

**ST. TAMMANY PARISH  
SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

Annual Financial Statements

December 31, 2020



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## Independent Auditor's Report

To the Board of Commissioners  
St. Tammany Parish Sewerage District No. 1  
Covington, Louisiana

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of St. Tammany Parish Sewerage District No. 1 (the District), a component unit of St. Tammany Parish, Louisiana, which comprise the statement of net position as of December 31, 2020, the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Accountant's Responsibility

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

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

#### LOUISIANA • TEXAS

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of board members' per diems and the schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of board members' per diems, the schedule of compensation, benefits, and other payments to agency head, and the schedule of expenditures of federal awards 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 schedules of board members' per diems, the schedule of compensation, benefits, and other payments to agency head, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021 on our consideration of St. Tammany Parish Sewerage District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
June 10, 2021

## **BASIC FINANCIAL STATEMENTS**

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1**  
**COVINGTON, LOUISIANA**  
**Statement of Net Position**  
**December 31, 2020**

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 86,732
Certificates of Deposit	100,000
Revenues Receivable - Charges for Services	19,878
Due from Other Governmental Entity - St. Tammany Parish Waterworks	<u>310,645</u>

**Total Current Assets** 517,255

**Restricted Assets**

Cash and Cash Equivalents	<u>155,652</u>
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**Total Restricted Assets** 155,652

**Non-Current Assets**

Property, Plant, and Equipment, Net of Accumulated Depreciation	<u>1,383,721</u>
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**Total Non-Current Assets** 1,383,721

**Total Assets** 2,056,628

**Liabilities**

**Current Liabilities**

Accounts Payable and Accrued Liabilities	203,091
Current Portion of Bonds Payable	<u>70,000</u>

**Total Current Liabilities** 273,091

**Long-Term Liabilities**

Long-Term Portion of Bonds Payable	<u>967,139</u>
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**Total Long-Term Liabilities** 967,139

**Total Liabilities** 1,240,230

**Net Position**

Net Investment in Capital Assets	416,582
Restricted	85,652
Unrestricted	<u>314,164</u>

**Total Net Position** \$ 816,398

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

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1**  
**COVINGTON, LOUISIANA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

<b>Operating Revenue</b>	
Charges for Services	\$ 223,185
<b>Total Operating Revenue</b>	<u>223,185</u>
<b>Operating Expenses</b>	
Repairs and Maintenance	57,819
Utilities	16,432
Depreciation	16,230
Insurance	13,716
Professional Services	11,758
Bookkeeping	7,500
Board Members' Per Diems	4,200
Office Supplies and Expenses	1,593
Loan Administrative Fees	1,533
Telephone	1,207
Fees	1,026
Postage and Delivery	752
Advertising	149
<b>Total Operating Expenses</b>	<u>133,915</u>
<b>Operating Income</b>	<u>89,270</u>
<b>Non-Operating Revenue (Expense)</b>	
Interest Income	1,038
Interest Expense	(1,380)
<b>Total Non-Operating Revenue (Expense)</b>	<u>(342)</u>
<b>Change in Net Position</b>	88,928
<b>Net Position, Beginning of Year</b>	<u>727,470</u>
<b>Net Position, End of Year</b>	<u><u>\$ 816,398</u></u>

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



**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1**  
**COVINGTON, LOUISIANA**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 224,012
Cash Payments to Suppliers for Goods and Services	(120,122)
Cash Payments to Board Members	<u>(4,200)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>99,690</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Increase in Due from Other Governmental Entity	<u>(39,702)</u>
<b>Net Cash Used in Non-Capital Financing Activities</b>	<u>(39,702)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	(940,021)
Proceeds from Bond Construction Loan	933,142
Payments on Bond Construction Loan	(33,000)
Interest Payments on Bonds	<u>(1,380)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(41,259)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received	<u>1,038</u>
<b>Net Cash Provided by Investing Activities</b>	<u>1,038</u>
<b>Increase in Cash and Cash Equivalents</b>	19,767
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>222,617</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 242,384</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 89,270
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	16,230
Decrease in Receivables	827
Decrease in Accounts Payable	<u>(6,637)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 99,690</u></u>

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

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Introduction**

St. Tammany Parish Sewerage District No. 1 (the District) was created by the St. Tammany Parish Police Jury on October 27, 1960, as provided by Louisiana Revised Statute R.S.) 33:3885. The District has the authority to manage and operate a sewerage system within the boundaries of the District not served by municipal systems. The governing board is made up of five commissioners who serve four-year terms, and are residents of and own real estate in the District. Four commissioners are appointed by the St. Tammany Parish Council and one is appointed by the Parish President. At December 31, 2020, the District had approximately 442 customers.

**Note 1. Summary of Significant Accounting Policies**

**Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, the District is considered a component unit of the St. Tammany Parish (the Parish) reporting entity because (1) commissioners of the District are appointed by the Parish, and (2) the District provides sewerage services to residents within the Parish. While the District is an integral part of the Parish reporting entity, and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of the District and do not present information on the Parish, the general government services provided by the Parish, or on other component units that comprise the St. Tammany Parish reporting entity.

**Fund Accounting**

The accounts of the District are organized on the basis of proprietary fund accounting used by governmental entities. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting (Continued)**

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- a. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.
- b. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position is reported in this category.

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 District's proprietary fund are charges to customers for sales and services. Operating expenses for the proprietary fund 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.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Financial Statements**

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for proprietary funds. For these governments, basic financial statements and required supplementary information (RSI) consist of:

1. Management's discussion and analysis (MD&A). (The District's management has not presented MD&A that the GASB has determined to be required to supplement, although not required to be part of, the basic financial statements.)
2. Statement of net position.
3. Statement of revenues, expenses, and changes in net position.
4. Statement of cash flows.
5. Notes to financial statements.
6. RSI, if applicable.

The District is a special-purpose government engaged only in business-type activities.

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents include amounts in interest-bearing and non-interest-bearing demand deposits. The District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state of the union, or the laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Louisiana Revised Statute 39:1225 provides that the amount of security shall at all times be equal to 100% of the amount on deposit with each depository authority, except that portion of the deposit insured by the United States of America. State law also allows the District to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. 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. At December 31, 2020, the District had \$100,000 in certificates of deposit with original maturities that exceed 90 days.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Revenues Receivable**

The District bills customers in the month following the month in which services were provided. Unbilled service charges are accrued for the month of December at year-end. Revenues receivable on the accompanying statement of net position are considered to be fully collectible at December 31, 2020. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of an account.

**Capital Assets**

All capital assets of the proprietary fund are recorded at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Preconstruction costs associated with the development of the sewer system, which include engineering, legal, and interest costs, are capitalized and depreciated over their useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The following estimated useful lives are used to compute depreciation:

<b>Assets</b>	<b>Estimated Useful Lives</b>
Sewer System	35 Years
Equipment	10 - 15 Years

**Federal Income Taxes**

The District is not subject to federal income taxes in accordance with Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

**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 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.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**New Accounting Pronouncements - Adopted**

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purpose and how those activities should be reported. The District adopted GASB 84 in the year ended December 31, 2020. However, the adoption of GASB 84 did not have any effects on the financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt*. This Statement defines debt for purposes of disclosure in notes to the financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. The District adopted GASB 88 in the year ended December 31, 2020. However, the adoption of GASB 88 did not have any effects on the financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District adopted GASB 89 in the year ended December 31, 2020. However, the adoption of GASB 89 did not have any effects on the financial statements.

**New Accounting Pronouncements - Not Yet Adopted**

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and a tangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of GASB 87 to reporting periods beginning after June 15, 2021. Adoption of this standard will have no impact on the financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement is effective for fiscal years beginning after June 15, 2022. It is currently unknown if adoption of this standard will have an impact on the financial statements.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**New Accounting Pronouncements - Not Yet Adopted (Continued)**

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Statement amends Questions 4.3 and 4.5 of Implementation Guide 201-2. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective for fiscal years beginning after June 15, 2021. Adoption of this standard will have no impact on the financial statements.

**Note 2. Cash and Cash Equivalents**

At December 31, 2020, cash and cash equivalents consisted of the following:

Demand Deposits	\$ 86,732
Restricted	155,652
	<hr/>
<b>Total</b>	<b>\$ 242,384</b>

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District's deposit policy for custodial credit risk conforms to state law, as described in Note 1. At December 31, 2020, the District's deposit bank balances of \$252,899 were fully secured by federal deposit insurance. For the statement of cash flows, the cash paid during the year for interest was \$1,380, and non-cash capital and related financing activities for construction in progress was \$200,109.

**Note 3. Certificates of Deposit**

At December 31, 2020, certificates of deposit with financial institutions consisted of the following:

Twelve-Month CD, Maturing August 3, 2021	\$ 50,000
Twelve-Month CD, Maturing October 22, 2021	25,000
Twelve-Month CD, Maturing October 23, 2021	25,000
	<hr/>
<b>Total</b>	<b>\$ 100,000</b>

At December 31, 2020, the District's certificates of deposit balances were fully secured by federal deposit insurance.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

**Note 4. Restricted Assets**

At December 31, 2020, restricted net position consisted of the following:

Restricted for Debt Service	\$ 85,652
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**Note 5. Capital Assets**

Capital assets activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 19,967	\$ -	\$ -	\$ 19,967
Construction in Progress	150,017	1,140,130	-	1,290,147
<b>Total Capital Assets Not Being Depreciated</b>	169,984	1,140,130	-	1,310,114
<b>Capital Assets Being Depreciated</b>				
Sewer System and Equipment	442,879	-	-	442,879
<b>Total Capital Assets Being Depreciated</b>	442,879	-	-	442,879
<b>Less Accumulated Depreciation for:</b>				
Sewer System and Equipment	(353,042)	(16,230)	-	(369,272)
<b>Total Accumulated Depreciation</b>	(353,042)	(16,230)	-	(369,272)
<b>Total Capital Assets Being Depreciated, Net</b>	89,837	(16,230)	-	73,607
<b>Capital Assets, Net</b>	\$ 259,821	\$ 1,123,900	\$ -	\$ 1,383,721

The District recorded \$16,230 of depreciation expense on its capital assets for the year ended December 31, 2020.

**Note 6. Net Position**

Net position for the year ended December 31, 2020 consisted of the following:

Net Investment in Capital Assets	\$ 416,582
Restricted	85,652
Unrestricted	314,164
<b>Total</b>	<b>\$ 816,398</b>



**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 7. Revenues Receivable - Charges for Services**

For the year ended December 31, 2020, the District's revenues receivable consisted of the following:

Charges for Services	\$	19,878
Less: Allowance for Doubtful Accounts		<u>-</u>
<b>Total</b>	<b>\$</b>	<b><u>19,878</u></b>

**Note 8. Bonds Payable**

The District issued \$1,500,000 in Taxable Sewer Revenue Bonds, Series 2018, during 2018 for the purpose of financing improvements to its sewer system. The bonds were purchased by the Louisiana Department of Environmental Quality using funds available through the Clean Water State Revolving Fund.

As of December 31, 2020, the District was in the construction phase of the project whereby the proceeds from the bonds are drawn down as needed. During the year, the amount of proceeds drawn down on the bonds totaled \$933,141 and the District made a payment of \$33,000 towards the principal balance of the bonds. At December 31, 2020, the outstanding principal balance of the bonds was \$1,037,139.

The sewer system improvement project was completed in January 2021. However, expenditures related to the project are still outstanding and the total liability payable to the Louisiana Department of Environmental Quality has not been finalized. Principal payments will be made annually over the next 20 years, with annual installments starting at approximately \$70,000. Interest of 0.45% and administrative fees of 0.5% per annum are due semiannually. The bonds are collateralized by a pledge of operating revenues.

**Note 9. Due from Other Governmental Agencies**

The District uses St. Tammany Parish Waterworks District No. 3 as its billing and collection agent for sewerage fees. Sewerage fees collected that had not been remitted to the District at December 31, 2020 were \$310,645.

**Note 10. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance in amounts it believes sufficient to cover the risks of loss to which it is exposed.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Financial Statements**

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**Note 11. Contingency**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

## **OTHER SUPPLEMENTARY INFORMATION**

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1**  
**COVINGTON, LOUISIANA**  
**Schedule of Board Members' Per Diems**  
**For the Year Ended December 31, 2020**

<b>Board Member</b>	<b>Amount</b>
David Talmage	\$ 720
Pete Lee	780
Jay Kahn	780
Roger Kocken	720
Michael Franklin	<u>1,200</u>
<b>Total</b>	<u><u>\$ 4,200</u></u>

See independent auditor's report.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1**  
**COVINGTON, LOUISIANA**  
**Schedule of Compensation, Benefits, and Other Payments**  
**to Agency Head**  
**For the Year Ended December 31, 2020**

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**Agency Head**  
Mike Franklin, Board Chairman

<b>Purpose</b>	<b>Amount</b>
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$1,200
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Commissioners  
St. Tammany Parish Sewerage District No. 1  
Covington, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. Tammany Parish Sewerage District No. 1 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 10, 2021.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA

June 10, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Commissioners  
St. Tammany Parish Sewerage District No. 1  
Covington, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited St. Tammany Parish Sewerage District No. 1's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of the District's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



A Professional Accounting Corporation

Covington, LA  
June 10, 2021

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

	Assistance Listing Number	Pass-Through Grantor Award Number	Expenditures
<b><u>Environmental Protection Agency</u></b>			
Passed through Louisiana Department of Environmental Quality			
<b>Clean Water State Revolving Fund Cluster</b>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS221925-01	<u>\$ 1,127,285</u>
<b>Total Clean Water State Revolving Fund Cluster</b>			<u>1,127,285</u>
<b>Total Environmental Protection Agency</b>			<u>1,127,285</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,127,285</u></u>

See notes to schedule of expenditures of federal awards.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
COVINGTON, LOUISIANA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020**

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**Note 1. General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of St. Tammany Parish Sewerage District No. 1 (the District). The District's reporting entity is defined in Note 1 to the basic financial statements for the year ended December 31, 2020. All federal financial assistance received directly from federal agencies is included on the schedule, as well as federal assistance passed through other government agencies.

**Note 2. Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting which is described in Note 1 to the District's basic financial statements for the year ended December 31, 2020.

**Note 3. De Minimis Cost Rate**

The District has not elected to use the 10% de minimis indirect cost rate as provided for in Section 200.414 of the Uniform Guidance.

**Note 4. Program Expenditures**

The District was approved by the Louisiana Department of Environmental Quality to receive a loan totaling \$1,500,000 to improve its sewerage system. Funds are drawn down from the loan as project expenditures are incurred. Total expenditures reported include all expenditures the District incurred related to the improvement project during the year ended December 31, 2020. The balance owed at the end of the period is \$1,037,139.

The loan is reported on the District's statement of net position.

See notes to schedule of expenditures of federal awards.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1  
 COVINGTON, LOUISIANA  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2020**

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**A. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditor's report  | Unmodified    |
| 2. Internal control over financial reporting                                     |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| c. Noncompliance material to the financial statements noted?                     | No            |

Federal Awards

- |   |                    |
|---|--------------------|
| 3. Internal control over major programs   |                    |
| a. Material weaknesses identified?  | No                 |
| b. Significant deficiencies identified not considered to be material weaknesses?          | None Reported      |
| 4. Type of auditor's report issued on compliance for each major program                   | Unmodified         |
| 5. Audit findings disclosed that are required in accordance with Section 2 CFR 200.516(a) | None               |
| 6. Identification of major programs   |                    |
|   | <u>CFDA Number</u> |
| Capitalization Grants for Clean Water   |                    |
| State Revolving Funds   | 66.458             |
| 7. Dollar threshold used to distinguish between Type A and B programs                     | \$750,000          |
| 8. Auditee qualified as a low-risk auditee under 2 CFR 200.520?                           | No                 |

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.