) Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through August 2, 2022, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2021*

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension (Asset) Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability</u>
Parochial Employees' Retirement System of Louisiana:					
2015	0.05386%	\$ 14,725	\$ 282,064	5.22%	99.15%
2016	0.05512%	145,092	316,035	45.91%	92.23%
2017	0.05261%	108,358	312,024	34.73%	94.15%
2018	0.06331%	(46,994)	389,690	(12.06)%	101.98%
2019	0.08138%	361,206	477,320	75.67%	88.86%
2020	0.07849%	3,696	497,697	0.74%	99.89%
2021	0.08217%	(144,071)	548,784	(26.25)%	104.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The amounts presented were determined as of the previous fiscal year end.

See independent auditor's report.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021*

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Parochial Employees' Retirement System of Louisiana:					
2015	\$ 45,299	\$ 45,299	\$ -	\$ 316,035	14.33%
2016	40,929	40,929	-	312,024	13.12%
2017	48,771	48,771	-	389,690	12.52%
2018	54,892	54,892	-	477,320	11.50%
2019	57,233	57,233	-	497,697	11.50%
2020	67,226	67,226	-	548,784	12.25%
2021	72,720	72,720	-	593,636	12.25%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The amounts presented were determined as of the fiscal year.

See independent auditor's report.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2020

Parochial Employees' Retirement System of Louisiana:

Changes in Actuarial Assumptions

There were changes of benefit assumptions for the year ended December 31, 2020, for PERS.

Other changes are as follows:

<u>Valuation Date</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Investment Rate of Return	6.40%	6.50%	6.50%	6.75%	7.00%	7.00%
Inflation Rate	2.30%	2.40%	2.40%	2.50%	2.50%	2.50%
Projected Salary Increase	4.75%	4.75%	4.75%	5.25%	5.25%	5.25%
	(2.30%	(2.40%	(2.40%	(2.50%	(2.50%	(2.50%
	Inflation,	Inflation,	Inflation,	Inflation,	Inflation,	Inflation,
	2.45% Merit)	2.35% Merit)	2.35% Merit)	2.75% Merit)	2.75% Merit)	2.75% Merit)

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 Original Budget	2021 Final Budget	2021 Actual	Variance Favorable (Unfavorable)
Operating Revenues:				
Sewer Service Revenues	\$ 3,133,820	\$ 3,133,820	\$ 3,075,532	\$ (58,288)
Impact Fees	170,000	170,000	189,871	19,871
Connection Fees	65,000	65,000	23,927	(41,073)
Intergovernmental	-	-	6,908	6,908
Other	-	-	65,930	65,930
Total Operating Revenues	3,368,820	3,368,820	3,362,168	(6,652)
Operating Expenses:				
Salaries and Wages	547,000	547,000	594,596	(47,596)
Employee Benefits	226,000	226,000	201,190	24,810
Bad Debts	600	600	-	600
Billing Costs	77,000	77,000	81,146	(4,146)
Depreciation	280,000	280,000	469,447	(189,447)
Director's and Recording Secretary Expense	9,000	9,000	7,800	1,200
Engineering and Surveyor Fees	54,000	54,000	30,960	23,040
Insurance	84,000	84,000	44,250	39,750
Lift Station and Plant Maintenance	155,275	221,005	119,598	101,407
Other	41,175	41,175	55,663	(14,488)
Professional Fees	150,000	145,000	153,428	(8,428)
Rentals	48,000	48,000	51,029	(3,029)
Repairs and Maintenance	331,720	306,720	316,568	(9,848)
Supplies	83,500	85,700	129,743	(44,043)
Utilities	321,200	321,200	277,292	43,908
Vehicle Expenses	30,800	30,800	41,886	(11,086)
Total Operating Expenses	2,439,270	2,477,200	2,574,596	(97,396)
Operating Income	929,550	891,620	787,572	(104,048)
Nonoperating Revenues (Expenses):				
Dividend Income	-	-	1,048	1,048
Interest Income	-	-	19,322	19,322
Interest Expense	(428,500)	(428,500)	(464,872)	(36,372)
Gain (Loss) on Disposal of Assets	-	-	-	-
Debt Issuance Cost	-	-	-	-
Total Nonoperating Revenues (Expenses)	(428,500)	(428,500)	(444,502)	(16,002)
Change in Net Position	501,050	463,120	343,070	(120,050)
Net Position - Beginning of Year	9,224,884	9,224,884	9,224,884	-
Net Position - End of Year	\$ 9,725,934	\$ 9,688,004	\$ 9,567,954	\$ (120,050)

See independent auditor's report.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS**

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Name, Title, Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Brian Shirey, Chairman (985) 974-8486	19299 Country Club Lane Hammond, LA 70401	\$ 1,800	March 2023
Justin Proctor, Vice Chairman (985) 387-2087	11164 E. Nickens Road Hammond,, LA 70403	1,500	July 2022
Barry Couvillion, Secretary/Treasurer (985) 969-6383	18087 Bradford Dr. Hammond, LA 70403	1,350	March 2026
James Miller	P. O. Box 137 Independence, LA 70443	1,800	March 2023
Sammy Richmond	125 Holly Drive Hammond, LA 70401	1,350	March 2024
		<u>\$ 7,800</u>	

See independent auditor's report.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2021

Agency Head Name: Jason Hood

Purpose	Amount
Salary	\$ 88,466
Benefits - Insurance	12,166
Benefits - Retirement	11,600
Vehicle Allowance	6,231
	\$ 118,463

See independent auditor's report.

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Policy Period</u>
AmGuard Insurance Company Policy Number A2GP200618	Commercial General Liability: Aggregate Policy Limit Products/Completed Ops Aggregate Personal & Advertising Injury Per Occurrence Rented To You Any One Premises Limited Pollution Sewer Backup Fire Damage Medical Expense	\$ 3,000,000 \$ 3,000,000 \$ 1,000,000 \$ 1,000,000 \$ 1,000,000 \$ 1,000,000 \$ 1,000,000 \$ 500,000 \$ 10,000	12/11/2021 to 12/11/2022
AmGuard Insurance Company Policy Number A2GP200618	Business Auto Liability	\$ 1,000,000	12/11/2021 to 12/11/2022
AmGuard Insurance Company Policy Number A2GP200618	Commercial Property: Building Coverage Personal Property Coverage Expediting Expenses Hazardous Substances Spoilage Data Restoration	\$ 2,009,280 \$ 72,800 \$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000	12/11/2021 to 12/11/2022
AmGuard Insurance Company Policy Number A2GP200618	Employment Practices Liability: General Aggregate Public Officials Crisis Management Non-Monetary Coverage - Defense Only - Each Claim Non-Monetary Coverage - Defense Max Limit - All Claims Public Officials Liability - Each Claim Employment Practices Liability & Third Party Liability	\$ 2,000,000 \$ 25,000 \$ 10,000 \$ 50,000 \$ 1,000,000 \$ 1,000,000	12/11/2021 to 12/11/2022

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Policy Period</u>
AmGuard Insurance Company Policy Number A2GP200618	Contractors Equip Floater: Contractors Equipment	\$ 208,223	12/11/2021 to 12/11/2022
AmGuard Insurance Company Policy Number A2GP200618	Umbrella	\$ 1,000,000	12/11/2021 to 12/11/2022
AmGuard Insurance Company Policy Number A2GP200618	Flood	\$ 500,000	12/11/2021 to 12/11/2022
AmGuard Insurance Company Policy Number A2GP200618	Crime Policy: Employee Theft Forgery or Alteration Theft of Money & Securities Inside or Outside the Premises Computer & Funds Transfer Fraud Money Orders & Counterfeit Money	\$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000	12/11/2021 to 12/11/2022
Louisiana Workers' Compensation Corp. Policy Number 160535	Workmen's Compensation	\$ 1,000,000	2/28/2021 to 2/28/2022

See independent auditor's report.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

SCHEDULE OF SEWER RATES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2021

Sewer	
Residential Rates	Commercial Rates
\$ 37.50 - Flat Rate per Household	SC1
	\$ 54.67 - Base Rate Minimum
	\$ 3.14 - Per 1,000 Gallons
	SC2
	\$ 54.67 - Base Rate Minimum
	\$ 6.24 - Per 1,000 Gallons
	SC3
	\$ 530.92 - Base Rate
	SC4
	\$ 300.00 - Base Rate Minimum
	\$ 6.15 - Per 1,000 Gallons
	SC5
	\$ 54.67 - Base Rate
	SC6
	\$ 128.70 - Base Rate
	SC7
	\$ 2,062.41 - Base Rate
	SC8
	\$ 7.02 - Base Rate

The above schedule reflects the District's base rates. Rates may vary in particular for commercial entities, based on engineering analysis of service cost.

As of December 31, 2021 and 2020, the District had the following number of customers:

	December 31, 2021	December 31, 2020	Increase (Decrease)
Customers			
Residential	5,892	5,713	179
Nonresidential	71	76	(5)
Total Customers	<u>5,963</u>	<u>5,789</u>	<u>174</u>

See independent auditor's report.

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

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

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

Board Members of
Sewerage District No. 1 of Tangipahoa Parish
Hammond, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish (the District), (a component unit of the Tangipahoa Parish Council), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated August 2, 2022,

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-01.

The District's Response to Finding

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

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
August 2, 2022

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2021

A. Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	_____	Yes	_____	x	No
• Significant deficiencies identified?	_____	Yes	_____	x	No
Noncompliance material to financial statements noted?	_____	Yes	_____	x	No

B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

Finding 2021-01 Timely Filing of Audit Report

Criteria: Louisiana Revised Statute 24:513 requires that an annual financial report or other type report be submitted to the Louisiana Legislative Auditor (LLA) within six months of the close of the fiscal/calendar year.

Condition: This deadline was not met for the year ended December 31, 2021.

Cause: The District’s external accountant had a death in her family in June 2022 and took some time off to handle personal matters related to the death. This caused a delay in obtaining some workpapers necessary to complete the audit and financial statements by the statutory deadline.

Effect: The District did not meet the deadline as required by the LLA.

Recommendation: We recommend that the District make every effort to meet the deadline. The District did submit a request and received approval from the LLA for an extension of filing of its annual report until September 30, 2022.

Management’s Response: We will continue to make every effort to comply with this deadline. As noted above, we did submit a request and received approval from the LLA for an extension of filing of our annual report until September 30, 2022. Also, the report will be filed prior to the approved extension deadline.

SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2021

BATON ROUGE, LOUISIANA



2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

Independent Accountant's Report
on Applying Agreed-Upon Procedures

The Board Members of
Sewerage District No. 1 of Tangipahoa Parish
Hammond, Louisiana

The Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Sewerage District No. 1 of Tangipahoa Parish's (District's) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget. – **No exceptions.**
 - 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. – **No exceptions.**
 - c) ***Disbursements***, including processing, reviewing, and approving. – **No exceptions.**

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation). – **No exceptions.**
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules. – **No exceptions.**
- 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. – **No exceptions.**
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases). – **No exceptions.**
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No exceptions.**
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity’s ethics policy. – **No exceptions.**
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No exceptions.**
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. – **No exceptions.**
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting. – **No exceptions.**

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board’s enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, bylaws, or other equivalent document. – **No exceptions.**
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. – **No exceptions.**

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund. – **No exceptions.**

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged); – **No exceptions.**
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and – **No exceptions.**
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No exceptions.**

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers. – **No exceptions.**
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit. – **No exceptions.**
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit. – **No exceptions.**
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation. – **No exceptions.**

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period. – **No exceptions.**
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered. – **No exceptions.**
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No exceptions.**
 - c) Trace the deposit slip total to the actual deposit per the bank statement. – **No exceptions.**
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer). – **No exceptions.**
 - e) Trace the actual deposit per the bank statement to the general ledger. – **No exceptions.**

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5). – **No exceptions.**
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. – **No exceptions.**
 - b) At least two employees are involved in processing and approving payments to vendors. – **No exceptions.**
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files. – **No exceptions.**
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments. – **No exceptions.**

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.] – **No exceptions.**
10. For each location selected under #8 above, obtain the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management’s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and: – **No exceptions.**

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity. – **No exceptions.**
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable. – **No exceptions.**

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete. – **Note: The District does have any credit cards nor fuel cards.**
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), 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.] – **Not applicable. The District does have any credit cards nor fuel cards.**
 - b) Observe that finance charges and late fees were not assessed on the selected statements. – **Not applicable. The District does have any credit cards nor fuel cards.**
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny. – **Not applicable. The District does have any credit cards nor fuel cards.**

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov). – **No exceptions.**

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **No exceptions.**
- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h). – **No exceptions.**
- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **No exceptions.**

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **No exceptions.**
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter). – **No exceptions.**
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented). – **There were no changes orders nor contract amendments on the contracts tested.**
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract. – **No exceptions.**

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. – **No exceptions.**
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.) – **No exceptions.**
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials. – **No exceptions.**
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records. – **No exceptions.**

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file. – **No exceptions.**
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations and the entity’s policy on termination payments. Agree the hours to the employee or officials’ cumulative leave records, agree the pay rates to the employee or officials’ authorized pay rates in the employee or officials’ personnel files, and agree the termination payment to entity policy. – **No exceptions.**
19. Obtain management’s representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers’ compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines. – **No exceptions.**

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. – **No exceptions.**
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable. – **No exceptions.**

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued. – **No new debt issued during fiscal year 2021.**
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants). – **No exceptions.**

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled. – **There were no misappropriations of public funds nor of assets noted during the fiscal period.**

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. – **No exceptions.**

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported. – **We performed the procedure and discussed the results with management.**
- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months. – **We performed the procedure and discussed the results with management.**
- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor. – **We performed the procedure and discussed the results with management.**

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year . – **No exceptions.**

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website). – **No exceptions.**

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Exception – The District was unable to provide an annual sexual harassment report for the current fiscal period; however, the District’s management indicated that there were no sexual harassment complaints received by the agency during the current fiscal period and all employees/officials completed the required training.

Management’s Response/Corrective Action to Exceptions

The District’s response to the exception identified in our performance of the SAUPs is attached. The District’s response was not subjected to any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on it.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully submitted,
Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
August 2, 2022



SEWERAGE DISTRICT NO. 1
OF THE
Parish of Tangipahoa

15481 West Club De Luxe Road • Hammond, LA 70403
(985) 542-8877

July 27, 2022

Mr. Sanders,

Please accept this letter as my response and acknowledgement of the Sewerage District No.1 of Tangipahoa Parish (TPSD1) administration's failure to complete the required annual sexual harassment report. All sexual harassment prevention training was completed and there were no violations or reports of sexual harassment within the TPSD1 department for the 2021 fiscal year. This report was overlooked by TPSD1 administration and was not filed internally because of that oversight. Moving forward TPSD1 administration will ensure this annual report will be completed before the February 1 deadline as required by LA. R.S. 42:34.

Kind Regards,

Jason Hood

TPSD1 Manager