

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

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

**DECEMBER 31, 2017**

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

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2017

**TABLE OF CONTENTS**

|   | <u>Statement</u> | <u>Schedule</u> | <u>Page</u> |
|---|------------------|-----------------|-------------|
| Independent Auditor's Report  |                  |                 | 1 - 3       |
| Management's Discussion and Analysis  |                  |                 | 4 - 10      |
| Financial Statements:   |                  |                 |             |
| Statement of Net Position   | A                |                 | 11          |
| Statement of Revenues, Expenses, and Changes in Net Position  | B                |                 | 12          |
| Statement of Cash Flows   | C                |                 | 13 - 14     |
| Notes to the Financial Statements   |                  |                 | 15 - 34     |
| Required Supplementary Information:   |                  |                 |             |
| Schedule of Proportionate Share of Net Pension Liability  |                  | 1               | 35          |
| Schedule of Contributions   |                  | 2               | 36          |
| Notes to Required Supplementary Information   |                  |                 | 37          |
| Other Supplemental Information:   |                  |                 |             |
| Schedule of Revenues, Expenses, and Changes in Net Position -<br>Budget (GAAP Basis) and Actual Comparison  |                  | 3               | 38          |
| Schedule of Compensation Paid to Board Members  |                  | 4               | 39          |
| Schedule of Compensation, Benefits, and Other Payments to<br>Agency Head  |                  | 5               | 40          |
| Schedule of Insurance Coverage in Force   |                  | 6               | 41          |
| Schedule of Sewer Rates and Number of Customers   |                  | 7               | 42          |
| Independent Auditor's Report on Internal Control Over Financial<br>Reporting and on Compliance and Other Matters Based on an<br>Audit of the Component Unit Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> |                  |                 | 43 - 44     |
| Schedule of Findings and Responses  |                  |                 | 45          |
| Summary Schedule of Prior Audit Findings  |                  |                 | 46          |

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 Financial Statements**

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, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Sewerage District No. 1 of Tangipahoa Parish's December 31, 2016 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **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 35 and 36 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 June 27, 2018, 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,

*Hannu J. Bourgeois, CPA*

Denham Springs, Louisiana  
June 27, 2018

**Sewerage District No. 1 of Tangipahoa Parish  
Hammond, Louisiana  
Management's Discussion and Analysis  
December 31, 2017**

**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, 2017, total assets and deferred outflows of resources were \$17,814,813 and exceeded liabilities and deferred inflows of resources in the amount of \$7,874,931 (i.e., net position). Of the total net position, (\$5,782,374) was unrestricted (deficit), with \$4,887,891 net investment in capital assets, and the balance of \$8,769,414 restricted for capital activity and debt service. Total net position increased by \$363,334.
- For the year ended December 31, 2017, operating revenues increased \$166,529 (approximately 7%) to \$2,660,576 as compared to \$2,494,047 for the fiscal year ending December 31, 2016.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$88,449 or 5%. The major component of the change was salary and wages increases of \$51,600 or 14%.
- Total long term debt increased by \$8,825,719 during the fiscal year ending December 31, 2017 as a result of the issuance by the District of Series 2017 Revenue and Refunding Bonds as discussed further in Note 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, 2017 and 2016**

|  | <u>2017</u>         | <u>2016</u>         | <u>Dollar<br/>Change</u> | <u>Percentage<br/>Change</u> |
|--|---------------------|---------------------|--------------------------|------------------------------|
| <b>Assets:</b>   |                     |                     |                          |                              |
| Current Assets and Other Assets                          | \$12,028,439        | \$ 2,509,766        | \$9,518,673              | 379%                         |
| Capital Assets   | 5,632,695           | 5,662,504           | (29,809)                 | (1%)                         |
| Total Assets   | <u>17,661,134</u>   | <u>8,172,270</u>    | <u>9,488,864</u>         | 116%                         |
| Total Deferred Outflows of Resources                     | <u>153,679</u>      | <u>206,232</u>      | <u>(52,553)</u>          | (25%)                        |
| <b>Liabilities:</b>                                      |                     |                     |                          |                              |
| Current Liabilities                                      | 198,001             | 93,747              | 104,254                  | 111%                         |
| Long-Term Liabilities                                    | 9,722,303           | 748,914             | 8,973,389                | 1,198%                       |
| Total Liabilities  | <u>9,920,304</u>    | <u>842,661</u>      | <u>9,077,643</u>         | 1,077%                       |
| Total Deferred Inflows of Resources                      | <u>19,578</u>       | <u>24,244</u>       | <u>(4,666)</u>           | (19%)                        |
| <b>Net Position:</b>                                     |                     |                     |                          |                              |
| Net Investment in Capital Assets, Net of<br>Related Debt | 4,887,891           | 5,058,682           | (170,791)                | (3%)                         |
| Restricted for Capital Activity and Debt Service         | 8,769,414           | 164,967             | 8,604,447                | 5,216%                       |
| Unrestricted (Deficit)                                   | (5,782,374)         | 2,287,948           | (8,070,322)              | (353%)                       |
| Total Net Position                                       | <u>\$ 7,874,931</u> | <u>\$ 7,511,597</u> | <u>\$ 363,334</u>        | 5%                           |

Current and Other Assets includes current assets for operations, restricted assets, and other assets. The increase in this category consists primarily of an increase in cash due to the issuance of the Series 2017 Revenue and Refunding Bonds.

Capital Assets decreased by \$29,809 net of accumulated depreciation, largely as a result of the offset in accumulated depreciation.

Total long-term debt increased by \$9,010,123 at December 31, 2017 as a result of the issuance by the District of Series 2017 Revenue and Refunding Bonds.

Total Deferred Outflows of Resources decreased by \$52,553 due to adjustments related to pension plan activity.

Total Deferred Inflows of Resources decreased by \$4,666 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 \$363,334 for the fiscal year ending December 31, 2017. The largest increase was \$8,604,447 restricted for capital activity and debt service due to the increase in the restricted construction account related to the Series 2017 Revenue and Refunding Bonds issuance.

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2017 and 2016**

|                             | <u>2017</u>         | <u>2016</u>         | <u>Dollar<br/>Change</u> | <u>Percentage<br/>Change</u> |
|-----------------------------|---------------------|---------------------|--------------------------|------------------------------|
| Revenues:                   |                     |                     |                          |                              |
| Operating Revenues          | \$ 2,660,576        | \$ 2,494,047        | \$ 166,529               | 7%                           |
| Nonoperating Revenues       | 46,265              | 28,889              | 17,376                   | 60%                          |
| Total Revenues              | <u>2,706,841</u>    | <u>2,522,936</u>    | <u>183,905</u>           | 7%                           |
| Expenses:                   |                     |                     |                          |                              |
| Depreciation                | 275,033             | 283,924             | (8,891)                  | (3%)                         |
| Other Operating Expenses    | 1,714,786           | 1,617,446           | 97,340                   | 6%                           |
| Nonoperating Expenses       | 353,688             | 30,009              | 323,679                  | 1,079%                       |
| Total Expenses              | <u>2,343,507</u>    | <u>1,931,379</u>    | <u>412,128</u>           | 21%                          |
| Income Before Contributions | 363,334             | 591,557             | (228,223)                | (39%)                        |
| Capital Contributions       | -                   | 60,000              | (60,000)                 | (100%)                       |
| Change in Net Position      | 363,334             | 651,557             | (288,223)                | (44%)                        |
| Beginning Net Position      | <u>7,511,597</u>    | <u>6,860,040</u>    | <u>651,557</u>           | 9%                           |
| Ending Net Position         | <u>\$ 7,874,931</u> | <u>\$ 7,511,597</u> | <u>\$ 363,334</u>        | 5%                           |

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 \$363,334 for the fiscal year ending December 31, 2017 as does the Condensed Statements of Net Position on the prior page.

The District's total revenues increased by \$183,905 in 2017 after a \$135,286 increase in 2016. This was due primarily to an increase in sewer service charges.

The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$88,449 or 5%. The major component of the change was an increase in salary and wages of \$51,600 or 14%.

### **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, 2017**

|                          | <b>Final Budget<br/>December 31,<br/>2017</b> | <b>Actual<br/>December 31,<br/>2017</b> | <b>Favorable<br/>(Unfavorable)<br/>Variance</b> |
|--------------------------|---|---|---|
| Revenues:                |   |   |   |
| Operating Revenues       | \$ 2,100,048                                  | \$ 2,660,576                            | \$ 560,528                                      |
| Nonoperating Revenues    | 30,000  | 46,265                                  | 16,265  |
| Total Revenues           | <u>2,130,048</u>                              | <u>2,706,841</u>                        | <u>576,793</u>                                  |
| Expenses:                |   |   |   |
| Depreciation             | 290,000                                       | 275,033                                 | 14,967  |
| Other Operating Expenses | 1,561,526                                     | 1,714,786                               | (153,260)                                       |
| Nonoperating Expenses    | 30,000  | 353,688                                 | (323,688)                                       |
| Total Expenses           | <u>1,881,526</u>                              | <u>2,343,507</u>                        | <u>(461,981)</u>                                |
| Change in Net Position   | <u>\$ 248,522</u>                             | <u>\$ 363,334</u>                       | <u>\$ 114,812</u>                               |

- Actual revenues for the fiscal year ended December 31, 2017 showed an increase of \$576,793 over final budgeted revenues. The greatest difference coming from an increase of \$542,908 in the amount of sewer service charges collected over what was budgeted.
- Actual expenses, including depreciation, showed an unfavorable variance to the final budget in the amount of \$461,981. The unfavorable variance is primarily in the following operating expense categories:
  - Lift Station and Plant Maintenance expense was under budgeted by \$94,310.
  - Supplies expense was under budgeted by \$43,171.
  - Debt Issuance Costs was under budgeted by \$280,599.

**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, 2017 and 2016, the District had the following number of customers:

|                 | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> | <u>Increase<br/>(Decrease)</u> |
|-----------------|------------------------------|------------------------------|--------------------------------|
| Customers       |                              |                              |                                |
| Residential     | 5,024                        | 4,360                        | 664                            |
| Nonresidential  | 42                           | 44                           | (2)                            |
| Total Customers | <u>5,066</u>                 | <u>4,404</u>                 | <u>662</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, 2017 and 2016.

**Accounts Receivable  
For the Years Ended December 31, 2017 and 2016**

|                                      | <u>2017</u>       | <u>2016</u>       | <u>Increase<br/>(Decrease)</u> |
|--------------------------------------|-------------------|-------------------|--------------------------------|
| Accounts Receivable                  |                   |                   |                                |
| Current                              | \$ 189,446        | \$ 369,314        | \$ (179,868)                   |
| 31-60 Days Past Due                  | 28,411            | -                 | 28,411                         |
| 61-90 Days Past Due                  | -                 | -                 | -                              |
| Over 90 Days Past Due                | -                 | -                 | -                              |
| Subtotal                             | <u>217,857</u>    | <u>369,314</u>    | <u>(151,457)</u>               |
| Allowance for Uncollectible Accounts | <u>(3,000)</u>    | <u>(3,000)</u>    | <u>-</u>                       |
| Net Accounts Receivable              | <u>\$ 214,857</u> | <u>\$ 366,314</u> | <u>\$ (151,457)</u>            |

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the fiscal year ending December 31, 2017, Sewerage District No. 1 of Tangipahoa Parish had \$5,632,695 (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, 2017 and 2016**

|                                | <u>2017</u>        | <u>2016</u>        | <u>Increase<br/>(Decrease)</u> | <u>Percentage<br/>Change</u> |
|--------------------------------|--------------------|--------------------|--------------------------------|------------------------------|
| Capital Assets                 |                    |                    |                                |                              |
| Land                           | \$ 397,586         | \$ 397,586         | \$ -                           | 0%                           |
| Construction in Progress       | 189,642            | -                  | 189,642                        | 100%                         |
| Buildings                      | 417,291            | 417,291            | -                              | 0%                           |
| Machinery & Equipment          | 603,212            | 558,680            | 44,532                         | 8%                           |
| Vehicles                       | 152,224            | 182,444            | (30,220)                       | (17%)                        |
| Sewer Systems                  | <u>8,051,990</u>   | <u>8,040,940</u>   | <u>11,050</u>                  | 1%                           |
| Total Capital Assets           | 9,811,945          | 9,596,941          | 215,004                        | 2%                           |
| Less: Accumulated Depreciation | <u>(4,179,250)</u> | <u>(3,934,437)</u> | <u>(244,813)</u>               | 6%                           |
| Net Capital Assets             | <u>\$5,632,695</u> | <u>\$5,662,504</u> | <u>\$ (29,809)</u>             | (1%)                         |

Capital Assets decreased by \$29,809 net of accumulated depreciation, largely as a result of an increase in accumulated depreciation in the current year.

**Long-Term Debt Offerings**

The primary source of long-term financing for Sewerage District No. 1 of Tangipahoa Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through 2017 Series Revenue and Refunding Bonds at December 31, 2017, range from 3.00% to 4.00%, with initial payment terms for bonds generally at 40 years. Details including balances, payments, and interest rates are included in Note 8 - 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.

**Contacting the District's Management**

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 15481 Club Deluxe Road, Hammond, LA 70403. The phone number for the District is 985-542-8877.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH

## STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b><u>Assets</u></b>   |                     |                     |
| <b>Current Assets:</b>   |                     |                     |
| Cash and Cash Equivalents  | \$ 2,927,860        | \$ 1,938,837        |
| <b>Receivables:</b>  |                     |                     |
| Accounts (Net of Allowance for Uncollectible<br>Accounts of \$3,000) | 214,857             | 366,314             |
| <b>Restricted Assets:</b>  |                     |                     |
| Cash and Cash Equivalents  | 8,821,621           | 164,967             |
| <b>Prepaid Insurance</b>   | 64,101              | 39,648              |
| Total Current Assets   | <u>12,028,439</u>   | <u>2,509,766</u>    |
| <b>Capital Assets:</b>   |                     |                     |
| Land   | 397,586             | 397,586             |
| Construction in Progress   | 189,642             | -                   |
| Other Capital Assets, at Cost (Net of Accumulated Depreciation)      | 5,045,467           | 5,264,918           |
| Total Capital Assets   | <u>5,632,695</u>    | <u>5,662,504</u>    |
| Total Assets   | <u>17,661,134</u>   | <u>8,172,270</u>    |
| <b><u>Deferred Outflows of Resources</u></b>                         |                     |                     |
| Deferred Outflows - Related to Pensions                              | 153,679             | 206,232             |
| Total Deferred Outflows of Resources                                 | <u>153,679</u>      | <u>206,232</u>      |
| <b><u>Liabilities</u></b>  |                     |                     |
| <b>Current Liabilities - Payable from Current Assets:</b>            |                     |                     |
| Accounts Payable   | 79,914              | 38,035              |
| Other Accrued Payables   | 65,880              | 55,712              |
| Accrued Interest on Bonds Payable                                    | 52,207              | -                   |
| Total Current Liabilities - Payable from Current Assets              | <u>198,001</u>      | <u>93,747</u>       |
| <b>Current Liabilities - Payable from Restricted Assets:</b>         |                     |                     |
| Bonds Payable - Current Portion                                      | 166,366             | 18,696              |
| Total Current Liabilities - Payable from Restricted Assets           | <u>166,366</u>      | <u>18,696</u>       |
| <b>Noncurrent Liabilities:</b>                                       |                     |                     |
| Bonds Payable  | 9,447,579           | 585,126             |
| Net Pension Liability  | 108,358             | 145,092             |
| Total Long-Term Liabilities  | <u>9,555,937</u>    | <u>730,218</u>      |
| Total Liabilities  | <u>9,920,304</u>    | <u>842,661</u>      |
| <b><u>Deferred Inflows of Resources</u></b>                          |                     |                     |
| Deferred Inflows - Related to Pensions                               | 19,578              | 24,244              |
| Total Deferred Inflows of Resources                                  | <u>19,578</u>       | <u>24,244</u>       |
| <b><u>Net Position</u></b>   |                     |                     |
| Net Investment in Capital Assets                                     | 4,887,891           | 5,058,682           |
| Restricted for:  |                     |                     |
| Capital Projects and Debt Service                                    | 8,769,414           | 164,967             |
| Unrestricted (Deficit)   | <u>(5,782,374)</u>  | <u>2,287,948</u>    |
| Total Net Position   | <u>\$ 7,874,931</u> | <u>\$ 7,511,597</u> |

The accompanying notes are an integral part of this statement.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

|  | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| <b>Operating Revenues:</b>                 |                            |                            |
| Sewer Service Revenues                     | \$ 2,525,956               | \$ 2,367,310               |
| Impact Fees                                | 23,200                     | 17,000                     |
| Connection Fees                            | 94,323                     | 98,440                     |
| Intergovernmental                          | 15,965                     | 9,946                      |
| Other                                      | 1,132                      | 1,351                      |
| Total Operating Revenues                   | <u>2,660,576</u>           | <u>2,494,047</u>           |
| <b>Operating Expenses:</b>                 |                            |                            |
| Salaries and Wages                         | 417,268                    | 365,668                    |
| Employee Benefits                          | 227,803                    | 201,792                    |
| Billing Costs                              | 57,605                     | 53,485                     |
| Depreciation                               | 275,033                    | 283,924                    |
| Director's and Recording Secretary Expense | 13,050                     | 11,850                     |
| Engineering and Surveyor Fees              | 110,026                    | 118,648                    |
| Insurance                                  | 62,250                     | 58,184                     |
| Lift Station and Plant Maintenance         | 494,210                    | 503,941                    |
| Other                                      | 22,978                     | 8,808                      |
| Professional Fees                          | 68,296                     | 69,068                     |
| Rentals                                    | 432                        | 6,055                      |
| Repairs and Maintenance                    | 109,013                    | 105,955                    |
| Supplies                                   | 109,171                    | 95,635                     |
| Vehicle Expenses                           | 22,684                     | 18,357                     |
| Total Operating Expenses                   | <u>1,989,819</u>           | <u>1,901,370</u>           |
| Operating Income                           | 670,757                    | 592,677                    |
| <b>Nonoperating Revenues (Expenses):</b>   |                            |                            |
| Interest Income                            | 42,011                     | 28,897                     |
| Interest Expense                           | (73,089)                   | (30,009)                   |
| Gain (Loss) on Disposal of Assets          | 4,254                      | (8)                        |
| Debt Issuance Cost                         | (280,599)                  | -                          |
| Total Nonoperating Revenues (Expenses)     | <u>(307,423)</u>           | <u>(1,120)</u>             |
| Income Before Contributions                | 363,334                    | 591,557                    |
| <b>Capital Contributions</b>               | <u>-</u>                   | <u>60,000</u>              |
| <b>Change in Net Position</b>              | 363,334                    | 651,557                    |
| <b>Net Position - Beginning of Year</b>    | <u>7,511,597</u>           | <u>6,860,040</u>           |
| <b>Net Position - End of Year</b>          | <u><u>\$ 7,874,931</u></u> | <u><u>\$ 7,511,597</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, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

|  | <u>2017</u>          | <u>2016</u>         |
|--|----------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>   |                      |                     |
| Cash Received from Customers   | \$ 2,794,936         | \$ 2,444,970        |
| Cash Payments to Suppliers for<br>Goods and Services                                     | (1,052,289)          | (1,036,301)         |
| Cash Payments to Employees for<br>Services and Benefits                                  | (623,750)            | (544,923)           |
| Other Receipts (Payments)  | <u>17,097</u>        | <u>11,297</u>       |
| Net Cash Provided by Operating Activities  | 1,135,994            | 875,043             |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                         |                      |                     |
| Acquisition and Construction of Capital Assets   | (245,224)            | (200,068)           |
| Proceeds from Sale of Assets   | 4,254                | -                   |
| Proceeds from Issuance of Debt   | 9,613,945            | -                   |
| Principal Repayment on Long Term Debt  | (603,822)            | (282,576)           |
| Debt Issuance Cost Paid  | (280,599)            | -                   |
| Interest Expense Paid on Long Term Debt  | <u>(20,882)</u>      | <u>(30,009)</u>     |
| Net Cash Provided by (Used in) Capital and<br>Related Financing Activities               | 8,467,672            | (512,653)           |
| <b>Cash Flows From Investing Activities:</b>   |                      |                     |
| Interest Income Received   | <u>42,011</u>        | <u>28,897</u>       |
| Net Cash Provided by Investing Activities  | <u>42,011</u>        | <u>28,897</u>       |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 9,645,677            | 391,287             |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                                      | <u>2,103,804</u>     | <u>1,712,517</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>  | <u>\$ 11,749,481</u> | <u>\$ 2,103,804</u> |
| <b>Reconciliation of Cash and Cash Equivalents to the<br/>Statement of Net Position:</b> |                      |                     |
| Cash and Cash Equivalents, Unrestricted  | \$ 2,927,860         | \$ 1,938,837        |
| Cash and Cash Equivalents, Restricted  | <u>8,821,621</u>     | <u>164,967</u>      |
| Total Cash and Cash Equivalents  | <u>\$ 11,749,481</u> | <u>\$ 2,103,804</u> |

(CONTINUED)

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

|   | 2017         | 2016       |
|---|--------------|------------|
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b> |              |            |
| Operating Income  | \$ 670,757   | \$ 592,677 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: |              |            |
| Depreciation  | 275,033      | 283,924    |
| Pension Expense Adjustment  | 11,153       | 16,153     |
| (Increase) Decrease in Accounts Receivable  | 151,457      | (47,524)   |
| (Increase) Decrease in Prepaid Insurance  | (24,453)     | 2,306      |
| Increase (Decrease) in Accounts Payable   | 41,879       | 21,123     |
| Increase (Decrease) in Accrued Expenses   | 10,168       | 6,384      |
| Net Cash Provided by Operating Activities   | \$ 1,135,994 | \$ 875,043 |

The accompanying notes are an integral part of this statement.

# SEWERAGE DISTRICT NO. 1 OF TANGIPAOHA PARISH

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### **(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, 2017, Sewerage District No. 1 of Tangipahoa Parish provided service to a total of 5,066 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, 2017

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

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

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

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

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

#### D. 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, 2017

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, 2017.

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, 2017.

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 \$500, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including 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, 2017

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 during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**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, 2017

#### 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, and liabilities, into three components, as described below:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. 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.

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

M. Summary Financial Information for 2016

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, 2016, from which the summarized information was derived.

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

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

Cash and cash equivalents are stated at cost, which approximates market. The following is a summary of cash and cash equivalents at December 31, 2017:

|   | Book<br>Balance      | Bank<br>Balance      |
|---|----------------------|----------------------|
| Petty Cash                                  | \$ 200               | \$ -                 |
| Interest Bearing Demand Deposits            | 2,927,660            | 2,943,300            |
| Restricted Cash Held in Bank Trust Accounts | 8,821,621            | 8,821,621            |
|   | <u>\$ 11,749,481</u> | <u>\$ 11,764,921</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. 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, 2017, none of the District's bank balance of \$11,764,921 was exposed to custodial credit risk.

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**(3) Receivables -**

The following is a summary of receivables at December 31, 2017:

|  |                          |
|--|--------------------------|
| Accounts Receivable:                       |                          |
| Current                                    | \$ 189,446               |
| 31-60 Days Past Due                        | 28,411                   |
| 61-90 Days Past Due                        | -                        |
| Over 90 Days Past Due                      | -                        |
| Subtotal                                   | <u>217,857</u>           |
| Less: Allowance for Uncollectible Accounts | <u>(3,000)</u>           |
| Net Accounts Receivable                    | <u><u>\$ 214,857</u></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.

**(4) Restricted Assets -**

The following is a summary of restricted assets at December 31, 2017:

|                                      |                           |
|--------------------------------------|---------------------------|
| Restricted Cash and Cash Equivalents |                           |
| Bond Reserve Account                 | \$ 92,463                 |
| Construction Account(s)              | <u>8,729,158</u>          |
| Total Restricted Assets              | <u><u>\$8,821,621</u></u> |

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2017

**(5) Capital Assets -**

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

|  | Balance<br>December 31, 2016 | Additions          | Deletions       | Balance<br>December 31, 2017 |
|--|------------------------------|--------------------|-----------------|------------------------------|
| <b>Capital Assets not being Depreciated:</b>       |                              |                    |                 |                              |
| Land   | \$ 397,586                   | \$ -               | \$ -            | \$ 397,586                   |
| Construction in Progress                           | -                            | 189,642            | -               | 189,642                      |
| <b>Total Capital Assets not being Depreciated</b>  | <b>397,586</b>               | <b>189,642</b>     | <b>-</b>        | <b>587,228</b>               |
| <b>Capital Assets being Depreciated:</b>           |                              |                    |                 |                              |
| Buildings and Improvements                         | 417,291                      | -                  | -               | 417,291                      |
| Machinery and Equipment                            | 558,680                      | 44,532             | -               | 603,212                      |
| Vehicles   | 182,444                      | -                  | (30,220)        | 152,224                      |
| Sewer Systems                                      | 8,040,940                    | 11,050             | -               | 8,051,990                    |
| <b>Total Capital Assets being Depreciated</b>      | <b>9,199,355</b>             | <b>55,582</b>      | <b>(30,220)</b> | <b>9,224,717</b>             |
| Less Accumulated Depreciation                      | 3,934,437                    | 275,033            | (30,220)        | 4,179,250                    |
| <b>Total Capital Assets being Depreciated, Net</b> | <b>5,264,918</b>             | <b>(219,451)</b>   | <b>-</b>        | <b>5,045,467</b>             |
| <b>Total Capital Assets, Net</b>                   | <b>\$ 5,662,504</b>          | <b>\$ (29,809)</b> | <b>\$ -</b>     | <b>\$ 5,632,695</b>          |

Depreciation expense for the year ended December 31, 2017 was \$275,033.

**(6) Commitments -**

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

| Project Name  | Contract<br>Amount | Spent to Date     | Remaining<br>Commitment |
|---|--------------------|-------------------|-------------------------|
| <b>Current Bond Projects</b>                                  |                    |                   |                         |
| Southeast Regional WWTP Improvements                          | \$ 230,064         | \$ 95,086         | \$ 134,978              |
| Lift Station & Force Main Improvements                        | 99,524             | 68,173            | 31,351                  |
| <b>Total Current Bond Projects</b>                            | <b>329,588</b>     | <b>163,259</b>    | <b>166,329</b>          |
| <b>Other Projects</b>   | <b>51,660</b>      | <b>26,383</b>     | <b>25,277</b>           |
| <b>Total Incomplete Construction at<br/>December 31, 2017</b> | <b>\$ 381,248</b>  | <b>\$ 189,642</b> | <b>\$ 191,606</b>       |

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2017

**(7) Accounts Payable and Accrued Liabilities -**

The following is a summary of accounts payable and accrued liabilities at December 31, 2017:

Accounts Payable and Accrued Liabilities:

|  |    |                       |
|--|----|-----------------------|
| Accounts Payable                               | \$ | 79,914                |
| Other Accrued Liabilities                      |    |                       |
| Vacation                                       |    | 47,945                |
| Wages  |    | 17,935                |
| Total Other Accrued Liabilities                |    | <u>65,880</u>         |
| Accrued Interest on Bonds Payable              |    | <u>52,207</u>         |
| Total Accounts Payable and Accrued Liabilities | \$ | <u><u>198,001</u></u> |

**(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 revise and establish new financial reporting requirements for governments that provide their employees with pension benefits. 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](http://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.

# SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

### **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

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to two 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

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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.

#### **4. Disability Benefits**

For Plan A, a member shall be eligible to retire and receive a disability benefit if he/she was 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 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 three percent multiplied by years of service assuming continued service to age of sixty.

#### **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, 2017 to December 31, 2017 was 12.50%. Employees were required to contribute 9.50% of their annual salary for the applicable period. Contributions to PERS from the District were \$48,771 for the year ended December 31, 2017.

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

According to state statute, PERS also receives ¼ 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 \$3,886 for the year ended December 31, 2017.

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

At December 31, 2017, the District reported a liability of \$108,358 for its proportionate share of the net pension liability of PERS. For PERS, the net pension liability was measured as of December 31, 2016 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, 2016, the District’s proportion was .052613% for PERS which was a decrease of .00251% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$63,810 for PERS.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -                                      | \$ 18,961                                |
| Changes in assumptions  | 20,572                                    | -  |
| Net difference between projected and actual earnings on pension plan investments                              | 84,089                                    | -  |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 247                                       | 617                                      |
| Employer contributions subsequent to the measurement date   | 48,771                                    | -  |
| <b>Total</b>  | <u><u>\$ 153,679</u></u>                  | <u><u>\$ 19,578</u></u>                  |

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2017

The District reported a total of \$48,771 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> |             |
|--------------------------------|-------------|
| 2018                           | \$ 31,295   |
| 2019                           | 34,152      |
| 2020                           | 22,156      |
| 2021                           | (2,273)     |
|                                | <hr/>       |
|                                | \$ 85,330   |
|                                | <hr/> <hr/> |

***Actuarial Assumptions:***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 for PERS are as follows:

|                           | <u>PERS</u>  |
|---------------------------|--|
| Inflation                 | 2.50%  |
| Salary increases          | 5.25% including inflation                                    |
| Investment rate of return | 7.00% (net of investment<br>expense, including<br>inflation) |

For PERS, mortality rates were based on RP-2000 Employee Mortality Table for active members; RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries; and RP-2000 Disabled Lives Mortality Table was selected 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-

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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 of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016. 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, 2016 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                       | 35.0%                          | 1.24%   |
| Equity                             | 52.0%                          | 3.63%   |
| Alternatives                       | 11.0%                          | 0.67%   |
| Real Assets                        | 2.0%                           | 0.12%   |
| Total                              | <u>100.0%</u>                  | <u>5.66%</u>                                  |
| Inflation                          |                                | <u>2.00%</u>                                  |
| Expected Arithmetic Nominal Return |                                | <u>7.66%</u>                                  |

***Discount Rate***

For PERS, the discount rate used to measure the total pension liability was 7.00% which was no change from its prior measurement date of December 31, 2015. 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 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, 2016 for PERS:

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2017

|                               | <u>Changes in Discount Rate</u> |                   |                      |
|-------------------------------|---------------------------------|-------------------|----------------------|
|                               |                                 | Current           |                      |
|                               | 1% Decrease<br>6.00%            | Discount<br>7.00% | 1% Increase<br>8.00% |
| Net Pension Liability (Asset) | <u>\$ 324,140</u>               | <u>\$ 108,358</u> | <u>\$ (74,094)</u>   |

***Pension Plans Fiduciary Net Position***

PERS issued a stand-alone audit report on its financial statements for the year ended December 31, 2016. Access to the audit report can be found on the System’s website: [www.persla.org](http://www.persla.org) or on the Office of Louisiana Legislative Auditor’s official website: [www.la.state.la.us](http://www.la.state.la.us).

**Payables to the Pension Plans**

There are no payables to PERS at December 31, 2017.

**(9) Long-Term Debt -**

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

| Description                 | Balance           |                     |                     | Balance             | Due Within        |
|-----------------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
|                             | December 31, 2016 | Additions           | Deletions           |                     |                   |
| Long-Term Debt:             |                   |                     |                     |                     |                   |
| Sewer Revenue Bonds 92-03   | \$ 508,218        | \$ -                | \$ (508,218)        | \$ -                | \$ -              |
| Sewer Revenue Bonds 92-05   | 95,604            | -                   | (95,604)            | -                   | -                 |
| Revenue and Refunding       |                   |                     |                     |                     |                   |
| Bonds 2017 Series           | -                 | 9,535,000           | -                   | 9,535,000           | 165,000           |
| Premium on Revenue and      |                   |                     |                     |                     |                   |
| Refunding Bonds 2017 Series | -                 | 78,945              | -                   | 78,945              | 1,366             |
| Total Long-Term Debt        | <u>\$ 603,822</u> | <u>\$ 9,613,945</u> | <u>\$ (603,822)</u> | <u>\$ 9,613,945</u> | <u>\$ 166,366</u> |

**Revenue Bond - \$723,000 Sewer System - Rural Utility Services 92-03:**

Sewer revenue bonds were issued on September 25, 2003, and are due to the United States Department of Agriculture, Rural Utilities Service with monthly installments including principal and interest of \$3,167 at 4.25% through October 25, 2043. These bonds were paid off during 2017.

**SEWERAGE DISTRICT NO. 1 OF TANGIPAOA PARISH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2017

**Revenue Bond - \$114,000 Sewer System - Rural Utility Services 92-05:**

Sewer revenue bonds were issued on September 25, 2003, and are due to the United States Department of Agriculture, Rural Utilities Service with monthly installments including principal and interest of \$499 at 4.25% through October 25, 2043. These bonds were paid off during 2017.

**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.

**Debt Service Requirements to Maturity:**

The annual requirements to amortize long term debt outstanding as of December 31, 2017 including expected interest payments of \$6,227,774 are as follows:

| Year Ending<br>December 31, | Principal           | Interest            | Total                |
|-----------------------------|---------------------|---------------------|----------------------|
| 2018                        | \$ 165,000          | \$ 313,244          | \$ 478,244           |
| 2019                        | 195,000             | 331,670             | 526,670              |
| 2020                        | 200,000             | 325,820             | 525,820              |
| 2021                        | 205,000             | 319,820             | 524,820              |
| 2022                        | 215,000             | 313,670             | 528,670              |
| 2023 to 2027                | 1,165,000           | 1,468,150           | 2,633,150            |
| 2028 to 2032                | 1,380,000           | 1,255,350           | 2,635,350            |
| 2033 to 2037                | 1,660,000           | 973,174             | 2,633,174            |
| 2038 to 2042                | 1,980,000           | 657,330             | 2,637,330            |
| 2043 to 2047                | 2,370,000           | 269,546             | 2,639,546            |
|                             | <u>\$ 9,535,000</u> | <u>\$ 6,227,774</u> | <u>\$ 15,762,774</u> |

**(10) Sewer Revenue Bond Resolution Covenants -**

As of December 31, 2017, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana (District), has Revenue Refunding Bonds Series 2017 outstanding. The Series 2017 bond resolution, 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:

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

- 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 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, 2017.
- 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 20<sup>th</sup> 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, 2017, the Sinking Fund requirements for the interest and principal accounts on the Series 2017 Bonds were fully funded with an actual balance of \$92,463 and is reported as restricted cash.

During the fiscal year ended December 31, 2017, the District was in substantial compliance with bond covenants noted above.

#### **(11) 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 \$150,091 for the year ended December 31, 2017.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

#### **(12) Restricted and Designated Net Position -**

At December 31, 2017, the District recorded \$8,769,414 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.

#### **(13) 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.

#### **(14) Litigation -**

There is no outstanding litigation at December 31, 2017 for which the District would expect an unfavorable outcome.

#### **(15) Current Accounting Pronouncements -**

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

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 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 December 15, 2019. 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.

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

#### **(16) Subsequent Events -**

On March 5, 2018, the District entered into a construction contract in the amount of \$1,278,050 for lift station and force main improvements. The construction contract is to be funded from the proceeds of the Revenue and Refunding Bonds 2017 Series.

The District entered into a master equity lease agreement for utility trucks on December 28, 2017. The lease terms are not effective until the District enters into an active lease. The District entered into their first lease agreement for the use of two utility trucks on May 25, 2018. The terms are for monthly installments of approximately \$1,340 for 48 months.

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 27, 2018, 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, 2017\*

| <u>Fiscal Year</u>  | <u>Employer's<br/>Proportion of<br/>the Net Pension<br/>Liability</u> | <u>Employer's<br/>Proportionate<br/>Share of the Net<br/>Pension Liability</u> | <u>Employer's<br/>Covered-<br/>Employee<br/>Payroll</u> | <u>Employer's<br/>Proportionate Share<br/>of the Net Pension<br/>Liability as a<br/>Percentage of its<br/>Covered-Employee<br/>Payroll</u> | <u>Plan Fiduciary Net<br/>Position as a<br/>Percentage of the<br/>Total Pension<br/>Liability</u> |
|---|---|--|---|--|---|
| <b>Parochial Employees' Retirement System of Louisiana:</b> |   |  |   |  |   |
| 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%  |

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, 2017\*

| <u>Fiscal Year</u>  | <u>Contractually<br/>Required<br/>Contributions</u> | <u>Contributions in<br/>Relation to<br/>Contractually<br/>Required<br/>Contributions</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Employer's<br/>Covered<br/>Employee<br/>Payroll</u> | <u>Contributions as<br/>a % of Covered<br/>Employee<br/>Payroll</u> |
|---|---|--|---|--|---|
| <b>Parochial Employees' Retirement System of Louisiana:</b> |   |  |   |  |   |
| 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%  |

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, 2017

**Parochial Employees' Retirement System of Louisiana:**

***Changes in Actuarial Assumptions***

Amounts reported in fiscal year ended December 31, 2015 for Parochial Employees' Retirement System of Louisiana (PERS) reflect an adjustment in the discount rate used to measure the total pension liability. The discount rate for PERS was reduced by .25% to 7.00% as of the valuation date December 31, 2015. Other changes are as follows:

Change in Assumptions:

| Valuation Date            | December 31, 2015                       | December 31, 2014                       |
|---------------------------|---|---|
| Inflation Rate            | 2.50%                                   | 3.00%                                   |
| Projected Salary Increase | 5.25% (2.50% Inflation,<br>2.75% Merit) | 5.75% (3.00% Inflation,<br>2.75% Merit) |

***Changes of Assumptions***

There were no changes of benefit assumptions for the year ended December 31, 2016 for Parochial Employees' Retirement System of Louisiana.

See independent auditor's report.

**OTHER SUPPLEMENTAL INFORMATION**

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | 2017<br>Budget | 2017<br>Actual | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------|----------------|--|
| <b>Operating Revenues:</b>                 |                |                |  |
| Sewer Service Revenues                     | \$ 1,983,048   | \$ 2,525,956   | \$ 542,908                             |
| Impact Fees                                | 10,000         | 23,200         | 13,200                                 |
| Connection Fees                            | 105,000        | 94,323         | (10,677)                               |
| Intergovernmental                          | -              | 15,965         | 15,965                                 |
| Other                                      | 2,000          | 1,132          | (868)                                  |
| Total Operating Revenues                   | 2,100,048      | 2,660,576      | 560,528                                |
| <b>Operating Expenses:</b>                 |                |                |  |
| Salaries and Wages                         | 470,612        | 417,268        | 53,344                                 |
| Employee Benefits                          | 189,979        | 227,803        | (37,824)                               |
| Billing Costs                              | 52,000         | 57,605         | (5,605)                                |
| Depreciation                               | 290,000        | 275,033        | 14,967                                 |
| Impairment Loss                            | 5,000          | -              | 5,000                                  |
| Director's and Recording Secretary Expense | 13,000         | 13,050         | (50)                                   |
| Engineering and Surveyor Fees              | 126,000        | 110,026        | 15,974                                 |
| Insurance                                  | 50,000         | 62,250         | (12,250)                               |
| Lift Station and Plant Maintenance         | 399,900        | 494,210        | (94,310)                               |
| Other                                      | 19,935         | 22,978         | (3,043)                                |
| Professional Fees                          | 54,000         | 68,296         | (14,296)                               |
| Rentals                                    | 100            | 432            | (332)                                  |
| Repairs and Maintenance                    | 94,000         | 109,013        | (15,013)                               |
| Supplies                                   | 66,000         | 109,171        | (43,171)                               |
| Vehicle Expenses                           | 21,000         | 22,684         | (1,684)                                |
| Total Operating Expenses                   | 1,851,526      | 1,989,819      | (138,293)                              |
| Operating Income                           | 248,522        | 670,757        | 422,235                                |
| <b>Nonoperating Revenues (Expenses):</b>   |                |                |  |
| Interest Income                            | 30,000         | 42,011         | 12,011                                 |
| Interest Expense                           | (30,000)       | (73,089)       | (43,089)                               |
| Gain (Loss) on Disposal of Assets          | -              | 4,254          | 4,254                                  |
| Debt Issuance Cost                         | -              | (280,599)      | (280,599)                              |
| Total Nonoperating Revenues (Expenses)     | -              | (307,423)      | (307,423)                              |
| <b>Change in Net Position</b>              | 248,522        | 363,334        | 114,812                                |
| <b>Net Position - Beginning of Year</b>    | 7,511,597      | 7,511,597      | -                                      |
| <b>Net Position - End of Year</b>          | \$ 7,760,119   | \$ 7,874,931   | \$ 114,812                             |

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, 2017

| <u>Name, Title, Contact Number</u>       | <u>Address</u>                               | <u>Compensation<br/>Received</u> | <u>Term<br/>Expiration</u> |
|--|--|----------------------------------|----------------------------|
| Mark Mobley, President<br>(985) 375-0341 | P.O. Box 402<br>Ponchatoula, LA 70454        | \$ 1,950                         | March 2018                 |
| Charles Christmas<br>(985) 748-3016      | P.O. Box 577<br>Amite, LA 70422              | 1,950                            | March 2019                 |
| Brian Shirey<br>(985) 974-8486           | 19299 Country Club Lane<br>Hammond, LA 70401 | 1,950                            | March 2020                 |
| Randall Tricou<br>(985) 386-2050         | 14599 Highway 22<br>Ponchatoula, LA 70454    | 1,800                            | March 2020                 |
| Susan Quinn<br>(985) 507-0507            | 41336 Schafer Drive<br>Hammond, LA 70403     | 1,800                            | July 2018                  |
|  |  | <u>\$ 9,450</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, 2017

Agency Head Name: Jason Hood

| Purpose                        | Amount    |
|--------------------------------|-----------|
| Salary                         | \$ 57,500 |
| Benefits - Insurance           | 10,620    |
| Benefits - Retirement          | 7,707     |
| Vehicle Allowance              | 4,154     |
| Vehicle Provided by Government | 10        |
| Employer Paid Payroll Taxes    | 813       |
|                                | \$ 80,804 |

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2017

| <u>Insurance Company /<br/>Policy Number</u>                                  | <u>Coverage</u>   | <u>Amount</u>  | <u>Policy Period</u>        |
|---|---|--|-----------------------------|
| Arch Insurance<br>Policy Number<br>GWPKG0188400                               | Commercial General Liability:<br>Aggregate Policy Limit<br>Per Occurrence<br>Personal Injury & Product Liability<br>Employee Dishonesty | \$ 3,000,000<br>\$ 1,000,000<br>\$ 1,000,000<br>\$ 100,000 | 12/11/2017 to<br>12/11/2018 |
| Stonetrust Commercial<br>Insurance Company<br>Policy Number<br>WCV 008304302  | Workmen's Compensation as Statutory<br>Limitations:<br>Employer's Liability   | \$ 1,000,000   | 2/28/2017 to<br>2/28/2018   |
| Travelers Casualty and Surety<br>Insurance Company<br>Policy Number 105656772 | Employee Dishonesty<br>Total Coverage   | \$ 100,000   | 9/6/2017 to<br>9/6/2020     |
| Houston Specialty Insurance<br>Company  | Auto Liability  | \$ 500,000   | 2/22/17 to<br>2/22/2018     |

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF SEWER RATES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2017

| 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  |

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, 2017 and 2016, the District had the following number of customers:

|                 | December 31,<br>2017 | December 31,<br>2016 | Increase<br>(Decrease) |
|-----------------|----------------------|----------------------|------------------------|
| Customers       |                      |                      |                        |
| Residential     | 5,024                | 4,360                | 664                    |
| Nonresidential  | 42                   | 44                   | (2)                    |
| Total Customers | <u>5,066</u>         | <u>4,404</u>         | <u>662</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  
Denham Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of 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, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 27, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

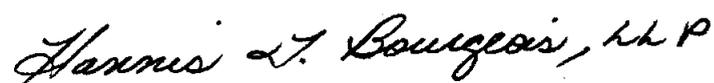
### **Compliance and Other Matters**

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Respectfully submitted,

Handwritten signature of Hannis J. Bourgeois, CPA in cursive script.

Denham Springs, Louisiana  
June 27, 2018

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

**SCHEDULE OF FINDINGS AND RESPONSES**

FOR THE YEAR ENDED DECEMBER 31, 2017

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017**

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

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

We have performed the procedures enumerated below, which were agreed to by Sewerage District No. 1 of Tangipahoa Parish (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget. – **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.

**Exception** - The District does have written policies and procedures for purchasing but it does not specifically address how vendors are added to the vendor list.

- c) *Disbursements*, including processing, reviewing, and approving – **No Exceptions.**
- d) *Receipts*, including receiving, recording, and preparing deposits – **No Exceptions.**
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **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, and (5) monitoring card usage. – **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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity’s ethics policy. – **No Exceptions.**
- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No Exceptions.**

**Board (or Finance Committee, if applicable)**

---

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, or other equivalent document. – **No Exceptions.**
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity’s prior audit (GAAP-basis). – **No Exceptions.** Budget-to-actual comparisons are provided to board members and management and are referenced in the minutes.
    - (1) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan. – **No Exceptions.**
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period. – **No Exceptions.**

## ***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. – **No Exceptions.**
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - a) Bank reconciliations have been prepared. - **No Exceptions.**
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

**Exception** – We noted the bank reconciliations were prepared by the third party outside accountant, but we did not note evidence of management or board member approval on the reconciliations. We did note that bank statements were initialed as reviewed by a board member.
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period. – **No Exceptions.**

## ***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. – **No Exceptions.**
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**
  - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee. – **No Exceptions.**
  - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected. – **No Exceptions.**
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

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

**Exception** – The District does not stamp the date received on collections so we couldn't determine the number of days from physical receipt to deposit on several items. Based on payor check dates, it appears that some receipts were deposited more than one day after received.

- (2) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any Exceptions. – **No Exceptions.**

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections. – **No Exceptions.**

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete. – **No Exceptions.**
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system. – **No Exceptions.**
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase. – **No Exceptions.**
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

**Exception** – 3 of the 25 invoices selected for testing did not have documentation of approval on the invoices. However, the checks for payment were signed by two check signers indicating approval.

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

**Exception** – A third party outside accountant handles processing payments and adds vendors to the accounting system. The mitigating controls are that the authorized check signers review and approve payments and physically sign all checks. Also third party outside accountant does not initiate purchase transactions.

No corrective action is required.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases. – **No Exceptions.**
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks. – **No Exceptions.**
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any Exceptions. – **No Exceptions**

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **The District does not have any credit cards, bank debit cards, fuel cards, or P-cards.**
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]. – **Not Applicable.**
- b) Report whether finance charges and/or late fees were assessed on the selected statements. – **Not Applicable.**

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

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

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

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

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

**Not Applicable.**

d) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any Exceptions. – **Not Applicable.**

e) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any Exceptions. (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception. – **Not Applicable.**

### ***Travel and Expense Reimbursement***

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete. – **The District did not incur any travel and related expense reimbursements during 2017.**

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates. – **No Exceptions.**

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

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

- b) Report whether each expense is supported by:
  - (1) An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.] – **Not Applicable.**
  - (2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating). – **Not Applicable.**
  - (3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance). – **Not Applicable.**
- c) Compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any Exceptions. (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception. – **Not Applicable.**
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **Not Applicable.**

***Contracts***

---

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete. – **No Exceptions.**
- 21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
  - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 

**Exception** – The District did not have a formal/written contract on file for 1 of the 5 vendors reviewed. For 1 of the 5 vendors reviewed, the District did have a formal/written contract but it expired during 2017 and the District continued to use the vendor’s services after the contract expired.
  - b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - (4) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder) – **One of five contracts was subject to the LA Public Bid Law and appeared to comply with all legal requirements.**
    - (5) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice. – **No Exceptions.**

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment. – **For vendors with contracts, contracts were not amended**
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract. – **For vendors with contracts, the invoice and related payment complied with terms and conditions of contract.**
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter). – **The District reviews and approves contracts.**

### *Payroll and Personnel*

---

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
  - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. – **No Exceptions.**
  - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy. – **No Exceptions.**
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
  - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.). – **No Exceptions.**
  - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials. – **No Exceptions.**
  - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave. – **No Exceptions.**
- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management’s representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management. – **No Exceptions.**

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines. - **No Exceptions.**

***Ethics (excluding nonprofits)***

---

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed. – **No Exceptions.**
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy. – **No Exceptions.**

***Debt Service (excluding nonprofits)***

---

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained. **State Bond Commission approval was obtained for debt issued during 2017.**
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants. **The District made scheduled debt service payments and maintained debt reserves as required by debt covenants.**
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off. **The District does not collect any tax millages.**

***Other***

---

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled. – **No Exceptions.**
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds. – **Notice posted on premises and on website.**
33. If the practitioner observes or otherwise identifies any Exceptions. regarding management’s representations in the procedures above, report the nature of each exception. – **No Exceptions.**

## **Management's Response/Corrective Action to Exceptions**

The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to the any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on 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,

*Harris J. Bourgeois, CPA*

Denham Springs, Louisiana  
June 27, 2018



SEWERAGE DISTRICT NO. 1  
OF THE  
Parish of Tangipahoa

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

June 22, 2018

**Management's response to AUP exceptions:**

1.B. Management will present an amendment of purchasing policy to the board of commissioners. This amendment will include the requirement of a new vendor authorization form to be approved by management and submitted to the accounts payable agent.

4.B. All bank statement reconciliations will be reviewed and approved by management moving forward.

6.C.1. All checks will be stamped with a received date and initialed by receiving clerk.

9.C. All invoices will have documentation of approval by a member of management.

21.C. Management will maintain contracts/agreements for its main vendors and or service providers.

Charles Christmas Chairman of the Board

Jason Hood District Manager