

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

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

**DECEMBER 31, 2018**

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

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish (the District), (a component unit of the Tangipahoa Parish Council), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Sewerage District No. 1 of Tangipahoa Parish's December 31, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 27, 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 4 through 10 and the information presented in the schedule of proportionate share of the net pension liability (Schedule 1) and the schedule of contributions (Schedule 2) on pages 35 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sewerage District No. 1 of Tangipahoa Parish's internal control over financial reporting and compliance.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 27, 2019

**Sewerage District No. 1 of Tangipahoa Parish  
Hammond, Louisiana  
Management's Discussion and Analysis  
December 31, 2018**

**Introduction**

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

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

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

**Financial Highlights**

- At December 31, 2018, total assets and deferred outflows of resources were \$18,245,980 and exceeded liabilities and deferred inflows of resources in the amount of \$8,457,084 (i.e., net position). Of the total net position, (\$4,149,066) was unrestricted (deficit), with \$5,055,983 net investment in capital assets, and the balance of \$7,550,167 restricted for capital activity and debt service. Total net position increased by \$582,153.
- For the year ended December 31, 2018, user fee revenues increased \$335,947 (approximately 13%) to \$2,996,523 as compared to \$2,660,576 for the fiscal year ending December 31, 2017.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$208,588 or 11%. The major component of the change was salary and wages increases of \$111,028 or 7%.
- Total long term liabilities decreased by \$274,722 during the fiscal year ending December 31, 2018 as a result of the issuance by the District of Series 2017 Revenue and Refunding Bonds as discussed further in Note 9.

**Overview of the Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Sewerage District No. 1 of Tangipahoa Parish's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

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

### **Financial Analysis**

The purpose of financial analysis is to help determine whether Sewerage District No. 1 of Tangipahoa Parish is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

**Condensed Statement of Net Position**  
**As of December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Assets:</b>				
Current Assets and Other Assets	\$ 11,257,826	\$ 12,028,439	\$ (770,613)	(6%)
Capital Assets and Net Pension Asset	6,988,154	5,632,695	1,355,459	24%
Total Assets	<u>18,245,980</u>	<u>17,661,134</u>	<u>584,846</u>	3%
Total Deferred Outflows of Resources	<u>117,754</u>	<u>153,679</u>	<u>(35,925)</u>	(23%)
<b>Liabilities:</b>				
Current Liabilities	320,172	198,001	122,171	62%
Long-Term Liabilities	9,447,581	9,722,303	(274,722)	-3%
Total Liabilities	<u>9,767,753</u>	<u>9,920,304</u>	<u>(152,551)</u>	-2%
Total Deferred Inflows of Resources	<u>138,897</u>	<u>19,578</u>	<u>119,319</u>	609%
<b>Net Position:</b>				
Net Investment in Capital Assets, Net of Related Deb Restricted for Capital Activity and Debt Service	5,055,983	4,887,891	168,092	3%
Unrestricted (Deficit)	(4,149,066)	(5,782,374)	1,633,308	(28%)
Total Net Position	<u>\$ 8,457,084</u>	<u>\$ 7,874,931</u>	<u>\$ 582,153</u>	7%

Current and Other Assets includes current assets for operations, restricted assets, and other assets. The increase in this category consists primarily of an increase in restricted cash reserves for deposits that were made in accordance with requirements of bond debt agreements.

Capital Assets and Net Pension Assets increased by \$1,355,459 net of accumulated depreciation, largely as a result of the increase in Construction in Progress.

Total long-term debt decreased by \$274,722 during the fiscal year ending December 31, 2018 as a result of the repayment of the District of Series 2017 Revenue and Refunding Bonds.

Total Deferred Outflows of Resources decreased by \$35,925 due to adjustments related to pension plan activity.

Total Deferred Inflows of Resources increased by \$119,319 due to adjustments related to pension plan activity.

Total net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) increased by \$582,153 for the fiscal year ending December 31, 2018. The largest increase was a decrease of the \$1,633,308 deficit in unrestricted net assets.

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 2,996,523	\$ 2,660,576	\$ 335,947	13%
Nonoperating Revenues	126,625	46,265	80,360	174%
Total Revenues	<u>3,123,148</u>	<u>2,706,841</u>	<u>416,307</u>	15%
Expenses:				
Depreciation	284,173	275,033	9,140	3%
Other Operating Expenses	1,914,234	1,714,786	199,448	12%
Nonoperating Expenses	342,588	353,688	(11,100)	-3%
Total Expenses	<u>2,540,995</u>	<u>2,343,507</u>	<u>197,488</u>	8%
Income Before Contributions	582,153	363,334	218,819	60%
Capital Contributions	-	-	-	-
Change in Net Position	582,153	363,334	218,819	60%
Beginning Net Position	7,874,931	7,511,597	363,334	5%
Ending Net Position	<u>\$ 8,457,084</u>	<u>\$ 7,874,931</u>	<u>\$ 582,153</u>	7%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table shows an increase in net position of \$582,153 for the fiscal year ending December 31, 2018 as does the Condensed Statements of Net Position on the prior page.

The District's total revenues increased by \$416,307 in 2018 after a \$183,905 increase in 2017. This was due primarily to an increase in sewer service charges.

The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by \$208,588 or 11%. The major component of the change was salary and wages increases of \$111,028 or 27%.

### **Budgetary Highlights**

Sewerage District No. 1 of Tangipahoa Parish adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in the "Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2018**

	<b>Final Budget December 31, 2018</b>	<b>Actual December 31, 2018</b>	<b>Favorable (Unfavorable) Variance</b>
Revenues:			
Operating Revenues	\$ 2,640,500	\$ 2,996,523	\$ 356,023
Nonoperating Revenues	23,000	126,625	103,625
Total Revenues	<u>2,663,500</u>	<u>3,123,148</u>	<u>459,648</u>
Expenses:			
Depreciation	275,000	284,173	(9,173)
Other Operating Expenses	1,675,225	1,914,234	(239,009)
Nonoperating Expenses	313,244	342,588	(29,344)
Total Expenses	<u>2,263,469</u>	<u>2,540,995</u>	<u>(277,526)</u>
Change in Net Position	<u>\$ 400,031</u>	<u>\$ 582,153</u>	<u>\$ 182,122</u>

- Actual revenues for the fiscal year ended December 31, 2018 showed an increase of \$459,648 over final budgeted revenues. The greatest difference coming from an increase of \$229,691 in the amount of sewer service charges collected over what was budgeted.
- Actual expenses, including depreciation, showed an unfavorable variance to the final budget in the amount of \$277,526. The unfavorable variance is primarily in the following operating expense categories:
  - Lift Station and Plant Maintenance expense was under budgeted by \$190,284.
  - Supplies expense was under budgeted by \$19,296.
  - Professional Fees expense was under budgeted by \$19,802.

**Other Significant Trends and Account Changes**

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

## General Operating Data

As of December 31, 2018 and 2017, the District had the following number of customers:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>Increase (Decrease)</u>
Customers			
Residential	5,248	5,024	224
Nonresidential	71	42	29
Total Customers	<u>5,319</u>	<u>5,066</u>	<u>253</u>

One key measure of a sewer district's profitability, and the ability to generate positive cash flows, is the ability of the sewer system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2018 and 2017.

### Accounts Receivable For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 201,157	\$ 189,446	\$ 11,711
31-60 Days Past Due	28,556	28,411	145
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>229,713</u>	<u>217,857</u>	<u>11,856</u>
Allowance for Uncollectible Accounts	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 226,713</u>	<u>\$ 214,857</u>	<u>\$ 11,856</u>

Total receivables for sewer service decreased by \$11,856. The total of \$3,000 listed as allowance for uncollectible accounts reflects an amount considered adequate for past due accounts referred for collection.

## Capital Assets and Debt Administration

### Capital Assets

At the end of the fiscal year ending December 31, 2018, Sewerage District No. 1 of Tangipahoa Parish had \$6,941,160 (net of accumulated depreciation) recorded in capital assets. The changes in capital assets are presented in the table below.

**Capital Assets**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
Capital Assets				
Land	\$ 401,186	\$ 397,586	\$ 3,600	1%
Construction in Progress	1,601,928	189,642	1,412,286	113%
Software	15,281	-	15,281	100%
Buildings	578,762	417,291	161,471	39%
Machinery & Equipment	603,212	603,212	-	821%
Vehicles	152,224	152,224	-	0%
Sewer Systems	8,051,990	8,051,990	-	0%
Total Capital Assets	11,404,583	9,811,945	1,592,638	16%
Less: Accumulated Depreciation	(4,463,423)	(4,179,250)	(284,173)	7%
Net Capital Assets	<u>\$ 6,941,160</u>	<u>\$ 5,632,695</u>	<u>\$ 1,308,465</u>	23%

Capital Assets increased by \$1,308,465 net of accumulated depreciation, largely as a result of an increase in Construction in Progress during the current year.

**Long-Term Debt Offerings**

The primary source of long-term financing for Sewerage District No. 1 of Tangipahoa Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2018, range from 3.00% to 4.00%, with initial payment terms for bonds generally at 40 years. Details including balances, payments, and interest rates are included in Note 9 - Long-Term Debt.

**Future Economic Plans**

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

**Requests for Information**

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

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

## STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 3,335,438	\$ 2,927,860
<b>Receivables:</b>		
Accounts (Net of Allowance for Uncollectible Accounts of \$3,000)	226,713	214,857
<b>Restricted Assets:</b>		
Cash and Cash Equivalents	7,633,085	8,821,621
<b>Prepaid Insurance</b>	62,590	64,101
Total Current Assets	<u>11,257,826</u>	<u>12,028,439</u>
<b>Non-Current Assets:</b>		
<b>Capital Assets:</b>		
Land	401,186	397,586
Construction in Progress	1,601,928	189,642
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	4,938,046	5,045,467
Total Capital Assets	<u>6,941,160</u>	<u>5,632,695</u>
Net Pension Asset	46,994	-
Total Non-Current Assets	<u>6,988,154</u>	<u>5,632,695</u>
Total Assets	<u>18,245,980</u>	<u>17,661,134</u>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows - Related to Pensions	117,754	153,679
Total Deferred Outflows of Resources	<u>117,754</u>	<u>153,679</u>
<b>Liabilities</b>		
<b>Current Liabilities - Payable from Current Assets:</b>		
Accounts Payable	182,432	79,914
Other Accrued Payables	54,822	65,880
Accrued Interest on Bonds Payable	82,918	52,207
Total Current Liabilities - Payable from Current Assets	<u>320,172</u>	<u>198,001</u>
<b>Current Liabilities - Payable from Restricted Assets:</b>		
Bonds Payable - Current Portion	196,615	166,366
Total Current Liabilities - Payable from Restricted Assets	<u>196,615</u>	<u>166,366</u>
<b>Noncurrent Liabilities:</b>		
Bonds Payable	9,250,966	9,447,579
Net Pension Liability	-	108,358
Total Long-Term Liabilities	<u>9,250,966</u>	<u>9,555,937</u>
Total Liabilities	<u>9,767,753</u>	<u>9,920,304</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows - Related to Pensions	138,897	19,578
Total Deferred Inflows of Resources	<u>138,897</u>	<u>19,578</u>
<b>Net Position</b>		
Net Investment in Capital Assets	5,055,983	4,887,891
Restricted for:		
Capital Projects and Debt Service	7,550,167	8,769,414
Unrestricted (Deficit)	<u>(4,149,066)</u>	<u>(5,782,374)</u>
Total Net Position	<u>\$ 8,457,084</u>	<u>\$ 7,874,931</u>

The accompanying notes are an integral part of this statement.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
<b>Operating Revenues:</b>		
Sewer Service Revenues	\$ 2,779,691	\$ 2,525,956
Impact Fees	170,014	23,200
Connection Fees	41,707	94,323
Intergovernmental	4,707	15,965
Other	404	1,132
Total Operating Revenues	<u>2,996,523</u>	<u>2,660,576</u>
<b>Operating Expenses:</b>		
Salaries and Wages	528,296	417,268
Employee Benefits	215,371	227,803
Bad Debts	75	-
Billing Costs	68,854	57,605
Depreciation	284,173	275,033
Director's and Recording Secretary Expense	13,650	13,050
Engineering and Surveyor Fees	102,044	110,026
Insurance	67,656	62,250
Lift Station and Plant Maintenance	598,684	494,210
Other	30,491	22,978
Professional Fees	80,802	68,296
Rentals	10,030	432
Repairs and Maintenance	65,822	109,013
Supplies	95,644	109,171
Vehicle Expenses	36,815	22,684
Total Operating Expenses	<u>2,198,407</u>	<u>1,989,819</u>
Operating Income	798,116	670,757
<b>Nonoperating Revenues (Expenses):</b>		
Dividend Income	77,437	-
Interest Income	49,188	42,011
Interest Expense	(342,588)	(73,089)
Gain (Loss) on Disposal of Assets	-	4,254
Debt Issuance Cost	-	(280,599)
Total Nonoperating Revenues (Expenses)	<u>(215,963)</u>	<u>(307,423)</u>
<b>Change in Net Position</b>	582,153	363,334
<b>Net Position - Beginning of Year</b>	<u>7,874,931</u>	<u>7,511,597</u>
<b>Net Position - End of Year</b>	<u>\$ 8,457,084</u>	<u>\$ 7,874,931</u>

The accompanying notes are an integral part of this statement.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Customers	\$ 2,979,406	\$ 2,794,936
Cash Payments to Suppliers for Goods and Services	(1,066,388)	(1,052,289)
Cash Payments to Employees for Services and Benefits	(754,833)	(623,750)
Other Receipts (Payments)	5,111	17,097
Net Cash Provided by Operating Activities	<u>1,163,296</u>	<u>1,135,994</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	(1,592,638)	(245,224)
Proceeds from Sale of Assets	-	4,254
Proceeds from Issuance of Debt	-	9,613,945
Principal Repayment on Long Term Debt	(165,000)	(603,822)
Debt Issuance Cost Paid	-	(280,599)
Interest Expense Paid on Long Term Debt	(313,241)	(20,882)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,070,879)</u>	<u>8,467,672</u>
<b>Cash Flows From Investing Activities:</b>		
Dividend Income Received	77,437	-
Interest Income Received	49,188	42,011
Net Cash Provided by Investing Activities	<u>126,625</u>	<u>42,011</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(780,958)</u>	<u>9,645,677</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>11,749,481</u>	<u>2,103,804</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,968,523</u>	<u>\$ 11,749,481</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</b>		
Cash and Cash Equivalents, Unrestricted	\$ 3,335,438	\$ 2,927,860
Cash and Cash Equivalents, Restricted	<u>7,633,085</u>	<u>8,821,621</u>
Total Cash and Cash Equivalents	<u>\$ 10,968,523</u>	<u>\$ 11,749,481</u>

(CONTINUED)

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

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating Income	\$ 798,116	\$ 670,757
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	284,173	275,033
Provision for Bad Debt	75	-
Pension Expense Adjustment	(108)	11,153
(Increase) Decrease in Accounts Receivable	(11,931)	151,457
(Increase) Decrease in Prepaid Insurance	1,511	(24,453)
Increase (Decrease) in Accounts Payable	102,518	41,879
Increase (Decrease) in Accrued Expenses	(11,058)	10,168
	<b>\$ 1,163,296</b>	<b>\$ 1,135,994</b>
Net Cash Provided by Operating Activities	<b>\$ 1,163,296</b>	<b>\$ 1,135,994</b>

The accompanying notes are an integral part of this statement.

# SEWERAGE DISTRICT NO. 1 OF TANGIPAOHA PARISH

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

#### A. Organization and Nature of Operations

In 1985, the Tangipahoa Parish Police Jury (now Tangipahoa Parish Council) voted to create a parish wide sewerage district, in accordance with Louisiana Revised Statute 33:3811, thus creating the Sewerage District No. 1 of Tangipahoa Parish. The Sewerage District No. 1 of Tangipahoa Parish is governed by a board of commissioners consisting of five members. The board is appointed by the parish council and paid according to the number of meetings attended. The District encompasses all non-incorporated areas, with a few exclusions for some previously franchised areas of Tangipahoa Parish. At December 31, 2018, Sewerage District No. 1 of Tangipahoa Parish provided service to a total of 5,319 customers.

#### B. Financial Reporting Entity

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

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

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

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

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

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

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

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

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

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

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

#### D. Cash and Cash Equivalents and Investments

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

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

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

DECEMBER 31, 2018

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

The District does not have any investments at December 31, 2018.

E. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2018.

G. Restricted Assets

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

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including sewer systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

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

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

DECEMBER 31, 2018

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

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

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

**I. Compensated Absences**

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

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

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

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

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

**J. Long-Term Obligations**

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

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

#### K. Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### L. Estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

M. Summary Financial Information for 2017

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

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

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

Cash and cash equivalents are stated at cost, which approximates market. The following is a summary of cash and cash equivalents at December 31, 2018:

	Book Balance	Bank Balance
Petty Cash	\$ 200	\$ -
Interest Bearing Demand Deposits	3,335,238	3,380,105
Restricted Cash Held in Bank Trust Accounts	7,633,085	7,633,085
	<u>\$ 10,968,523</u>	<u>\$ 11,013,190</u>

**Custodial Credit Risk - Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2018, none of the District's bank balance of \$11,013,190 was exposed to custodial credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

**(3) Receivables -**

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

Accounts Receivable:	
Current	\$ 201,157
31-60 Days Past Due	28,556
61-90 Days Past Due	-
Over 90 Days Past Due	-
Subtotal	<u>229,713</u>
Less: Allowance for Uncollectible Accounts	<u>(3,000)</u>
Net Accounts Receivable	<u><u>\$ 226,713</u></u>

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

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

**(4) Restricted Assets -**

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

Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 138,296
Construction Account(s)	<u>7,494,789</u>
Total Restricted Assets	<u><u>\$ 7,633,085</u></u>

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

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

DECEMBER 31, 2018

**(5) Capital Assets -**

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

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 397,586	\$ 3,600	\$ -	\$ 401,186
Construction in Progress	189,642	1,459,742	(47,456)	1,601,928
<b>Total Capital Assets not being Depreciated</b>	<b>587,228</b>	<b>1,463,342</b>	<b>(47,456)</b>	<b>2,003,114</b>
<b>Capital Assets being Depreciated:</b>				
Software	-	15,281	-	15,281
Buildings and Improvements	417,291	161,471	-	578,762
Machinery and Equipment	603,212	-	-	603,212
Vehicles	152,224	-	-	152,224
Sewer Systems	8,051,990	-	-	8,051,990
<b>Total Capital Assets being Depreciated</b>	<b>9,224,717</b>	<b>176,752</b>	<b>-</b>	<b>9,401,469</b>
Less Accumulated Depreciation	4,179,250	284,173	-	4,463,423
<b>Total Capital Assets being Depreciated, Net</b>	<b>5,045,467</b>	<b>(107,421)</b>	<b>-</b>	<b>4,938,046</b>
<b>Total Capital Assets, Net</b>	<b>\$ 5,632,695</b>	<b>\$ 1,355,921</b>	<b>\$ (47,456)</b>	<b>\$ 6,941,160</b>

Depreciation expense for the year ended December 31, 2018 was \$284,173.

**(6) Commitments -**

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

Project Name	Contract Amount	Spent to Date	Remaining Commitment
<b>Current Bond Projects</b>			
Southeast Regional WWTP Improvements	\$ 261,087	\$ 201,171	\$ 59,916
Lift Station & Force Main Improvements	1,371,764	1,213,113	158,651
Bedico WWTP	94,556	59,097	35,459
System Expansion LA 445/LA 22	216,046	128,547	87,499
<b>Total Current Bond Projects</b>	<b>1,943,453</b>	<b>1,601,928</b>	<b>341,525</b>
<b>Total Incomplete Construction at December 31, 2018</b>	<b>\$ 1,943,453</b>	<b>\$ 1,601,928</b>	<b>\$ 341,525</b>

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

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

DECEMBER 31, 2018

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

The following is a summary of accounts payable and accrued liabilities at December 31, 2018:

Accounts Payable and Accrued Liabilities:

Accounts Payable	\$ 182,432
Other Accrued Liabilities	
Vacation	34,962
Wages	19,860
Total Other Accrued Liabilities	<u>54,822</u>
Accrued Interest on Bonds Payable	<u>82,918</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 320,172</u>

**(8) Retirement Plan -**

The District follows the requirements of GASB Statement 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68. These standards revise and establish new financial reporting requirements for governments that provide their employees with pension benefits. These standards require the District to record its proportionate share of each of the pension plans net pension liability and report the following disclosures:

**General Information about the Pension Plan**

***Parochial Employees Retirement System of Louisiana Plan Description:***

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

***Benefits Provided:***

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

# SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

### **1. Retirement**

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

### **2. Survivor Benefits**

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

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

### **3. Deferred Retirement Option Plan**

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

receive a service retirement allowance, are paid into the DROP Fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date. For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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

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

#### **5. Cost of Living Increases**

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

#### ***Contributions:***

According to state statute, contributions for all employers are actuarially determined each year. The District's required contribution rate for the period January 1, 2018 to December 31, 2018 was 11.50%. Employees were required to contribute 9.50% of their annual salary for the applicable period. Contributions to PERS from the District were \$54,892 for the year ended December 31, 2018.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

According to state statute, PERS also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member’s compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities. The amount of non-employer contributions recognized as revenue in the government-wide governmental activities statement of activities was \$4,707 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported a net pension asset of \$46,994 for its proportionate share of the net pension asset PERS. For PERS, the net pension asset was measured as of December 31, 2017 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District’s proportion of the net pension asset was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District’s proportion was .063311% for PERS which was an increase of .0107% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of \$59,866 for PERS.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 30,421
Changes in assumptions	59,312	-
Net difference between projected and actual earnings on pension plan investments	-	108,565
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,550	(89)
Employer contributions subsequent to the measurement date	54,892	-
<b>Total</b>	<u><u>\$ 117,754</u></u>	<u><u>\$ 138,897</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

The District reported a total of \$54,892 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2019	\$ 8,397
2020	(6,005)
2021	(35,397)
2022	(43,030)
	<hr/>
	\$ (76,035)
	<hr/> <hr/>

***Actuarial Assumptions:***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017 for PERS are as follows:

	<u>PERS</u>
Inflation	2.50%
Salary increases	5.25% including inflation
Investment rate of return	6.75% (net of investment expense, including inflation)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35.0%	1.24%
Equity	52.0%	3.57%
Alternatives	11.0%	0.69%
Real Assets	2.0%	0.12%
Total	<u>100.0%</u>	<u>5.62%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.62%</u>

***Discount Rate***

For PERS, the discount rate used to measure the total pension liability was 6.75% which was a .25% decrease from its prior measurement date of December 31, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers and non-employer contributing entities will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension (asset) liability calculated using the current discount rate, as well as what the District’s proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate as of December 31, 2017 for PERS:

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

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

DECEMBER 31, 2018

	<u>Changes in Discount Rate</u>		
		Current	
	1% Decrease 5.75%	Discount 6.75%	1% Increase 7.75%
Net Pension Liability (Asset)	<u>\$ 231,689</u>	<u>\$ (46,994)</u>	<u>\$ (295,140)</u>

***Pension Plans Fiduciary Net Position***

PERS issued a stand-alone audit report on its financial statements for the year ended December 31, 2017. Access to the audit report can be found on the System’s website: [www.persla.org](http://www.persla.org) or on the Office of Louisiana Legislative Auditor’s official website: [www.lla.state.la.us](http://www.lla.state.la.us).

**Payables to the Pension Plans**

There was no payable due to PERS at December 31, 2018.

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

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

Description	Balance			Balance December 31, 2018	Due Within One Year
	December 31, 2017	Additions	Deletions		
Long-Term Debt:					
Revenue and Refunding					
Bonds 2017 Series	\$ 9,535,000	\$ -	\$ (165,000)	\$ 9,370,000	\$ 195,000
Premium on Revenue and					
Refunding Bonds 2017 Series	78,945	-	(1,364)	77,581	1,615
Total Long-Term Debt	<u>\$ 9,613,945</u>	<u>\$ -</u>	<u>\$ (166,364)</u>	<u>\$ 9,447,581</u>	<u>\$ 196,615</u>

**Revenue and Refunding Bonds 2017 Series**

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

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

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

DECEMBER 31, 2018

**Debt Service Requirements to Maturity:**

The annual requirements to amortize long term debt outstanding as of December 31, 2018 including expected interest payments of \$5,914,530 are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 195,000	\$ 331,670	\$ 526,670
2020	200,000	325,820	525,820
2021	205,000	319,820	524,820
2022	215,000	313,670	528,670
2023	220,000	307,220	527,220
2024 to 2028	1,200,000	1,433,200	2,633,200
2029 to 2033	1,435,000	1,200,150	2,635,150
2034 to 2038	1,720,000	915,074	2,635,074
2039 to 2043	2,050,000	586,050	2,636,050
2044 to 2047	1,930,000	181,856	2,111,856
	<u>\$ 9,370,000</u>	<u>\$ 5,914,530</u>	<u>\$ 15,284,530</u>

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

As of December 31, 2018, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana (District), has Revenue Refunding Bonds Series 2017 outstanding. The Series 2017 bond resolution, covering all the bonds, specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) Provide that all income and revenues derived by the issuer from the operation of the system shall be deposited in a separate and special bank account (the "Sewer Fund") with the regularly designated fiscal agent bank of the issuer.
- b) Bond covenants of the outstanding parity obligations require the District to fix, establish, maintain, levy and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents, or other charges for services and facilities of the system and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to (i) pay operation and maintenance expenses; (ii) provide net revenues in an amount sufficient to make payments and deposits required by the bond resolution for the payment of principal and interest on the bonds and any additional parity obligations hereafter; (iii) provide net revenues in an amount equal to one hundred twenty-five percent (125%) of the required deposits to the sinking fund for the security and payment of the bonds plus the payment of principal and interest on any additional parity obligations; (iv) make all other payments required by the bond resolution; (v) pay all other obligations or indebtedness payable out of the revenues for such fiscal year. The covenants require that such rates, fees,

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

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

DECEMBER 31, 2018

rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes. The calculated bond debt coverage ratio for existing Bonds exceeded the 125 percent ratio for the fiscal year ended December 31, 2018.

- c) The establishment and maintenance of a “Sewer Bond and Interest Sinking Fund” (the “Sinking Fund”) into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the Bonds as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20<sup>th</sup> day of each month of each year, a sum equal to 1/6 of the interest payable on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal payable on the Bonds on any next principal payment date. At December 31, 2018, the Sinking Fund requirements for the interest and principal accounts on the Series 2017 Bonds were fully funded with an actual balance of \$138,296 and is reported as restricted cash.

During the fiscal year ended December 31, 2018, the District was in substantial compliance with bond covenants noted above.

**(11) Lease Obligations - Operating Leases**

The District entered into two 48-month leases on service trucks in May 2018. The combined monthly lease payments are \$1,191 and the lease terms end in May 2022. The leases contain non-appropriation clauses whereby the leases are cancellable if funding is not available. Future minimum lease commitments at December 31, 2018 are as follows:

<u>For the Year Ending December 31,</u>	
2019	\$ 14,292
2020	14,292
2021	14,292
2022	<u>5,955</u>
Total Minimum Future Lease Payments	<u>\$ 48,831</u>

**(12) Employee Health Insurance -**

As a component unit of the parish, the District obtains health insurance coverage for its employees through the coverage of the parish and reimburses the parish for the cost of the insurance. The District's portion of the insurance expense related to its employees is invoiced by the Parish. Insurance expense for the District employee health insurance was \$160,592 for the year ended December 31, 2018.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

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

At December 31, 2018, the District recorded \$7,550,167 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

#### **(14) Risk Management -**

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

#### **(15) Litigation -**

There is no outstanding litigation at December 31, 2018 for which the District would expect an unfavorable outcome.

#### **(16) Current Year Adoption of New Accounting Standard -**

During the year, the District adopted GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Previously, interest cost incurred before the end of a construction period was capitalized and included as part of the historical cost of the capital asset. The requirements of this Standard are being applied prospectively. For 2018, interest cost incurred on debt before the end of the construction period is being recognized as expense as incurred.

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

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

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

In March 2018, the Governmental Accounting Standards Board issued GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

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

DECEMBER 31, 2018

In August 2018, the Governmental Accounting Standards Board issued GASB Statement No 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

**(18) Subsequent Events -**

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 27, 2019, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2018\*

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension (Asset) Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability</u>
<b>Parochial Employees' Retirement System of Louisiana:</b>					
2015	0.05386%	\$ 14,725	\$ 282,064	5.22%	99.15%
2016	0.05512%	145,092	316,035	45.91%	92.23%
2017	0.05261%	108,358	312,024	34.73%	94.15%
2018	0.06331%	(46,994)	389,690	(12.06)%	101.98%

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

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

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018\*

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
<b>Parochial Employees' Retirement System of Louisiana:</b>					
2015	\$ 45,299	\$ 45,299	\$ -	\$ 316,035	14.33%
2016	40,929	40,929	-	312,024	13.12%
2017	48,771	48,771	-	389,690	12.52%
2018	54,892	54,892	-	477,320	11.50%

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

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

See independent auditor's report.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2018

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

***Changes in Actuarial Assumptions***

Amounts reported in fiscal year ended December 31, 2017 for Parochial Employees' Retirement System of Louisiana (PERS) reflect an adjustment in the discount rate used to measure the total pension liability. The discount rate for PERS was reduced by .25% to 6.75% as of the valuation date December 31, 2017. Changes are as follows:

Change in Assumptions:

Valuation Date	December 31, 2017	December 31, 2016
Inflation Rate	2.50%	2.50%
Projected Salary Increase	5.25% (2.50% Inflation, 2.75% Merit)	5.25% (2.50% Inflation, 2.75% Merit)
Investment Rate of Return	6.75% (Net of Investment Expense, including inflation)	7.00% (Net of Investment Expense, including inflation)

***Changes of Assumptions***

There were no changes of benefit assumptions for the year ended December 31, 2017 for PERS.

See independent auditor's report.

**OTHER SUPPLEMENTAL INFORMATION**

**SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 Budget	2018 Actual	Variance Favorable (Unfavorable)
<b>Operating Revenues:</b>			
Sewer Service Revenues	\$ 2,550,000	\$ 2,779,691	\$ 229,691
Impact Fees	-	170,014	170,014
Connection Fees	85,000	41,707	(43,293)
Intergovernmental	-	4,707	4,707
Other	5,500	404	(5,096)
Total Operating Revenues	2,640,500	2,996,523	356,023
<b>Operating Expenses:</b>			
Salaries and Wages	509,000	528,296	(19,296)
Employee Benefits	214,700	215,371	(671)
Bad Debts	-	75	(75)
Billing Costs	58,000	68,854	(10,854)
Depreciation	275,000	284,173	(9,173)
Director's and Recording Secretary Expense	11,500	13,650	(2,150)
Engineering and Surveyor Fees	95,500	102,044	(6,544)
Insurance	57,000	67,656	(10,656)
Lift Station and Plant Maintenance	408,400	598,684	(190,284)
Other	25,325	30,491	(5,166)
Professional Fees	61,000	80,802	(19,802)
Rentals	500	10,030	(9,530)
Repairs and Maintenance	113,300	65,822	47,478
Supplies	98,500	95,644	2,856
Vehicle Expenses	22,500	36,815	(14,315)
Total Operating Expenses	1,950,225	2,198,407	(248,182)
Operating Income	690,275	798,116	107,841
<b>Nonoperating Revenues (Expenses):</b>			
Dividend Income	-	77,437	77,437
Interest Income	23,000	49,188	26,188
Interest Expense	(313,244)	(342,588)	(29,344)
Total Nonoperating Revenues (Expenses)	(290,244)	(215,963)	74,281
<b>Change in Net Position</b>	400,031	582,153	182,122
<b>Net Position - Beginning of Year</b>	7,874,931	7,874,931	-
<b>Net Position - End of Year</b>	<u>\$ 8,274,962</u>	<u>\$ 8,457,084</u>	<u>\$ 182,122</u>

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS

FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Name, Title, Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Mark Mobley, President (January 1 - March 19, 2018) (985) 375-0341	P.O. Box 402 Ponchatoula, LA 70454	\$ 600	March 2018
Susan Quinn (January 1 - July 16, 2018) (985) 507-0507	41336 Schafer Drive Hammond, LA 70403	900	July 2018
Charles Christmas, Chairman (985) 517-3756	P.O. Box 577 Amite, LA 70422	2,100	March 2019
Brian Shirey, Secretary (985) 974-8486	19299 Country Club Lane Hammond, LA 70401	2,100	March 2020
Randall Tricou, Vice Chairman (985) 386-2050	14599 Highway 22 Ponchatoula, LA 70454	1,650	March 2020
Barry Couvillion (985) 969-6383	18087 Bradford Dr. Hammond, LA 70403	1,350	March 2022
Justin Proctor (985) 387-2087	11164 E. Nickens Rd. Hammond, LA 70403	1,050	July 2022
		<u>\$ 9,750</u>	

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

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

FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name: Jason Hood

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 68,345
Benefits - Insurance	14,171
Benefits - Retirement	8,550
Vehicle Allowance	6,000
Reimbursements	14
Employer Paid Payroll Taxes	980
	<u>\$ 98,060</u>

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Policy Period</u>
AmGuard Insurance Company Policy Number A2GP900123	Commercial General Liability: Aggregate Policy Limit Products/Completed Ops Aggregate Personal & Advertising Injury Per Occurrence Fire Damage Medical Expense	\$ 3,000,000 \$ 3,000,000 \$ 1,000,000 \$ 1,000,000 \$ 500,000 \$ 10,000	12/11/2018 to 12/11/2019
AmGuard Insurance Company Policy Number A2GP900123	Business Auto Liability	\$ 1,000,000	12/11/2018 to 12/11/2019
AmGuard Insurance Company Policy Number A2GP900123	Commercial Property: Building Coverage Personal Property Coverage	\$ 40,150 \$ 142,336	12/11/2018 to 12/11/2019
AmGuard Insurance Company Policy Number A2GP900123	Contractors Equip Floater: Contractors Equipment	\$ 168,296	12/11/2018 to 12/11/2019
AmGuard Insurance Company Policy Number A2GP900123	Employment Practices Liability: General Aggregate Public Officials Crisis Management Non-Monetary Coverage - Defense Only - Each Claim Public Officials Liability - Each Claim	\$ 2,000,000 \$ 25,000 \$ 10,000 \$ 1,000,000	12/11/2018 to 12/11/2019
AmGuard Insurance Company Policy Number A2GP900123	Umbrella	\$ 1,000,000	12/11/2018 to 12/11/2019

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Policy Period</u>
Stone Oak Underwriters, Inc. Policy Number 106841307	Crime Policy: Employee Dishonesty Forgery or Alteration Theft, Disappearance & Destruction Inside the Premises Computer Fraud	\$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000	12/11/2018 to 12/11/2019
Louisiana Workers' Compensation Corp. Policy Number 160535	Workmen's Compensation	\$ 1,000,000	2/28/2018 to 2/29/2019
Travelers Casualty and Surety Insurance Company Policy Number 105656772	Employee Dishonesty	\$ 100,000	9/6/2017 to 9/6/2020

See independent auditor's report.

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

SCHEDULE OF SEWER RATES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2018

Sewer	
Residential Rates	Commercial Rates
\$ 37.50 - Flat Rate per Household	SC1
	\$ 54.67 - Base Rate Minimum
	\$ 3.14 - Per 1,000 Gallons
	SC2
	\$ 54.67 - Base Rate Minimum
	\$ 6.24 - Per 1,000 Gallons

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

As of December 31, 2018 and 2017, the District had the following number of customers:

	December 31, 2018	December 31, 2017	Increase (Decrease)
Customers			
Residential	5,248	5,024	224
Nonresidential	71	42	29
Total Customers	<u>5,319</u>	<u>5,066</u>	<u>253</u>

See independent auditor's report.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish (the District), (a component unit of the Tangipahoa Parish Council), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 27, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana

June 27, 2019

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

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2018

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

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

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**DECEMBER 31, 2018**



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Independent Accountant's Report  
on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by Sewerage District No. 1 of Tangipahoa Parish (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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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. – **No Exceptions.**
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes. – **No Exceptions**
  - c) ***Disbursements***, including processing, reviewing, and approving. – **No Exceptions.**

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation). – **No Exceptions.**
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions.**
- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process. – **No Exceptions.**
- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases). – **No Exceptions.**
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No Exceptions.**
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. – **No Exceptions.**
- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No Exceptions.**

### ***Bank Reconciliations***

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- 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); – **No Exceptions.**
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and – **No Exceptions.**
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No Exceptions.**

## *Collections*

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3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5). – **No Exceptions.**
4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers. – **No Exceptions.**
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit. – **No Exceptions.**
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit. – **No Exceptions.**
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation. – **No Exceptions.**
5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft. – **No Exceptions.**
6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #2 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered. – **No Exceptions.**
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No Exceptions.**
  - c) Trace the deposit slip total to the actual deposit per the bank statement. – **No Exceptions.**
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100). – **No Exceptions.**
  - e) Trace the actual deposit per the bank statement to the general ledger. – **No Exceptions.**

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

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7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).  
– **No Exceptions.**
8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. – **No Exceptions.**
  - b) At least two employees are involved in processing and approving payments to vendors. – **No Exceptions.**
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files. – **No Exceptions.**
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments. – **No Exceptions.**
9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. – **No Exceptions.**
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable. – **No Exceptions.**

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

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10. 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. – **The District does not have any credit cards, bank debit cards, fuel cards, or P-cards.**
11. 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.]] – **Not Applicable.**
  - b) Observe that finance charges and late fees were not assessed on the selected statements. – **Not Applicable.**
12. Using the monthly statements or combined statements selected under #11 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). – **Not Applicable.**

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

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13. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)). – **No Exceptions.**
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **No Exceptions.**
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h). – **No Exceptions.**
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **No Exceptions.**

***Contracts***

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14. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:

**Exception** – The District did not have a formal/written contract on file for 1 of the 5 vendors reviewed.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **Not applicable as four vendors with contracts not subject to the LA Public Bid Law.**
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter). – **For vendors with contracts, no exceptions noted.**
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment. – **For vendors with contracts, contracts were not amended.**
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract. – **For vendors with contracts, invoice and related payment agreed to the terms and conditions of the contract.**

**Management’s Response/Corrective Action to Exceptions**

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

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

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

Respectfully submitted,  
*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
June 27, 2019



SEWERAGE DISTRICT NO. 1  
OF THE  
**Parish of Tangipahoa**

15481 West Club Deluxe Road • Hammond, LA 70403  
**(985) 542-8877**

June 19, 2019

Management's response to AUP exceptions:

Contracts 14.

Management has engaged to vendor to obtain a letter of engagement with specified annual pricing for lab testing services for wastewater effluent.

**Brian Shirey**

Chairman of the Board

**Jason Hood**

District Manager