# SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

## REPORT ON AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS

## DECEMBER 31, 2016

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016, 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, 2016, 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.

## 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 40 and 41 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 30, 2017, 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 30, 2017

Sewerage District No. 1 of Tangipahoa Parish
Hammond, Louisiana
Management's Discussion and Analysis
December 31, 2016

**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, 2016, total assets were $8,172,270 and exceeded liabilities in the amount of $7,511,597 (i.e., net position). Of the total net position, $2,287,948 was unrestricted and available to meet the District's ongoing obligations at its discretion, with $5,058,682 net investment in capital assets, and the balance of $164,967 restricted for capital activity and debt service. Total net position increased by $651,557.

- For the year ended December 31, 2016, user fee revenues increased $130,571 (approximately 6%) to $2,494,047 as compared to $2,363,476 for the fiscal year ending December 31, 2015.

- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations increased by $133,316 or 8%. The major component of the change was increases in lift station and plant maintenance of $94,763 or 24%.

- Total long term debt decreased by the bond principle payments made of $282,576 during the fiscal year ending December 31, 2016 to $603,822.

## 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, 2016 and 2015**

| | 2016 | 2015 Restated | Dollar Change | Percent Change |
|---|---|---|---|---|
| Assets | | | | |
| Current and Other Assets | $ 2,509,766 | $ 2,073,261 | $ 436,505 | 21% |
| Capital Assets | 5,662,504 | 5,785,286 | (122,782) | (2%) |
| Total Assets | 8,172,270 | 7,858,547 | 313,723 | 4% |
| Total Deferred Outflows of Resources | 206,232 | 76,190 | 130,042 | 171% |
| Liabilities | | | | |
| Long-Term Liabilities | 748,914 | 901,123 | (152,209) | (17%) |
| Other Liabilities | 93,747 | 165,158 | (71,411) | (43%) |
| Total Liabilities | 842,661 | 1,066,281 | (223,620) | (21%) |
| Total Deferred Inflows of Resources | 24,244 | 8,416 | 15,828 | 188% |
| Net Position | | | | |
| Invested in Capital Assets, Net of Related Debt | 5,058,682 | 4,898,888 | 159,794 | 3% |
| Restricted for Capital Activity and Debt Service | 164,967 | 151,957 | 13,010 | 9% |
| Unrestricted | 2,287,948 | 1,809,195 | 478,753 | 26% |
| Total Net Position | $ 7,511,597 | $ 6,860,040 | $ 651,557 | 9% |

Current and Other Assets includes current assets for operations, restricted assets, and other assets. The increase in this category consists primarily of an increase in cash due to the current year change in net position.

Capital Assets decreased by $122,782 net of accumulated depreciation, largely as a result of the offset in accumulated depreciation.

Total long-term liabilities decreased by $152,209 at December 31, 2016, to $748,914, reflecting debt reduction payments for the fiscal year.

Total Deferred Outflows of Resources increased by $130,042 due to adjustments related to pension plan activity.

Total Deferred Inflows of Resources increased by $15,828 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 $651,557 for the fiscal year ending December 31, 2016. The largest increase was $478,753 in unrestricted net position.

**Condensed Statements of Revenues, Expenses and Changes in Net Position**
**For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 Restated | Dollar Change | Percent Change |
|---|---|---|---|---|
| Revenues | | | | |
| Operating Revenues | $ 2,494,047 | $ 2,363,476 | $ 130,571 | 6% |
| Nonoperating Revenues | 28,897 | 24,182 | 4,715 | 19% |
| Total Revenues | 2,522,944 | 2,387,658 | 135,286 | 6% |
| Expenses | | | | |
| Depreciation | 283,924 | 287,139 | (3,215) | (1%) |
| Other Operating Expenses | 1,617,446 | 1,480,915 | 136,531 | 9% |
| Nonoperating Expenses | 30,017 | 42,311 | (12,294) | (29%) |
| Total Expenses | 1,931,387 | 1,810,365 | 121,022 | 7% |
| Income Before Contributions | 591,557 | 577,293 | 14,264 | 2% |
| Capital Contributions | 60,000 | 174,260 | (114,260) | (66%) |
| Change in Net Position | 651,557 | 751,553 | (99,996) | (13%) |
| Total Net Position, Beginning - Restated | 6,860,040 | 6,108,487 | 751,553 | 12% |
| Total Net Position, Ending | $ 7,511,597 | $ 6,860,040 | $ 651,557 | 9% |

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 $651,557 for the fiscal year ending December 31, 2016 as does the Condensed Statements of Net Position on the prior page.

The District's total revenues increased by $135,286 in 2016 after a $199,708 increase in 2015. 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 $133,316 or 8%. The major component of the change was an increase in lift station and plant maintenance of $94,763 or 23%.

**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, 2016**

| | Budget | Actual | Favorable (Unfavorable) Variance |
|---|---|---|---|
| Revenues | | | |
| Operating Revenues | $ 2,360,921 | $ 2,494,047 | $ 133,126 |
| Nonoperating Revenues | 22,000 | 28,897 | 6,897 |
| Total Revenues | 2,382,921 | 2,522,944 | 140,023 |
| Expenses | | | |
| Depreciation | 235,000 | 283,924 | (48,924) |
| Other Operating Expenses | 1,381,618 | 1,617,446 | (235,828) |
| Nonoperating Expenses | 38,000 | 30,017 | 7,983 |
| Total Expenses | 1,654,618 | 1,931,387 | (276,769) |
| Income Before Contributions | 728,303 | 591,557 | (136,746) |
| Capital Contributions | - | 60,000 | 60,000 |
| Change in Net Position | $ 728,303 | $ 651,557 | $ (76,746) |

- Actual revenues for the fiscal year ended December 31, 2016 showed an increase of $140,023 over final budgeted revenues. The greatest difference coming from an increase of $136,389 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 $276,769. The unfavorable variance is primarily in the following operating expense categories:

  - Lift Station and Plant Maintenance expense was under budgeted by $166,091.
  - Repairs and Maintenance and Supplies expense was under budgeted by $52,690.
  - Depreciation expense was under budgeted by $48,924.

**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, 2016 and 2015, the District had the following number of customers:

| | December 31, 2016 | December 31, 2015 | Increase (Decrease) |
|---|---|---|---|
| Customers | | | |
| Residential | 4,360 | 4,222 | 138 |
| Commercial | 44 | 44 | - |
| Total Customers | 4,404 | 4,266 | 138 |

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2016 and 2015.

**Accounts Receivable**
**For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 | Increase (Decrease) |
|---|---|---|---|
| Accounts Receivable | | | |
| Current | $ 369,314 | $ 331,534 | $ 37,780 |
| 31-60 Days Past Due | - | - | - |
| 61-90 Days Past Due | - | - | - |
| Over 90 Days Past Due | - | - | - |
| Subtotal | 369,314 | 331,534 | 37,780 |
| Allowance For Doubtful Accounts | (3,000) | (12,744) | 9,744 |
| Net Accounts Receivable | $ 366,314 | $ 318,790 | $ 47,524 |

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the fiscal year ending December 31, 2016, Sewerage District No. 1 of Tangipahoa Parish had $5,662,504 (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, 2016 and 2015**

| | 2016 | 2015 Restated | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Capital Assets | | | | |
| Land | $ 397,586 | $ 391,586 | $ 6,000 | 2% |
| Construction in Progress | - | 277,286 | (277,286) | (100%) |
| Buildings | 417,291 | 87,424 | 329,867 | 377% |
| Machinery and Equipment | 741,124 | 724,713 | 16,411 | 2% |
| Sewer Systems | 8,040,940 | 7,986,950 | 53,990 | 1% |
| Total Capital Assets | 9,596,941 | 9,467,959 | 128,982 | 1% |
| Less: Accumulated Depreciation | (3,934,437) | (3,682,673) | 251,764 | 7% |
| Net Capital Assets | $ 5,662,504 | $ 5,785,286 | $ (122,782) | (2%) |

Capital Assets decreased by $122,782 net of accumulated depreciation, largely as a result of an increase in accumulated depreciation in the current year.

**Long-Term Debt Offerings**

The primary source of long-term financing for Sewerage District No. 1 of Tangipahoa Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2016, range from 4.25% to 5.625%, with initial payment terms for bonds generally at 40 years. Details including balances, payments, and interest rates are included in Note 8 - Long-Term Debt.

**Future Economic Plans**

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

**Contacting the District's Management**

This financial report is designed to provide a general overview of Sewerage District No. 1 of Tangipahoa Parish's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 15481 Club Deluxe Road, Hammond, LA 70403. The phone number for the District is 985-542-8877.

Statement A

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2016

| | |
|---|---|
| **Assets** | |
| **Current Assets:** | |
| Cash and Cash Equivalents | $ 1,938,837 |
| **Receivables:** | |
| Accounts (Net of Allowance for Uncollectible Accounts of $3,000) | 366,314 |
| **Restricted Assets:** | |
| Cash and Cash Equivalents | 164,967 |
| **Prepaid Insurance** | 39,648 |
| Total Current Assets | 2,509,766 |
| **Capital Assets:** | |
| Land | 397,586 |
| Other Capital Assets, at Cost (Net of Accumulated Depreciation) | 5,264,918 |
| Total Capital Assets | 5,662,504 |
| Total Assets | 8,172,270 |
| **Deferred Outflows of Resources** | |
| Deferred Outflows - Related to Pensions □ | 206,232 |
| Total Deferred Outflows of Resources | 206,232 |
| **Liabilities** | |
| **Current Liabilities - Payable from Current Assets:** | |
| Accounts Payable | 38,035 |
| Other Accrued Payables | 55,712 |
| Total Current Liabilities - Payable from Current Assets | 93,747 |
| **Current Liabilities - Payable from Restricted Assets:** | |
| Bonds Payable - Current Portion | 18,696 |
| Total Current Liabilities - Payable from Restricted Assets | 18,696 |
| **Noncurrent Liabilities:** | |
| Bonds Payable | 585,126 |
| Net Pension Liability | 145,092 |
| Total Long-Term Liabilities | 730,218 |
| Total Liabilities | 842,661 |
| **Deferred Inflows of Resources** | |
| Deferred Inflows - Related to Pensions □ | 24,244 |
| Total Deferred Inflows of Resources | 24,244 |
| **Net Position** | |
| Net Investment in Capital Assets | 5,058,682 |
| Restricted for: | |
| Capital Projects and Debt Service | 164,967 |
| Unrestricted | 2,287,948 |
| Total Net Position | $ 7,511,597 |

The accompanying notes are an integral part of this statement.

Statement B

## SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|---|---|
| **Operating Revenues:** | |
| Sewer Service Revenues | $ 2,367,310 |
| Impact Fees | 17,000 |
| Connection Fees | 98,440 |
| Intergovernmental | 9,946 |
| Other | 1,351 |
| Total Operating Revenues | 2,494,047 |
| **Operating Expenses:** | |
| Salaries and Wages | 365,668 |
| Employee Benefits | 201,792 |
| Billing Costs | 53,485 |
| Depreciation | 283,924 |
| Director's and Recording Secretary Expense | 11,850 |
| Engineering and Surveyor Fees | 118,648 |
| Insurance | 58,184 |
| Lift Station and Plant Maintenance | 503,941 |
| Other | 8,808 |
| Professional Fees | 69,068 |
| Rentals | 6,055 |
| Repairs and Maintenance | 105,955 |
| Supplies | 95,635 |
| Vehicle Expenses | 18,357 |
| Total Operating Expenses | 1,901,370 |
| Operating Income | 592,677 |
| **Nonoperating Revenues (Expenses):** | |
| Interest Income | 28,897 |
| Interest Expense | (30,009) |
| Gain (Loss) on Disposal of Assets | (8) |
| Total Nonoperating Revenues (Expenses) | (1,120) |
| Income Before Contributions | 591,557 |
| **Capital Contributions** | 60,000 |
| **Change in Net Position** | 651,557 |
| **Net Position - Beginning of Year, as Restated** | 6,860,040 |
| **Net Position - End of Year** | $ 7,511,597 |

The accompanying notes are an integral part of this statement.

Statement C

# SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|---|---|
| **Cash Flows from Operating Activities:** | |
| Cash Received from Customers | $ 2,444,970 |
| Cash Payments to Suppliers for Goods and Services | (1,036,301) |
| Cash Payments to Employees for Services and Benefits | (544,923) |
| Other Receipts (Payments) | 11,297 |
| Net Cash Provided by Operating Activities | 875,043 |
| **Cash Flows from Capital and Related Financing Activities:** | |
| Acquisition and Construction of Capital Assets | (200,068) |
| Principal Repayment on Long Term Debt | (282,576) |
| Interest Expense Paid on Long Term Debt | (30,009) |
| Net Cash Used in Capital and Related Financing Activities | (512,653) |
| **Cash Flows from Investing Activities:** | |
| Interest Income Received | 28,897 |
| Net Cash Provided by Investing Activities | 28,897 |
| **Net Increase in Cash and Cash Equivalents** | 391,287 |
| **Cash and Cash Equivalents, Beginning of Year** | 1,712,517 |
| **Cash and Cash Equivalents, End of Year** | $ 2,103,804 |
| **Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:** | |
| Cash and Cash Equivalents, Unrestricted | $ 1,938,837 |
| Cash and Cash Equivalents, Restricted | 164,967 |
| Total Cash and Cash Equivalents | $ 2,103,804 |

(CONTINUED)

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

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

| | | |
|---|---|---|
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities:** | | |
| Operating Income | $ | 592,677 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | | 283,924 |
| Pension Expense Adjustment | | 16,153 |
| (Increase) Decrease in Accounts Receivable | | (47,524) |
| (Increase) Decrease in Prepaid Insurance | | 2,306 |
| Increase (Decrease) in Accounts Payable | | 21,123 |
| Increase (Decrease) in Accrued Expenses | | 6,384 |
| Net Cash Provided by Operating Activities | $ | 875,043 |

The accompanying notes are an integral part of this statement.

## (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, 2016, Sewerage District No. 1 of Tangipahoa Parish provided service to a total of 4,404 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.

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

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

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

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

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

D. Cash and Cash Equivalents and Investments

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

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, 2016.

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, 2016.

G. Restricted Assets

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

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than $500, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including sewer systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

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

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

| Assets | Years |
|---|---|
| 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.

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.

**(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, 2016:

| | Book Balance | Bank Balance |
|---|---|---|
| Petty Cash | $ 200 | $ - |
| Interest Bearing Demand Deposits | 2,103,604 | 2,122,761 |
| | $2,103,804 | $2,122,761 |

**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, 2016, none of the District's bank balance of $2,122,761 was exposed to custodial credit risk.

**(3) Receivables** -

The following is a summary of receivables at December 31, 2016:

| | |
|---|---|
| Accounts Receivable: | |
| Current | $ 369,314 |
| 31-60 Days Past Due | - |
| 61-90 Days Past Due | - |
| Over 90 Days Past Due | - |
| Subtotal | 369,314 |
| Less: Allowance for Uncollectible Accounts | (3,000) |
| Net Accounts Receivable | $ 366,314 |

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, 2016:

| | |
|---|---|
| Restricted Cash and Cash Equivalents | |
| Bond Reserve and Contingency Account(s) | $ 158,645 |
| Construction Account(s) | 6,322 |
| Total Restricted Assets | $ 164,967 |

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2016

**(5) Capital Assets -**

A summary of changes in capital assets during the year ended December 31, 2016 is as follows:

| | *Restated Balance December 31, 2015 | Additions | Deletions | Balance December 31, 2016 |
|---|---|---|---|---|
| Capital Assets not being Depreciated: | | | | |
| Land | $ 391,586 | $ 6,000 | $ - | $ 397,586 |
| Construction in Progress | 277,286 | - | (277,286) | - |
| Total Capital Assets not being Depreciated | 668,872 | 6,000 | (277,286) | 397,586 |
| Capital Assets being Depreciated: | | | | |
| Buildings and Improvements | 87,424 | 329,867 | - | 417,291 |
| Machinery and Equipment | 576,858 | 8,600 | (26,778) | 558,680 |
| Vehicles | 147,855 | 39,969 | (5,380) | 182,444 |
| Utility System | 7,986,950 | 54,000 | (10) | 8,040,940 |
| Total Capital Assets being Depreciated | 8,799,087 | 432,436 | (32,168) | 9,199,355 |
| Less Accumulated Depreciation | 3,682,673 | 283,924 | (32,160) | 3,934,437 |
| Total Capital Assets being Depreciated, Net | 5,116,414 | 148,512 | (8) | 5,264,918 |
| Total Capital Assets, Net | $ 5,785,286 | $ 154,512 | $(277,294) | $ 5,662,504 |

*See Note 17.

Depreciation expense for the year ended December 31, 2016 was $283,924.

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

The following is a summary of accounts payable and accrued liabilities at December 31, 2016:

| | |
|---|---|
| Accounts Payable | $ 38,035 |
| Other Accrued Liabilities | |
| Vacation | 41,761 |
| Wages | 13,951 |
| Total Other Accrued Liabilities | 55,712 |
| Total Accounts Payable and Accrued Liabilities | $ 93,747 |

**(7) 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.

***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 statues for more complete information.

**1. Retirement**

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

2. **Survivor Benefits**

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

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

3. **Deferred Retirement Option Plan**

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

4. **Disability Benefits**

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

5. **Cost of Living Increases**

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

***Contributions:***

According to state statute, contributions for all employers are actuarially determined each year. The District's required contribution rate for the period January 1, 2016 to December 31, 2016 was 13.0%. Employees were required to contribute 9.50% of their annual salary for the applicable period. Contributions to PERS from the District were $40,929 for the year ended December 31, 2016.

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 $4,011 for the year ended December 31, 2016.

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

At December 31, 2016, the District reported a liability of $145,092 for its proportionate share of the net pension liability of PERS. For PERS, the net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the District's proportion was .05512% for PERS which was a decrease of .00126% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of $61,093 for PERS.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 23,059 |
| Changes in assumptions | 32,329 | - |
| Net difference between projected and actual earnings on pension plan investments | 132,763 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 211 | 1,185 |
| Employer contributions subsequent to the measurement date | 40,929 | - |
| Total | $ 206,232 | $ 24,244 |

$40,929 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | |
|---|---|
| 2017 | $ 36,926 |
| 2018 | 36,926 |
| 2019 | 39,884 |
| 2020 | 27,323 |
| | $ 141,059 |

***Actuarial Assumptions:***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2015 for PERS are as follows:

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

For PERS, mortality rates were based on RP-2000 Employee Mortality Table for active members; RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries; and RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants. For LASERS, mortality rates were based on RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015 for non-disabled members; and RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement was selected for disabled members.

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

For PERS, the long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.55% for the year ended December 31, 2015. 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, 2015 are summarized in the following table.

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 34.0% | 1.06% |
| Equity | 51.0% | 3.56% |
| Alternatives | 12.0% | 0.74% |
| Real Assets | 3.0% | 0.19% |
| Total | 100.0% | 5.55% |

***Discount Rate***

For PERS, the discount rate used to measure the total pension liability was 7.00% which was a decrease of .25 % from its prior measurement date of December 31, 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers and non-employer contributing entities will be made at actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate as of December 31, 2015 for PERS:

| | Changes in Discount Rate | | |
|---|---|---|---|
| | 1% Decrease 6.00% | Current Discount 7.00% | 1% Increase 8.00% |
| Net Pension Liability (Asset) | $ 363,507 | $ 145,092 | $ (39,496) |

***Pension Plans Fiduciary Net Position***

PERS issued a stand-alone audit report on its financial statements for the year ended December 31, 2015. Access to the audit report can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

**Payables to the Pension Plans**

There are no payables to PERS at December 31, 2016.

**(8) Long-Term Debt** -

The following is a summary of long-term obligation transactions for the year ended December 31, 2016:

| Description | Balance December 31, 2015 | Additions | Deletions | Balance December 31, 2016 | Due Within One Year |
|---|---|---|---|---|---|
| Long-Term Debt | | | | | |
| Sewer Revenue Bonds 92-01 | $ 170,494 | $ - | $ (170,494) | $ - | $ - |
| Sewer Revenue Bonds 92-03 | 618,415 | - | (110,197) | 508,218 | 16,729 |
| Sewer Revenue Bonds 92-05 | 97,489 | - | (1,885) | 95,604 | 1,967 |
| Total Long-Term Debt | $ 886,398 | $ - | $ (282,576) | $ 603,822 | $ 18,696 |

**Revenue Bond - $733,000 Sewer System - Rural Utility Services 92-01:**

Sewer revenue bonds were issued on March 3, 1993, and were due to the United States Department of Agriculture, Rural Utilities Service with monthly installments including principal and interest of $3,900 at 5.625% through April 2, 2033. These bonds were paid off during 2016.

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

Sewer revenue bonds were issued on September 25, 2003, and are due to the United States Department of Agriculture, Rural Utilities Service with monthly installments including principal and interest of $3,167 at 4.25% through October 25, 2043. The debt service requirements to maturity for the Rural Utilities Services 92-03 Bonds are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 16,729 | $ 21,272 | $ 38,001 |
| 2018 | 17,454 | 20,547 | 38,001 |
| 2019 | 18,210 | 19,791 | 38,001 |
| 2020 | 18,999 | 19,002 | 38,001 |
| 2021 | 19,822 | 18,178 | 38,000 |
| 2022 to 2026 | 112,767 | 77,237 | 190,004 |
| 2027 to 2031 | 139,414 | 50,590 | 190,004 |
| 2032 to 2036 | 164,823 | 17,666 | 182,489 |
| | $ 508,218 | $ 244,283 | $ 752,501 |

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

Sewer revenue bonds were issued on September 25, 2003, and are due to the United States Department of Agriculture, Rural Utilities Service with monthly installments including principal and interest of $499 at 4.25% through October 25, 2043. The debt service requirements to maturity for the Rural Utilities Services 92-05 Bonds are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 1,967 | $ 4,025 | $ 5,992 |
| 2018 | 2,053 | 3,939 | 5,992 |
| 2019 | 2,141 | 3,850 | 5,991 |
| 2020 | 2,234 | 3,758 | 5,992 |
| 2021 | 2,331 | 3,661 | 5,992 |
| 2022 to 2026 | 13,261 | 16,698 | 29,959 |
| 2027 to 2031 | 16,395 | 13,564 | 29,959 |
| 2032 to 2036 | 20,269 | 9,690 | 29,959 |
| 2037 to 2041 | 25,059 | 4,901 | 29,960 |
| 2042 to 2043 | 9,894 | 382 | 10,276 |
| | $ 95,604 | $ 64,468 | $ 160,072 |

**Debt Service Requirements to Maturity:**

The annual requirements to amortize all long term debt outstanding as of December 31, 2016 including expected interest payments of $308,751 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 18,696 | $ 25,297 | $ 43,993 |
| 2018 | 19,507 | 24,486 | 43,993 |
| 2019 | 20,351 | 23,641 | 43,992 |
| 2020 | 21,233 | 22,760 | 43,993 |
| 2021 | 22,153 | 21,839 | 43,992 |
| 2022 to 2026 | 126,028 | 93,935 | 219,963 |
| 2027 to 2031 | 155,809 | 64,154 | 219,963 |
| 2032 to 2036 | 185,092 | 27,356 | 212,448 |
| 2037 to 2041 | 25,059 | 4,901 | 29,960 |
| 2042 to 2043 | 9,894 | 382 | 10,276 |
| | $ 603,822 | $ 308,751 | $ 912,573 |

The above schedules projects future payments of bond principal and bond interest based on scheduled payments per bond agreements, and individual bond issues may be refunded at earlier dates based on accelerated payment schedules implemented by the District. During the year 2016, the District made accelerated debt payments and plans to continue the accelerated payments after year end. The above schedules does not include the impact of any future accelerated payments.

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

As of December 31, 2016, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana (District), has two Revenue Bonds financed by USDA Rural Development. The original principal amounts of the two bond issues through Rural Development total $847,000 and consist of two bonds issued on September 25, 2003, for $723,000 and $114,000 at an annual rate of 4.25%. Each of the bonds financed by Rural Development is a parity obligation. The 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) The issuer, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

c) The establishment and maintenance of a "Sewer Bond and Interest Sinking Fund" (the "Sinking Fund") sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The required monthly payments for the principal and interest on the bonds are due on the 20th day of each month. With the payoff in 2016 of the USDA Rural Development Bonds (92-01), the monthly payment requirement changed to $3,666 for the remaining USDA Rural Development bonds. The bond documents show a reduction in the payment requirement to $499 beginning November 2036, but the actual payment requirement may change since the District has adopted an accelerated payment plan for the retirement of debt.

The actual creation of a sinking fund was not required since the District pays required bond installments directly to Rural Utilities Service on a monthly basis.

d) The establishment of the "Sewer Revenue Bond Reserve Fund" (the "Reserve Fund") by transferring from the Sewer Fund, the operating account of the District, monthly in advance on or before the 20th of each month a sum at least equal to five per cent (5%) of the amount to be paid each month for bond principal and interest payments. As of December 31, 2016, and with the payoff of one of the USDA Rural Development Bonds (92-01), the monthly deposit requirement decreased to $183. Payments to the Reserve Fund are to continue until the "Reserve Fund Requirement" is met. The "Reserve Fund Requirement" specifies that deposits shall continue until they reach a limit that equals the maximum succeeding annual installments of principle and interest for all the outstanding parity bond obligations for any succeeding year. As of December 31, 2016, the "Reserve Fund Requirement" equals $72,537.

The money in the Reserve Fund is required to be retained solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service, for which there would otherwise be default.

The actual Reserve Fund account balance at December 31, 2016, was $82,483 and was fully funded at fiscal year-end.

e) The establishment and maintenance of the "Sewer Depreciation and Contingency Fund" (the "Contingency Fund") is to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the System, by transferring from the Sewer Fund, the operating account of the District, monthly in advance on or before the 20th of each month a sum at least equal to five per cent (5%) of the amount to be paid each month for bond principal and interest payments. As of December 31, 2016, and with the payoff of the USDA Rural Development Bonds (92-01), the monthly deposit requirement decreased to $183. Upon the Reserve Fund being fully-funded to the "Reserve Fund Requirement", the Contingency Fund deposit will increase to a sum equal to ten percent (10%) of the amount paid into the Sinking Fund with respect to the Bond, all as required by the Government, which monthly payments will be in addition to those required to be made into the Contingency Fund by the Parity Bond Resolution.

   Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

   The actual Contingency Fund balance at December 31, 2016, was $82,484, and was fully funded at year end.

f) The District, in the bond resolutions dated May 12, 2003, (amended August 18, 2003), and February 9, 2005, also obligated itself to abide by the following covenants:

   1. The District will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within thirty days from the date on which such charges become delinquent.
   2. A penalty of ten percent will be charged on all delinquent accounts, and interest of not less than five percent per annum will be charged on delinquent accounts after 10 days from the date of delinquency.
   3. The District agrees to maintain the System in first class repair and working order and condition.
   4. The District will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.
   5. The District will maintain separate and correct records and accounts, and will have the books audited no later than six months after the close of each fiscal year.
   6. The District will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the District may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.

7. The District will not, except as provided by these bonds resolutions, voluntarily create or cause to be created any debt, lien pledge, mortgage, assignment, or any other charges having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security thereof.
8. That, to the extent permitted by law, the District will not grant a franchise to any sewer utility for operation within the boundaries of the District.
9. In operation of the System, the District will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.
10. That the District will take all action necessary to require connection to its sewer system to the extent permitted by law.
11. No free service or facilities will be furnished to any persons.

On October 29, 2001, USDA agreed in writing that as long as the District is not in default in the payment of principal and interest on the bonds that:

(i) the period within which the District will cause service to be shut off from the date of delinquency is extended from 30 days to 90 days;
(ii) the penalty on such delinquent charges is reduced from ten percent to five percent; and
(iii) it is not necessary that interest be charged on the delinquent account.

The District has requested written notification from the USDA that this waiver continues to apply.

During the fiscal year ended December 31, 2016, principal payments of $282,576 and interest payments of $30,009 were made and incurred as interest expense on the sewer bonds. The gross sewer revenues recognized during the current period was $2,367,310.

During the fiscal year ended December 31, 2016, the District was in substantial compliance with bond covenants noted above.

**(10) 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 $125,818 for the year ended December 31, 2016.

**(11) Restricted and Designated Net Position** -

At December 31, 2016, the District recorded $164,967 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.

**(12) 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.

**(13) Litigation** -

There is no outstanding litigation at December 31, 2016 for which the District would expect an unfavorable outcome.

**(14) Current Year Adoption of New Accounting Standards** -

The District adopted the following recently issued GASB Standard in the preparation of their component unit financial statements:

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No 72 - *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In August 2015, the Governmental Accounting Standards Board issued GASB Statement No 77- *Tax Abatement Disclosures*. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

The adoption of these standards had no impact on the government wide or the governmental fund financial statements, but provide for guidance, clarification and/or additional disclosures in the notes to the basic financial statements.

**(15) Current Accounting Pronouncements** -

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 , *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statem0ent No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

In January 2016, the Governmental Accounting Standards Board issued GASB Statement No 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

In March 2016, the Governmental Accounting Standards Board issued GASB Statement No 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

In March 2016, the Governmental Accounting Standards Board issued GASB Statement No 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68 , *Accounting and Financial Reporting for Pensions*, and No. 73 , *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged

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

**(16) Subsequent Events** -

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 30, 2017, the date which the financial statements were available to be issued.

**(17) Prior Period Adjustment** -

During the year ended December 31, 2016, the District restated its financial statements for the year ended December 31, 2015, to record capital assets (land and a sewer lift station) donated to the District in December 2015 and not recorded at that time. The adjustment is reflected as a prior period adjustment to beginning net position in the financial statements for the year ending December 31, 2016.

| | |
|---|---|
| Net Position - December 31, 2015, as Previously Reported | $ 6,748,280 |
| Capital Assets Adjustment | 111,760 |
| Net Position - December 31, 2015, as Restated | $ 6,860,040 |

# REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

# SEWERAGE DISTRICT NO. 1 OF TANGIPAHOA PARISH

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2016*

| **Parochial Employees Retirement System of Louisiana:** | 2016 | 2015 |
|---|---|---|
| Employer's Proportion of the Net Pension Liability | 0.05512% | 0.05386% |
| Employer's Proportionate Share of the Net Pension Liability | $ 145,092 | $ 14,725 |
| Employer's Covered-Employee Payroll | $ 316,035 | $ 282,064 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 45.91% | 5.22% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension | 92.23% | 99.15% |

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

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

See independent auditor's report.

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

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

| **Parochial Employees Retirement System of Louisiana:** | 2016 | 2015 |
|---|---|---|
| Contractually Required Contributions | $ 40,929 | $ 45,299 |
| Contributions in Relation to Contractually Required Contribution | 40,929 | 45,299 |
| Contribution Deficiency (Excess) | $ - | $ - |
| Employer's Covered Employee Payroll | $ 312,024 | $ 316,035 |
| Contributions as a % of Covered Employee Payroll | 13.12% | 14.33% |

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

See independent auditor's report.

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

***Changes in Actuarial Assumptions***

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

Change in Assumptions:

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

See independent auditor's report.

# OTHER SUPPLEMENTAL INFORMATION

Schedule 3

**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, 2016

| | 2016 Budget | 2016 Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Sewer Service Revenues | $ 2,230,921 | $ 2,367,310 | $ 136,389 |
| Impact Fees | 30,000 | 17,000 | (13,000) |
| Connection Fees | 95,000 | 98,440 | 3,440 |
| Intergovernmental | - | 9,946 | 9,946 |
| Other | 5,000 | 1,351 | (3,649) |
| Total Operating Revenues | 2,360,921 | 2,494,047 | 133,126 |
| **Operating Expenses:** | | | |
| Salaries and Wages | 407,337 | 365,668 | 41,669 |
| Employee Benefits | 164,996 | 201,792 | (36,796) |
| Billing Costs | 58,000 | 53,485 | 4,515 |
| Depreciation | 235,000 | 283,924 | (48,924) |
| Director's and Recording Secretary Expense | 12,000 | 11,850 | 150 |
| Engineering and Surveyor Fees | 125,000 | 118,648 | 6,352 |
| Insurance | 33,200 | 58,184 | (24,984) |
| Lift Station and Plant Maintenance | 337,850 | 503,941 | (166,091) |
| Other | 20,735 | 8,808 | 11,927 |
| Professional Fees | 52,500 | 69,068 | (16,568) |
| Rentals | 100 | 6,055 | (5,955) |
| Repairs and Maintenance | 72,400 | 105,955 | (33,555) |
| Supplies | 76,500 | 95,635 | (19,135) |
| Vehicle Expenses | 21,000 | 18,357 | 2,643 |
| Total Operating Expenses | 1,616,618 | 1,901,370 | (284,752) |
| Operating Income | 744,303 | 592,677 | (151,626) |
| **Nonoperating Revenues (Expenses):** | | | |
| Interest Income | 22,000 | 28,897 | 6,897 |
| Interest Expense | (38,000) | (30,009) | 7,991 |
| Gain (Loss) on Disposal of Assets | - | (8) | (8) |
| Total Nonoperating Revenues (Expenses) | (16,000) | (1,120) | 14,880 |
| Income (Loss) Before Contributions | 728,303 | 591,557 | (136,746) |
| **Capital Contributions** | - | 60,000 | 60,000 |
| **Change in Net Position** | 728,303 | 651,557 | (76,746) |
| **Net Position - Beginning of Year, as Restated** | 6,860,040 | 6,860,040 | - |
| **Net Position - End of Year** | $ 7,588,343 | $ 7,511,597 | $ (76,746) |

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, 2016

| Name, Title, Contact Number | Address | Compensation Received | Term Expiration |
|---|---|---|---|
| Mark Mobley, President<br>(985) 375-0341 | P.O. Box 402<br>Ponchatoula, LA 70454 | $ 1,650 | March 2018 |
| Charles Christmas<br>(985) 748-3016 | P.O. Box 577<br>Amite, LA 70422 | 1,350 | March 2019 |
| Brian Shirey<br>(985) 974-84866 | 19299 Country Club Lane<br>Hammond, LA 70401 | 1,200 | March 2020 |
| Randall Tricou<br>(985) 386-2050 | 14599 Highway 22<br>Ponchatoula, LA 70454 | 1,800 | March 2020 |
| Susan Quinn<br>(985) 507-0507 | 41336 Schafer Drive<br>Hammond, LA 70403 | 1,800 | July 2018 |
| | | $ 7,800 | |

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, 2016

Agency Head Name: Gene Myers

| Purpose | Amount |
|---|---|
| Salary | $ 46,066 |
| Benefits - Insurance | 14,160 |
| Benefits - Retirement | 6,041 |
| Vehicle Provided by Government | 240 |
| Employer Paid Payroll Taxes | 671 |
| | $ 67,178 |

See independent auditor's report.

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

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2016

| Insurance Company / Policy Number | Coverage | Amount | Policy Period |
|---|---|---|---|
| Arch Insurance | Commercial General Liability: | | 12/11/2016 to |
| Policy Number | Aggregate Policy Limit | $ 3,000,000 | 12/11/2017 |
| GWPKG0188400 | Per Occurrence | $ 1,000,000 | |
| | Personal Injury & Product Liability | $ 1,000,000 | |
| | Employee Dishonesty | $ 100,000 | |
| Stonetrust Commercial | Workmen's Compensation as Statutory | | |
| Insurance Company | Limitations: | | 2/28/2016 to |
| Policy Number | Employer's Liability | $ 1,000,000 | 2/28/2017 |
| WCV 008304302 | | | |
| Travelers Casualty and Surety | Employee Dishonesty | | 9/6/2014 to |
| Insurance Company | Total Coverage | $ 100,000 | 9/6/2017 |
| Policy Number 105656772 | | | |
| Houston Specialty Insurance | Auto Liability | $ 500,000 | 2/22/16 to |
| Company | | | 2/22/2017 |

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, 2016

| 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, 2016 and 2015, the District had the following number of customers:

| | December 31, 2016 | December 31, 2015 | Increase (Decrease) |
|---|---|---|---|
| Customers | | | |
| Residential | 4,360 | 4,222 | 138 |
| Nonresidential | 44 | 44 | - |
| Total Customers | 4,404 | 4,266 | 138 |

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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 30, 2017.

**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 Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 30, 2017

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

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None