

Livingston Parish Sewer District  
DBA Livingston Parish Sewer District Number  
Two

Annual Financial Statements

As of and for the Year Then Ended December 31, 2018  
With Supplemental Information Schedules  
(with 2017 summarized comparative information)



**BRUCE HARRELL & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

**Livingston Parish Sewer District**  
**Annual Financial Statements**  
**As of and for the Year Ended December 31, 2018**  
**With Supplemental Information Schedules**  
**(with 2017 summarized comparative information)**

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Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA  
Jessica H. Jones, CPA  
Brandy Westcott Garcia, CPA  
Michael P. Estay, CPA

INTERNET  
www.teamcpa.com

MEMBERS  
American Institute of CPAs  
Society of Louisiana CPAs



BRUCE HARRELL  
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

109 West Minnesota Park  
Park Place Suite 7  
Hammond, LA 70403  
VOICE: (985) 542-6372  
FAX: (985) 345-3156

KENTWOOD OFFICE  
P.O. Box 45 - 909 Avenue G  
Kentwood, LA 70444  
VOICE: (985) 229-5955  
FAX: (985) 229-5951

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Livingston Parish Sewer District, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

Board of Commissioners  
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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Livingston Parish Sewer District, as of December 31, 2018, and the respective changes in the financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Livingston Parish Sewer District's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 7 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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Board of Commissioners  
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*Other Information*

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

The accompanying schedules listed as Other Supplemental Information in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 28, 2019 on our consideration of Livingston Parish Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Livingston Parish Sewer District's internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

Kentwood, Louisiana  
June 28, 2019

**Required Supplemental Information**  
**Management's Discussion and Analysis**

## Livingston Parish Sewer District

### Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018

#### Introduction

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

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

#### Financial Highlights

- At December 31, 2018, total assets and deferred outflows were \$40,641,140, and exceeded liabilities in the amount of \$8,824,489 (i.e., net position). Of the total net position, \$1,322,628 was unrestricted and available to support short-term operations. The net investment in capital assets totaled \$2,871,749. The remaining balance was restricted for capital projects activity and debt service.
- The long-term portion of bonds payable increased to \$30,243,911 at December 31, 2018 compared to \$20,658,474 at the end of the prior fiscal period. This was due to the issuance of Series 2018 Revenue Bonds less bond principal payments during the fiscal year.
- For the year ended December 31, 2018, operating revenues increased to \$4,872,428 as compared to \$4,617,365 for the fiscal year ending December 31, 2017.
- The District's operating expenses, other than depreciation expense, increased by \$113,363 to \$2,455,345 for fiscal year ending December 31, 2018 as compared to \$2,341,982 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$54,383, utilities of \$39,528, and professional fees of \$23,930.
- The District showed an increase in net position of \$658,109 for the fiscal year ended December 31, 2018, as compared to an increase of \$1,067,505 for the fiscal year ending December 31, 2017.

## **Livingston Parish Sewer District**

### **Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018**

#### **Overview of the Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Livingston Parish Sewer District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position, accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and if applicable, schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure, if applicable.

#### **Financial Analysis**

The purpose of financial analysis is to help determine whether Livingston Parish Sewer District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

## Livingston Parish Sewer District

### Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018

#### Condensed Statements of Net Position 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:		<b>(Restated)</b>		
Current and Other Assets	\$ 15,401,443	\$ 6,026,658	\$ 9,374,785	156%
Capital Assets	25,197,396	23,989,264	1,208,132	5%
Total Assets	<u>40,598,839</u>	<u>30,015,922</u>	<u>10,582,917</u>	35%
Deferred Outflows of Resources				
Refunding of Debt	42,301	43,928	(1,627)	-4%
Total Deferred Outflows of Resources	<u>42,301</u>	<u>43,928</u>	<u>(1,627)</u>	-4%
Liabilities:				
Long-Term Debt Outstanding	30,243,911	20,658,474	9,585,437	46%
Other Liabilities	1,572,740	1,234,996	337,744	27%
Total Liabilities	<u>31,816,651</u>	<u>21,893,470</u>	<u>9,923,181</u>	45%
Net Position:				
Net Investment in Capital Assets	2,871,749	2,735,420	136,329	5%
Restricted for Capital Activity and Debt Service	4,630,112	4,061,270	568,842	14%
Unrestricted	1,322,628	1,369,690	(47,062)	-3%
Total Net Position	<u>\$ 8,824,489</u>	<u>\$ 8,166,380</u>	<u>\$ 658,109</u>	8%

The major components of change for "Current and Other Assets" is an increase in restricted cash of \$9,138,536 for sewer expansion construction related to the Series 2018 construction funds and an increase in Due from Other Governments of \$455,202.

"Capital Assets" increased by \$1,208,132, reflecting primarily asset additions of \$9,082,145 less the depreciation recorded on capital assets of \$859,113 for the fiscal year ending December 31, 2018. Capital asset increases included \$462,723 in sewer system improvements, \$39,865 for various equipment and improvements, \$73,781 for utility trucks, and \$1,490,876 for construction in progress relating to the 2012 sewer expansion project, Juban expansion, and the southern expansion project. The District also completed the final phase of 2012 sewer expansion project and transferred \$8,505,775 from Construction in Progress to sewer system improvements.

"Total Net Position" (total assets less total liabilities) increased \$658,109 for the fiscal year ended December 31, 2018, compared to an increase of \$1,067,505 for the fiscal year ending December 31, 2017.

## Livingston Parish Sewer District

### Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018

#### Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2018	Year ended December 31, 2017 (Restated)	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 4,872,428	\$ 4,617,365	\$ 255,063	6%
Nonoperating Revenues	544,834	205,000	339,834	166%
Total Revenues	<u>5,417,262</u>	<u>4,822,365</u>	<u>594,897</u>	12%
Expenses:				
Depreciation Expense	859,113	616,495	242,618	39%
Other Operating Expense	2,455,345	2,341,982	113,363	5%
Nonoperating Expense	1,444,695	796,383	648,312	81%
Total Expenses	<u>4,759,153</u>	<u>3,754,860</u>	<u>1,004,293</u>	27%
Changes in Net Position	<u>658,109</u>	<u>1,067,505</u>	<u>(409,396)</u>	-38%
Beginning Net Position Prior to Adjustments	5,878,763	4,777,421	1,101,342	23%
Prior Period Adjustments	2,287,617	2,321,454	(33,837)	-1%
Net Position, Beginning	<u>8,166,380</u>	<u>7,098,875</u>	<u>1,067,505</u>	15%
Ending Net Position	<u>\$ 8,824,489</u>	<u>\$ 8,166,380</u>	<u>\$ 658,109</u>	8%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Livingston Parish Sewer District is being conservatively managed.

Total "Operating Revenues" (including sewer sales and revenues related to providing sewer maintenance fees and impact fees) increased by \$255,063 primarily due to an increase of \$144,149 in development fees and \$162,107 in sewer fees. Nonoperating revenues increased \$339,834 due to an increase of \$335,137 in grants.

Total "Operating Expenses", other than depreciation expense, increased by \$113,363 to \$2,455,345 for fiscal year ending December 31, 2018 as compared to \$2,341,982 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$54,383, utilities of \$39,528, and professional fees of \$23,930.

Total "Nonoperating Expense" increased by \$648,312. This increase was due primarily to bond refunding transfers to the Parish Council for Series 2016 Revenue Refunding Bonds of \$94,799, bond issuance cost of \$301,069, interest expense of \$478,969, and a decrease of \$226,525 in expenses related to the flood.

The District showed an increase of \$658,109 (change in net position) for the fiscal year ending December 31, 2018, as compared to an increase of \$1,067,505 for the fiscal year ending December 31, 2017.

## Livingston Parish Sewer District

### Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018

#### Budgetary Highlights

Livingston Parish Sewer District adopts an annual operating budget to enhance management and operation of the District. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 – Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual", as supplementary information, following the footnotes to the financial statements.

#### Budget vs. Actual - Fiscal Year ended December 31, 2018

	<b>Budget Year ended December 31, 2018</b>	<b>Actual Year ended December 31, 2018</b>	<b>Favorable (Unfavorable) Variance</b>
Revenues:			
Operating Revenues	\$ 4,419,000	\$ 4,872,428	\$ 453,428
Nonoperating Revenues	859,350	544,834	(314,516)
Total Revenues	<u>5,278,350</u>	<u>5,417,262</u>	<u>138,912</u>
Expenses:			
Depreciation Expense	850,000	859,113	(9,113)
Other Operating Expense	3,258,150	2,455,345	802,805
Nonoperating Expense	<u>581,000</u>	<u>1,444,695</u>	<u>(863,695)</u>
Total Expenses	<u>4,689,150</u>	<u>4,759,153</u>	<u>(70,003)</u>
Change in Net Position	<u>\$ 589,200</u>	<u>\$ 658,109</u>	<u>\$ 68,909</u>

Actual revenues exceeded budgeted revenues by approximately 2.63% or \$138,912, and actual expenses exceeded their projection of expenses by approximately 1.49% or \$70,003.

#### Other Significant Trends and Account Changes

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

## Livingston Parish Sewer District

### Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018

#### General Operating Data

	December 31, 2018	December 31, 2017	Increase (Decrease)
Customers	7,188	6,745	443
Total Customers	7,188	6,745	443

#### Capital Assets and Debt Administration

##### Capital Assets

At the end of the fiscal year ending December 31, 2018, Livingston Parish Sewer District had \$25,197,396 (net of accumulated depreciation) recorded in capital assets. This includes sewer line systems and improvements, land, buildings, machinery and equipment, and vehicles used to operate the sewerage system. The changes in capital assets are presented in the table below.

	December 31, 2018	December 31, 2017	Increase (Decrease)	Percentage Change
Capital Assets				
Buildings	\$ 580,858	\$ 580,858	\$ -	0%
Machinery & Equipment	1,619,011	1,579,146	39,865	3%
Utility System	31,156,020	22,187,521	8,968,499	40%
Vehicles	333,130	259,349	73,781	28%
Subtotal	33,689,019	24,606,874	9,082,145	37%
Less: Accumulated Depreciation	(9,973,789)	(9,114,676)	(859,113)	9%
Capital Assets Being Depreciated, Net	23,715,230	15,492,198	8,223,032	53%
Land	193,566	193,566	-	0%
Construction in Progress	1,288,600	8,303,500	(7,014,900)	-84%
Net Capital Assets	\$ 25,197,396	\$ 23,989,264	\$ 1,208,132	5%

“Capital Assets” increased by \$1,208,132, reflecting primarily asset additions of \$9,082,145 less the depreciation recorded on capital assets of \$859,113 for the fiscal year ending December 31, 2018. Capital asset increases included \$462,723 in sewer system improvements, \$39,865 for various equipment and improvements, \$73,781 for utility trucks, and \$1,490,876 for construction in progress relating to the 2012 sewer expansion project, Juban expansion, and the southern expansion project. The District also completed the final phase of 2012 sewer expansion project and transferred \$8,505,775 from Construction in Progress to sewer system improvements.

##### Long-Term Offerings

The primary source of long-term financing for Livingston Parish Sewer District are bonds issued through private lenders. With the issuance of the 2014 Series Refunding Bonds at an original issue amount of \$4,625,000, the issuance of the 2012 Refunding Bonds at \$572,000, the issuance of the 2012 Ward Two Sewer District Expansion bonds at \$15,900,000, the issuance of the Series 2016 Sewer Refunding Bonds at \$2,200,000, and the issuance of the Series 2018 Revenue Bonds the District covenants that net income will be maintained at a sufficient level to cover all operating and maintenance expenses and to cover bond requirements including debt installments and

## **Livingston Parish Sewer District**

### **Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2018**

bond deposit requirements agreed to with the issuance of revenue bonds for the District. The District has also assumed responsibility for payment of the bonds issued by the Livingston Parish Council, the Livingston Parish Sewer District No. 2, Series 2009. The reader should refer to *Footnote 7 – Flow of Funds Restrictions on Use* and *Footnote 12 – Other Commitments and Contingencies* for a discussion of the District's compliance to bond covenants. The District for the fiscal year ending December 31, 2018 complied with bond covenants requiring a 125% ratio of Net Revenues to bond deposit requirements. The reader should also refer to *Footnote 12 - Other Commitments and Contingencies* on the payments of the Series 2009 Bonds of the Livingston Parish Council, for which the District is contractually obligated to pay debt installments.

#### **Future Economic Plans**

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

#### **Requests for Information**

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

# Financial Statements

**Livingston Parish Sewer District**  
**Statement of Net Position**  
**As of December 31, 2018**  
**(with 2017 summarized comparative information)**

	2018	2017 (Restated)
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents - Unrestricted	\$ 1,109,880	\$ 1,370,132
Receivables, Net :		
Accounts	339,111	340,714
Due From Other Governments	455,202	-
Prepaid Insurance	33,888	39,786
<b>Total Current Assets</b>	1,938,081	1,750,632
<b>Restricted Assets:</b>		
Restricted Cash and Cash Equivalents	13,221,556	4,083,020
<b>Total Restricted Assets</b>	13,221,556	4,083,020
<b>Property, Plant, and Equipment</b>		
Land	193,566	193,566
Construction in Progress	1,288,600	8,303,500
Property, Plant and Equipment, Net	23,715,230	15,492,198
<b>Total Property, Plant, and Equipment</b>	25,197,396	23,989,264
<b>Other Assets</b>		
Prepaid Bond Insurance Costs, Net	239,537	190,737
Meter Deposits	2,269	2,269
<b>Total Other Assets</b>	241,806	193,006
<b>Total Assets</b>	40,598,839	30,015,922
<b>Deferred Outflows of Resources</b>		
Refunding of Debt	42,301	43,928
<b>Total Deferred Outflows of Resources</b>	42,301	43,928
<b>Liabilities</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	257,826	157,116
Other Accrued Payables	5,406	10,603
Due To Other Governments	667	-
<b>Total Current Liabilities (Payable From Current Assets)</b>	263,899	167,719
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Construction Payable	85,180	45,120
Accrued Interest Payable	635,661	450,157
Revenue Bonds Payable	588,000	572,000
<b>Total Current Liabilities (Payable From Restricted Assets)</b>	1,308,841	1,067,277
<b>Long Term Liabilities:</b>		
Bonds Payable	30,243,911	20,658,474
<b>Total Long Term Liabilities</b>	30,243,911	20,658,474
<b>Total Liabilities</b>	31,816,651	21,893,470
<b>Net Position</b>		
Net Investment in Capital Assets	2,871,749	2,735,420
Restricted for:		
Capital Projects and Debt Service	4,630,112	4,061,270
Unrestricted	1,322,628	1,369,690
<b>Total Net Position</b>	\$ 8,824,489	\$ 8,166,380

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

**Statement B**

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

**For the year ended December 31, 2018  
(with 2017 summarized comparative information)**

	<b>2018</b>	<b>2017</b>
		<b>(Restated)</b>
<b>Operating Revenues</b>		
Sewer Fees	\$ 4,140,782	\$ 3,978,675
Permits & Inspection Fees	53,502	24,650
User & Hook-up Fees	66,306	68,520
Impact Fees	465,967	529,208
Development Fees	144,149	-
Other Operating Income	1,722	16,312
<b>Total Operating Revenues</b>	<b>4,872,428</b>	<b>4,617,365</b>
<b>Operating Expenses</b>		
Salaries and Wages	465,515	459,313
Payroll Taxes & Group Insurance	112,251	90,854
Per Diem	5,900	4,900
Amortization-Prepaid Bond Insurance	8,150	4,362
Bad Debts	11,520	5,534
Depreciation	859,113	616,495
Fuel/Oil-Trucks	47,542	39,799
Insurance	140,194	142,890
Licenses & Permits	10,342	20,646
Office Expense	3,332	3,570
Other	111,437	111,451
Professional Fees	154,087	130,157
Repairs and Maintenance	880,995	826,612
Supplies	145,194	183,574
Telephone	18,910	19,701
Uniform Expense	14,141	12,312
Utilities	325,835	286,307
<b>Total Operating Expenses</b>	<b>3,314,458</b>	<b>2,958,477</b>
<b>Operating Income (Loss)</b>	<b>1,557,970</b>	<b>1,658,888</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	89,750	6,112
FEMA Reimbursement	54,947	133,888
Grant Income	400,137	65,000
Interest Expense	(860,296)	(381,327)
Bond Issuance Cost	(301,069)	-
Transfer for Parish Council Debt Obligation	(162,188)	(67,389)
Flood Expense	(121,142)	(347,667)
Transfer to Other Governments	-	-
Transfer in from Other Governments	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(899,861)</b>	<b>(591,383)</b>
<b>Change in Net Position</b>	<b>658,109</b>	<b>1,067,505</b>
<b>Total Net Position Prior to Adjustments, Beginning</b>	<b>5,878,763</b>	<b>4,777,421</b>
Prior Period Adjustment (Note 14)	2,287,617	2,321,454
<b>Total Net Position, Beginning</b>	<b>8,166,380</b>	<b>7,098,875</b>
<b>Total Net Position, Ending</b>	<b>\$ 8,824,489</b>	<b>\$ 8,166,380</b>

The accompanying notes are an integral part of this statement.

**Livingston Parish Sewer District**  
**Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the year ended December 31, 2018**  
**(with 2017 summarized comparative information)**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		<b>(Restated)</b>
Received From Customers	\$ 4,872,309	\$ 4,289,187
Received for Meter Deposit Fees	-	-
Other Receipts	(398,533)	16,312
Received for Interfund Services	-	-
Payments for Interfund Services	-	-
Payments for Operations	(1,760,410)	(1,798,601)
Payments to Employees	(585,374)	(548,121)
Net Cash Provided by Operating Activities	<u>2,127,992</u>	<u>1,958,777</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
(Payments for) Flood Expenses	(121,142)	(347,667)
Proceeds from FEMA Reimbursements	-	230,922
Proceeds from Grants	400,137	65,000
(Payments for) Livingston Parish Council Debt Obligation	(161,521)	(67,389)
(Payments for) Capital Acquisitions	(2,027,185)	(3,111,047)
Principal Proceeds from (Repayments for) Long Term Debt	9,601,437	(563,563)
Transfer to Other Funds for Refunding	-	-
Deferred Outflows for Refunding	1,627	1,628
Debt Issue Cost Payments	(301,069)	-
Prepaid Bond Insurance Payments	(48,800)	6,925
Interest Payments for Long Term Debt	(682,942)	(246,179)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>6,660,542</u>	<u>(4,031,370)</u>
<b>Cash Flows From Investing Activities</b>		
Receipt of Interest	89,750	6,112
Proceeds from sale (Payments) for Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>89,750</u>	<u>6,112</u>
<b>Net Cash Increase (Decrease) in Cash and Cash Equivalents</b>	8,878,284	(2,066,481)
<b>Cash and Cash Equivalents, Beginning of Year</b>	5,453,152	7,519,633
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 14,331,436</u>	<u>\$ 5,453,152</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>		
Cash and Cash Equivalents, Unrestricted	\$ 1,109,880	\$ 1,370,132
Cash and Cash Equivalents, Restricted	13,221,556	4,083,020
Total Cash and Cash Equivalents	<u>\$ 14,331,436</u>	<u>\$ 5,453,152</u>

(Continued)

The accompanying notes are an integral part of this statement.

**Livingston Parish Sewer District**  
**Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the year ended December 31, 2018**  
**(with 2017 summarized comparative information)**

**Statement C**  
**(Continued)**

	2018	2017
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</b>		<b>(Restated)</b>
<b>by Operating Activities</b>		
Operating Income (Loss)	\$ 1,557,970	\$ 1,658,888
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation and Amortization	867,263	620,857
(Increase) decrease in Accounts Receivable	1,603	(311,866)
(Increase) decrease in Prepaid Insurance	5,898	(17,138)
(Increase) decrease in Other Assets	(400,255)	-
Increase (decrease) in Accounts Payable	100,710	10,276
Increase (decrease) in Accrued Expenses	(5,197)	(2,240)
Net Cash Provided by Operating Activities	\$ 2,127,992	\$ 1,958,777

(Concluded)

The accompanying notes are an integral part of this statement.

# Basic Financial Statements

## Notes to the Financial Statements

**Livingston Parish Sewer District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2018**  
**(with 2017 summarized comparative information)**

## **Introduction**

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

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

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

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

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Livingston Parish Sewer District is considered a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements should be included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

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

#### **A. Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities and changes in net position, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

**Livingston Parish Sewer District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2018**  
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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote 1, Section J – Net Position*. As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ending December 31, 2012. The District did not have any deferred inflows at December 31, 2018. The District did record \$42,301 of deferred outflows of resources due to debt refundings during the year ending December 31, 2014.

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

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

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

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

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

**Livingston Parish Sewer District**  
**Notes to the Financial Statements**  
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**B. Cash and Cash Equivalents and Investments**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**C. Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- There is no involuntary participation in an external investment pool.

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

As of December 31, 2018 the District had no investments.

**D. Inventories**

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Inventories are valued at cost using the first-in, first-out method. As of December 31, 2018, the District had no significant inventory.

**E. Prepaid Items**

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

**F. Restricted Assets**

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including sewer systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Livingston Parish Sewer District**  
**Notes to the Financial Statements**  
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All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure Assets	40 Years
Land Improvements	40 Years
Buildings and Building Improvements	40 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	3 - 10 Years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**H. Compensated Absences**

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

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

**I. Long-Term Debt Obligations**

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

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment

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

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

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

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

The District had bond issue costs of \$301,069 related to the issuance of the Series 2018 Sewer Revenue Bonds for the fiscal year ended December 31, 2018.

**J. Net Position**

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

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

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

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

**K. Comparative Data/Reclassifications**

The financial statements are presented with certain prior year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

At December 31, 2018, the District has cash and cash equivalents (book balances) as follows:

	<b>December 31, 2018</b>
Demand Deposits	\$ 2,867,919
Trust Funds	11,463,517
	<b>\$ 14,331,436</b>

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

At December 31, 2018, the District has \$14,665,333 in cash and cash equivalent deposits (collected bank balances), consisting of \$3,201,809 in demand deposits and \$11,463,524 in Trust Funds. The demand deposits are held in two banks. Demand deposits in one bank are secured from risk by \$250,000 of federal deposit insurance and \$2,591,069 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$2,591,069 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The demand deposits in the second bank of \$360,740 are secured from risk by \$250,000 of federal deposit insurance and \$110,740 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$110,740 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$11,463,524 of Trust Funds is fully collateralized by the Trust Fund department of the participating bank.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

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

### **3. Receivables**

At December 31, 2018, the District recorded \$339,111 in customer accounts receivable. Billing services for the District are contracted with Ward 2 Water District of Livingston Parish and the City of Denham Springs. Accounts receivable at fiscal year-end includes the amounts collected but not yet remitted to the District. Customer accounts are written off as deemed uncollectible and any allowance for uncollectible accounts is deemed immaterial at fiscal year-end.

**Livingston Parish Sewer District**  
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**4. Restricted Assets**

The following is a summary of restricted assets at December 31, 2018:

	<b>December 31, 2018</b>
Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 332,002
Bond Contingency Account	222,878
Bond Sinking Account	3,499,672
Impact Fee Fund	510,661
Construction Expansion Fund	8,591,444
Cash Bond Escrow Account	64,899
<b>Total Restricted Assets</b>	<b>\$ 13,221,556</b>

**5. Capital Assets**

A summary of changes in capital assets during the fiscal year ending December 31, 2018 is as follows:

	<b>Beginning Balance 12/31/17</b>	<b>Additions and Re classifications</b>	<b>Deletions and Re classifications</b>	<b>Ending Balance 12/31/18</b>
Capital Assets Being Depreciated				
Buildings	\$ 580,858	\$ -	\$ -	\$ 580,858
Machinery and Equipment	1,579,146	39,865	-	1,619,011
Utility System	22,187,521	8,968,499	-	31,156,020
Vehicles	259,349	73,781	-	333,130
Total Capital Assets Being Depreciated	24,606,874	9,082,145	-	33,689,019
Less Accumulated Depreciation	(9,114,676)	(859,113)	-	(9,973,789)
Capital Assets Being Depreciated, Net	15,492,198	8,223,032	-	23,715,230
Land	193,566	-	-	193,566
Construction in Progress	8,303,500	1,490,876	(8,505,776)	1,288,600
Total Capital Assets, Net	\$ 23,989,264	\$ 9,713,908	\$ (8,505,776)	\$ 25,197,396

Depreciation expense for the fiscal year ending December 31, 2018, totaled \$859,113. Total additions included \$462,723 in sewer system improvements, \$39,865 for various equipment and improvements, \$73,781 for utility trucks, and \$1,490,876 for construction in progress relating to the 2012 sewer expansion project, Juban expansion, and the southern expansion project. The District also completed the final phase of 2012 sewer expansion project and transferred \$8,505,775 from Construction in Progress to sewer system improvements.

**Livingston Parish Sewer District**  
**Notes to the Financial Statements**  
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**(with 2017 summarized comparative information)**

**6. Long-Term Obligations**

The following is a summary of long-term obligation transactions for the year ended December 31, 2018:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
Revenue Refunding Bonds, Series 2012	\$ 356,000	\$ -	\$ (47,000)	\$ 309,000	\$ 48,000
Sewer Expansion Bonds, Series 2012	14,265,000	-	(400,000)	13,865,000	410,000
Revenue Refunding Bonds, Series 2014	4,370,000	-	(105,000)	4,265,000	110,000
Revenue Refunding Bonds, Series 2016	2,185,000	-	(20,000)	2,165,000	20,000
Revenue Bonds, Series 2018	-	10,315,000	-	10,315,000	-
<b>Total Long-Term Debt</b>	<u>21,176,000</u>	<u>10,315,000</u>	<u>(572,000)</u>	<u>30,919,000</u>	<u>588,000</u>
Plus:					
Unamortized Premium	54,474	(140,980)	(583)	(87,089)	(2,190)
<b>Total Long-Term Debt</b>	<u>\$ 21,230,474</u>	<u>\$ 10,174,020</u>	<u>\$ (572,583)</u>	<u>\$ 30,831,911</u>	<u>\$ 585,810</u>

Bonds Payable as of December 31, 2018 is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Revenue Refunding Bonds \$ 572,000		
Sewer Revenue Bonds, Series 2012		
Dated 6/28/2012 due in annual installments of principal and semi-annual installments of interest - varying from \$56,804 to \$53,755 interest at 2.85%, with bonds maturing 3/1/2024.	\$ 309,000	\$ 356,000
Sewer Expansion Bonds \$ 15,900,000		
Sewer Expansion Bonds, Series 2012		
Dated 11/21/2012 due in annual installments of principal and semi-annual installments of interest - varying from \$853,230 to \$847,960 interest from 2.0% to 3.6%, with bonds maturing 3/1/2042.	13,865,000	14,265,000
Revenue Refunding Bonds \$ 4,625,000		
Sewer Revenue Bonds, Series 2014		
Dated 7/22/2014 due in annual installments of principal and semi-annual installments of interest - varying from \$261,300 to \$226,099 interest from 2.0% to 4.0%, with bonds maturing 3/1/2044.	4,265,000	4,370,000
Revenue Refunding Bonds \$ 2,200,000		
Sewer Revenue Bonds, Series 2016		
Dated 5/16/2016 due in annual installments of principal and semi-annual installments of interest - varying from \$66,000 to \$149,894 interest from 1.25% to 4.0%, with bonds maturing 3/1/2039.	2,165,000	2,185,000
Revenue Bonds \$ 10,315,000		
Sewer Revenue Bonds, Series 2018		
Dated 7/19/2018 due in annual installments of principal and semi-annual installments of interest - varying from \$30,433 to \$232,082 interest from 3.0% to 3.7%, with bonds maturing 3/1/2048.	10,315,000	-
	<u>\$ 30,919,000</u>	<u>\$ 21,176,000</u>

**Livingston Parish Sewer District**  
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The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments of \$19,595,938 are as follows:

Year Ending 12/31/18	Series 2012 Revenue Refunding \$572,000			Series 2012 Sewer Expansion Bonds \$15,900,000			Series 2014 Revenue Refunding Bonds \$4,625,000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 48,000	\$ 8,123	\$ 56,123	\$ 410,000	\$ 440,305	\$ 850,305	\$ 110,000	\$ 151,038	\$ 261,038
2020	50,000	6,726	56,726	420,000	432,105	852,105	110,000	148,838	258,838
2021	51,000	5,287	56,287	425,000	423,705	848,705	115,000	146,300	261,300
2022	53,000	3,805	56,805	435,000	415,205	850,205	115,000	143,138	258,138
2023	54,000	2,280	56,280	445,000	404,330	849,330	120,000	139,613	259,613
2024 to 2028	53,000	755	53,755	2,445,000	1,812,550	4,257,550	650,000	641,813	1,291,813
2029 to 2033	-	-	-	2,835,000	1,423,000	4,258,000	760,000	525,044	1,285,044
2034 to 2038	-	-	-	3,335,000	922,675	4,257,675	920,000	367,681	1,287,681
2039 to 2043	-	-	-	3,115,000	285,120	3,400,120	1,115,000	164,900	1,279,900
2044 to 2048	-	-	-	-	-	-	250,000	5,000	255,000
	<u>\$ 309,000</u>	<u>\$ 26,976</u>	<u>\$ 335,976</u>	<u>\$ 13,865,000</u>	<u>\$ 6,558,995</u>	<u>\$ 20,423,995</u>	<u>\$ 4,265,000</u>	<u>\$ 2,433,365</u>	<u>\$ 6,698,365</u>

Year Ending 12/31/18	Series 2016 Revenue Refunding \$2,200,000			Series 2018 Sewer Revenue Bonds \$10,315,000			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 20,000	\$ 64,948	\$ 84,948	\$ -	\$ 420,256	\$ 420,256	\$ 588,000	\$ 1,084,670	\$ 1,672,670
2020	85,000	64,291	149,291	-	376,349	376,349	665,000	1,028,309	1,693,309
2021	85,000	63,080	148,080	-	376,349	376,349	676,000	1,014,721	1,690,721
2022	85,000	61,720	146,720	-	376,349	376,349	688,000	1,000,217	1,688,217
2023	85,000	60,275	145,275	-	376,349	376,349	704,000	982,847	1,686,847
2024 to 2028	460,000	271,590	731,590	210,000	1,869,445	2,079,445	3,818,000	4,596,153	8,414,153
2029 to 2033	550,000	181,744	731,744	325,000	1,823,328	2,148,328	4,470,000	3,953,116	8,423,116
2034 to 2038	650,000	80,284	730,284	400,000	1,761,452	2,161,452	5,305,000	3,132,092	8,437,092
2039 to 2043	145,000	2,447	147,447	1,980,000	1,622,440	3,602,440	6,355,000	2,074,907	8,429,907
2044 to 2048	-	-	-	7,400,000	723,906	8,123,906	7,650,000	728,906	8,378,906
	<u>\$ 2,165,000</u>	<u>\$ 850,379</u>	<u>\$ 3,015,379</u>	<u>\$ 10,315,000</u>	<u>\$ 9,726,223</u>	<u>\$ 20,041,223</u>	<u>\$ 30,919,000</u>	<u>\$ 19,595,938</u>	<u>\$ 50,514,938</u>

**7. Flow of Funds, Restrictions on Use**

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

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accordance with the issuance by the Local Government Environmental Facilities and Community Development Authority of its \$2,500,000 Revenue Bonds.

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

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

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

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

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

These Series 2016 bonds were issued to accomplish a partial refunding of the Series 2009 bonds issued at \$2,500,000 by the Livingston Parish Council. Concurrent with the issuance of the bonds, Livingston Sewer District also recorded \$122,683 as a transfer in from the Livingston Parish Council for debt reserve funds of Series 2009 bond issue for funds used to pay bond issuance costs, and a transfer to the Livingston Parish Council in the amount of \$2,276,245 for refunding of the Series 2009 bonds of the Livingston Parish Council. The Series 2009 bonds of the Livingston Parish Council were an issuance by the Livingston Parish Council pursuant to the Local Government Environmental Facilities and Community Development Authority. Not refunded by the Series 2016 bond issue were debt installments through year 2019 of the Series 2009 bond issue of the Livingston Parish Council, and these debt installments remain an obligation of Livingston Sewer District No. 2. The remaining obligations of the Series 2009 bond issue were \$162,188 for 2018, with remaining obligations consisting of \$61,200 for 2019.

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

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

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

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*Sewerage System Revenue Bond Reserve Fund (the Reserve Fund):* Each month the District must transfer into the Reserve fund, monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent of the sum required by applicable bond covenants, such payments to continue until an amount has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund. The amount that must be deposited each month to the Reserve Fund is equal to 5% of the required monthly interest and principal installments for outstanding parity bonds.

The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds. The Series 2014 bond refunding required a \$261,300 deposit to the Debt Service Reserve Fund. Required deposits, as detailed above, supplement the \$261,300 deposit. For the fiscal year ending December 31, 2018, the required deposits of \$15,854 were made and the Reserve Fund was fully funded.

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

*Sewerage System Depreciation and Contingency Fund (the Depreciation and Contingency Fund):* Each month the District shall transfer from the Sewerage System Revenue Fund an amount monthly in advance on or before the 20<sup>th</sup> day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent of the amount, for each parity bond, to be paid monthly into the Sinking Fund. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and Reserve Fund. The required balance of the Depreciation and Contingency totaled \$191,170, for the prior fiscal year end, with \$15,854 required in deposits for the fiscal year ended. For the fiscal year-end December 31, 2018, all required Depreciation and Contingency Fund monthly deposits totaling \$15,854 for the District had been made as required, and the Depreciation and Contingency Fund was fully funded.

*Bond Debt Coverage Factor:* With the issuance of the parity bonds, the District (the Issuer) covenants to fix, establish, maintain and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents or other charges for the services and facilities of the System, and

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all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year; (ii) to provide Net Revenues in an amount sufficient to make deposits in the Sinking Fund and the Reserve Fund established by the Prior Bond Resolutions and maintained by the Bond Resolution for the payment of the principal and interest on the bonds, the Parity Bonds, and any Additional Parity Obligations issued hereafter; (iii) provide Net Revenues in an amount equal to one hundred twenty-five percent (125%) of the required deposits to the Sinking Fund for the security and payment of the Bonds and the Parity Bonds; (iv) make all other payments required by the Bond Resolution; and (v) pay all other obligations or indebtedness payable out of the Revenues for such fiscal year. The Issuer further covenants that such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes.

For the fiscal year ending December 31, 2018, the computation for the bond debt coverage ratio (Net Revenues to bond deposit requirements) was in compliance with bond provisions requiring the 125% ratio.

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

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

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

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

## **8. Restricted Net Position**

At December 31, 2018, Livingston Parish Sewer District recorded \$4,630,112 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, impact fees received for expansion, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

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**9. Intergovernmental Agreements**

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

**10. Risk Management**

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds.

**11. Litigation**

At December 31, 2018, the District was not involved in any outstanding litigation or claims.

**12. Other Commitments and Contingencies**

The Bonds, Livingston Sewer District No. 2, Series 2009, were originally issued to the Livingston Parish Council on December 22, 2009. As described in *Footnote 6 – Long-Term Obligations*, on May 16, 2016, Livingston Parish Sewer District No. 2, issued bonds dated May 16, 2016, in the amount of \$2,200,000, for a partial refunding of the Series 2009 Bonds of the Livingston Parish Council. An obligation remains for the Livingston Parish Sewer District, to pay obligations not refunded of the Series 2009 Livingston Parish Council bond issue. Remaining obligations of the Series 2009 bond issue total \$61,200 for 2019.

**13. Flood Expenses**

As of December 31, 2018, the District incurred \$468,809 in expenses related to the August 2016 Flood disaster. Of these costs \$121,142 was incurred during the fiscal year December 31, 2018. These expenses were incurred to repair sewerage facilities and to facilitate continuing operation of these facilities during the disaster.

The District recorded a receivable of \$54,947 from FEMA for disaster assistance during the fiscal year ended December 31, 2018. The District is still working with GOHSEP to obtain available reimbursements for disaster assistance. The District is currently undergoing a cost analysis to determine the amount of eligible reimbursements from FEMA.

**14. Restatement of Net Position/Prior Period Adjustment**

During 2018, it was determined that a couple of bank accounts were created for the Series 2016 bonds. These accounts were omitted from the prior year report. A prior period adjustment was made to correct this omission and beginning net position was restated as follows:

Beginning Net Position Prior to Adjustments	\$ 5,878,763
To record accounts for Series 2009 bonds	2,287,617
Beginning Net Position, After Prior Period Adjustment	<u>\$ 8,166,380</u>

**Livingston Parish Sewer District**  
**Notes to the Financial Statements**  
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**15. Subsequent Events**

Subsequent events have been evaluated by management through June 28, 2019, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

## Other Supplemental Information

**Livingston Parish Sewer District**  
**Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2018**  
**(With Comparative Amounts for the Year Ended December 31, 2017)**

	2018 Budget	2018 Actual	Variance Favorable (Unfavorable)	2017 Actual (Restated)
<b>Operating Revenues</b>				
Sewer Fees	\$ 3,936,000	\$ 4,140,782	\$ 204,782	\$ 3,978,675
Permits & Inspection Fees	22,000	53,502	31,502	24,650
User & Hook-up Fees	60,000	66,306	6,306	68,520
Impact Fees	399,500	465,967	66,467	529,208
Development Fees	-	144,149	144,149	-
Other Operating Income	1,500	1,722	222	16,312
<b>Total Operating Revenues</b>	<u>4,419,000</u>	<u>4,872,428</u>	<u>453,428</u>	<u>4,617,365</u>
<b>Operating Expenses</b>				
Salaries and Wages	464,000	465,515	(1,515)	459,313
Payroll Taxes & Group Insurance	118,000	112,251	5,749	90,854
Per Diem	6,000	5,900	100	4,900
Amortization	10,400	8,150	2,250	4,362
Bad Debts	12,000	11,520	480	5,534
Depreciation	850,000	859,113	(9,113)	616,495
Fuel/Oil-Trucks	46,000	47,542	(1,542)	39,799
Insurance	145,000	140,194	4,806	142,890
Licenses & Permits	11,000	10,342	658	20,646
Office Expense	3,950	3,332	618	3,570
Other	199,150	111,437	87,713	111,451
Professional Fees	150,000	154,087	(4,087)	130,157
Repairs and Maintenance	1,598,650	880,995	717,655	826,612
Supplies	155,000	145,194	9,806	183,574
Telephone	21,000	18,910	2,090	19,701
Uniform Expense	15,000	14,141	859	12,312
Utilities	303,000	325,835	(22,835)	286,307
<b>Total Operating Expenses</b>	<u>4,108,150</u>	<u>3,314,458</u>	<u>793,692</u>	<u>2,958,477</u>
<b>Operating Income (Loss)</b>	<u>310,850</u>	<u>1,557,970</u>	<u>1,247,120</u>	<u>1,658,888</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	25,000	89,750	64,750	6,112
FEMA Reimbursement	101,000	54,947	(46,053)	133,888
Grant Income	733,350	400,137	(333,213)	65,000
Interest Expense	(480,000)	(860,296)	(380,296)	(381,327)
Bond Issuance Cost	-	(301,069)	(301,069)	-
Transfer for Parish Debt Obligation	-	(162,188)	(162,188)	(67,389)
Flood Expense	(101,000)	(121,142)	(20,142)	(347,667)
Transfer to Other Governments	-	-	-	-
Transfer in from Other Governments	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>278,350</u>	<u>(899,861)</u>	<u>(1,178,211)</u>	<u>(591,383)</u>
<b>Change in Net Position</b>	<u>589,200</u>	<u>658,109</u>	<u>68,909</u>	<u>1,067,505</u>
<b>Total Net Position, Beginning</b>	5,878,763	5,878,763	-	4,777,421
Prior Period Adjustments	-	2,287,617	2,287,617	2,321,454
<b>Adjusted Net Position, Beginning</b>	<u>5,878,763</u>	<u>8,166,380</u>	<u>2,287,617</u>	<u>7,098,875</u>
<b>Total Net Position, Ending</b>	<u>\$ 6,467,963</u>	<u>\$ 8,824,489</u>	<u>\$ 2,356,526</u>	<u>\$ 8,166,380</u>

See independent auditor's report.



**Schedule 3**

**Livingston Parish Sewer District  
Schedule of Compensation Paid to Board of Commissioners  
For the year ended December 31, 2018**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Michael Dougay, Chairman (225) 791-8295	36375 Page Drive Denham Springs, LA 70706	\$ 1,400	Until Re-appointed
Thomas Jarreau (225) 664-8060	28943 Juban Rd Denham Springs, LA 70726	600	Resigned December 2018
Norris Achord (225) 686-0591	32375 Cane Market Rd Walker, LA 70785	1,200	Until Re-appointed
Asa Faulkner (225) 287-8518	8562 Beechwood Drive Denham Springs, LA 70706	1,200	Until Re-appointed
Larry Tarver (225) 665-4347	24189 Springlake Drive Walker, LA 70785	1,500	Until Re-appointed
		<u>\$ 5,900</u>	

See independent auditor's report.

**Schedule 4**

**Livingston Parish Sewer District  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the year ended December 31, 2018**

**Agency Head Name: Michael Dougay, Chairman**

<u>Purpose</u>	<u>Amount</u>
Board Member Per Diem	\$ 1,400
Employer Paid Payroll Taxes	107
	<u>\$ 1,507</u>

See independent auditor's report.

**Livingston Parish Sewer District**  
**Schedule of Customers and Schedule of Sewer Rates**  
**For the year ended December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Customers	7,188	6,745	443
Total Customers	<u>7,188</u>	<u>6,745</u>	<u>443</u>

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

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

See independent auditor's report.

Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA  
Jessica H. Jones, CPA  
Brandy Westcott Garcia, CPA  
Michael P. Estay, CPA

INTERNET  
www.teamcpa.com

MEMBERS  
American Institute of CPAs  
Society of Louisiana CPAs



BRUCE HARRELL  
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

109 West Minnesota Park  
Park Place Suite 7  
Hammond, LA 70403  
VOICE: (985) 542-6372  
FAX: (985) 345-3156

KENTWOOD OFFICE  
P.O. Box 45 - 909 Avenue G  
Kentwood, LA 70444  
VOICE: (985) 229-5955  
FAX: (985) 229-5951

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Livingston Parish Sewer District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Livingston Parish Sewer District's basic financial statements and have issued our report dated June 28, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Livingston Parish Sewer District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston Parish Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston Parish Sewer District's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [Findings 2018-I1 and 2018-I2]

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Livingston Parish Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Livingston Parish Sewer District's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

Kentwood, Louisiana  
June 28, 2019

**Livingston Parish Sewer District  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018**

**Section I Summary of Auditor's Results**

*Financial Statements*

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

Unmodified       Qualified   
Disclaimer       Adverse

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

Internal Control:

Material Weaknesses  Yes  No      Significant Deficiencies  Yes  No

Compliance:

Noncompliance Material to Financial Statements  Yes  No

*Federal Awards - NA*

Internal Control over major federal Programs:

Material Weaknesses  Yes  No      Significant Deficiencies  Yes  No

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

Unmodified       Qualified   
Disclaimer       Adverse

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

Yes  No

Was a management letter issued?

Yes  No

Identification of Major Programs:

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

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

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

**Livingston Parish Sewer District  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018**

**Section II Financial Statement Findings**

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

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

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

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

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

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

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

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

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

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

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

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

Recommendations: We recommend that the District obtain from the smaller secondary billing agent, reports similar to those obtained from the primary billing agent. This should include, at a minimum,

**Livingston Parish Sewer District  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018**

detailed payment registers, billing registers, and reports necessary to verify account billings and account changes.

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

**Section III Federal Award Findings and Questioned Costs**

None

**Livingston Parish Sewer District  
Schedule of Prior Year Findings and Responses  
For the Year Ended December 31, 2018**

**Section I Internal Control and Compliance Material to the Financial Statements**

**Finding Number: 2017-I1 Lack of Proper Segregation of Duties (Significant Deficiency)**

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

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

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

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

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

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

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

**Current Year Status:** Lack of segregation of duties is a continuing issue with smaller entities. The District continues to look for opportunities to implement compensating controls. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2018-I1.

**Finding Number: 2017-I2 Accounts Receivable Documentation (Significant Deficiency)**

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

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

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

**Livingston Parish Sewer District  
Schedule of Prior Year Findings and Responses  
For the Year Ended December 31, 2018**

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

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

Current Year Status: Despite contacting the secondary billing agent, the District was still unable to obtain more detailed documentation related to sewer payments and billing. This is primarily due to the continued effects related to the flood. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2018-I2.

**Section II Internal Control and Compliance Material to Federal Awards**

No Section II Findings.

**Section III Management Letter**

No Section III Findings.

This schedule was prepared by management.

Livingston Parish Sewer District  
DBA Livingston Parish Sewer District  
Number Two

Statewide Agreed-Upon Procedures

As of and for the Year Ended December 31, 2018



**BRUCE HARRELL & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

Bruce C. Harrell, CPA  
Kristi U. Bergeron, CPA  
Jessica H. Jones, CPA  
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Michael P. Estay, CPA

INTERNET  
www.teamcpa.com

MEMBERS  
American Institute of CPAs  
Society of Louisiana CPAs



BRUCE HARRELL  
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

109 West Minnesota Park  
Park Place Suite 7  
Hammond, LA 70403  
VOICE: (985) 542-6372  
FAX: (985) 345-3156

KENTWOOD OFFICE  
P.O. Box 45 - 909 Avenue G  
Kentwood, LA 70444  
VOICE: (985) 229-5955  
FAX: (985) 229-5951

## Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Livingston Parish Sewer District (Entity) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUP's.

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

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***Bank Reconciliations***

---

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Obtained bank statements and reconciliations for the selected month noting evidence that the reconciliation was prepared within two months of the related statement closing date.*

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Obtained bank statements and reconciliations for the selected month noting evidence of review by a Board Member who does not handle cash, post ledgers, or issue checks.*

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Obtained bank statements and reconciliations for the selected month noting no items aged more than 12 months.*

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

---

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

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

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

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

*No exceptions noted.*

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

*One of the statements selected had a late fee since the payment was one day after the due date.*

*Management's Response: We will be more mindful of due dates to ensure payments are made timely.*

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

*No exceptions noted.*

### ***Payroll and Personnel***

---

6. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Obtained listing and management's representation that the listing is complete. Agreed paid salaries to pay rates in master worksheet.*

7. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

a) Observe that 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.)

*Obtained time cards for all employees selected.*

b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*Time cards were approved by supervisor. During the pay period selected, there was no leave taken.*

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*During the pay period selected, there was no leave taken. Observed leave worksheet and leave accrued during the pay period.*

8. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*Only one employee received termination benefits during the fiscal period. Agreed hours to leave records and pay rates to master worksheet.*

9. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*Obtained management's representation that all items noted above have been filed, by required deadlines.*

### ***Ethics***

---

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

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

*Only 2 of the 5 employees selected have completed the one hour ethics training during the fiscal period.*

*Management's Response: Due to the shortage of employees, it has been difficult to schedule the remaining employees time to complete the training. We will look into group training options and have all employees complete the ethics training immediately.*

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

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

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

### ***Debt Service***

---

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

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

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

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

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

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

A handwritten signature in black ink that reads "Bruce Harrell & Co." The signature is written in a cursive, flowing style.

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

June 28, 2019