

Livingston Parish Sewer District One

Annual Financial Statements

As of and for the Year Ended December 31, 2016
With Supplemental Information Schedules
(with 2015 summarized comparative information)



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Livingston Parish Sewer District One
Annual Financial Statements
As of and for the Year Ended December 31, 2016
With Supplemental Information Schedules
(with 2015 summarized comparative information)

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Livingston Parish Sewer District One, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

BRUCE HARRELL & CO.

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Members of the Board of Commissioners

Livingston Parish Sewer District One

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Livingston Parish Sewer District One, as of December 31, 2016, and the respective changes in the financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Livingston Parish Sewer District One's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of Livingston Parish Sewer District One's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Livingston Parish Sewer District One's internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana
June 30, 2017

Required Supplemental Information Management's Discussion and Analysis

Livingston Parish Sewer District One

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2016

Introduction

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

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

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

Financial Highlights

At December 31, 2016, total assets were \$1,466,915, and exceeded liabilities in the amount of \$1,465,263 (i.e., net position). Of the total net position, \$632,495 was unrestricted and available to support short-term operations, \$204,773 was restricted for capital projects activity and debt service, and the balance was the net investment in capital assets.

The long-term portion of bonds payable decreased to zero at December 31, 2016 compared to \$117,468 at the end of the prior fiscal period, due to the District paying off the long-term debt in December 2016.

For the year ended December 31, 2016, user fee revenues (sewer sales) increased to \$1,082,040 as compared to \$978,965 for the fiscal year ending December 31, 2015. Total operating revenues increased to \$1,380,113 as compared to \$1,081,145 for the fiscal year ending December 31, 2015. This was a twenty-eight percent increase or \$298,968, primarily due to the rate increases as of July 1, 2015 and the Series 2012 construction expansion, resulting in an increase in sewer customers. Operating expenses, excluding depreciation, decreased by \$20,983 or three percent. This was due primarily to decreases for utilities of \$62,752 and professional fees of \$5,803 offset by increases in repairs and maintenance of \$37,058 and insurance of \$10,272. Non-operating expenses increased by \$823 due to the decrease in interest expense and the required payment of \$278,867 compared to \$279,740 in 2015 for the District's payment of bond installment for construction improvements financed by the Series 2012 Bonds, offset by increases in transfers to Livingston Parish Council Debt Obligation and flood expenses. The bonds, issued at \$15,900,000 by Livingston Sewer District Number Two, require Livingston Parish Sewer District One to pay 33% of the bond installments, based on the percentage of construction improvements that benefit Livingston Parish Sewer District One.

Net position increased \$298,268 for the fiscal year ending December 31, 2016, as compared to a decrease of \$18,877, for the fiscal year ending December 31, 2015.

Livingston Parish Sewer District One

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2016

As of January 1, 2017, the operations of Livingston Parish Sewer District One was merged and consolidated into Livingston Parish Sewer District Two. On November 8, 2016, voters authorized the consolidation of operations of Sewerage District No. 1 of Livingston Parish and Sewerage District No. 2 of Livingston Parish. The proposition stated that in order to consolidate operations, achieve maximum budget efficiency and reduce the costs of operations, that the two Districts be granted the authority to merge in accordance with Article VI, Section 16 of the Constitution of the State of Louisiana of 1974. On December 15, 2016, the District, after consultation with legal services and the Louisiana Legislative Auditor, approved a motion to approve the merger, effective January 1, 2017.

Overview of the Annual Financial Report

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

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

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

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

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

Financial Analysis

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

Livingston Parish Sewer District One

**Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2016**

**Condensed Statements of Net Position
2016 and 2015**

	2016	2015	Dollar Change	Percentage Change
Assets:				
Current and Other Assets	\$ 838,920	\$ 636,718	\$ 202,202	32%
Capital Assets	627,995	671,258	(43,263)	-6%
Total Assets	1,466,915	1,307,976	158,939	12%
Liabilities:				
Long-Term Debt Outstanding	-	117,468	(117,468)	-100%
Other Liabilities	1,652	23,513	(21,861)	-93%
Total Liabilities	1,652	140,981	(139,329)	-99%
Net Position:				
Net Investment in Capital Assets	627,995	537,352	90,643	17%
Restricted for Capital Activity and Debt Service	204,773	249,422	(44,649)	-18%
Unrestricted	632,495	380,221	252,274	66%
Total Net Position	\$ 1,465,263	\$ 1,166,995	\$ 298,268	26%

“Current and Other Assets” increased over the prior year by \$202,202. This was due mainly to an increase of \$210,676 in cash and equivalents offset by a decrease of \$11,275 in prepaid insurance.

“Capital Assets” decreased by \$43,263, reflecting additions in utility system and machinery and equipment of \$19,275 offset by depreciation of \$62,538.

“Total Net Position” (total assets less total liabilities) increased by \$298,268 for the fiscal year ending December 31, 2016, because of changes in revenues and expenses described on the following page.

Livingston Parish Sewer District One

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2016

Condensed Statements of Revenues, Expenses and Changes in Net Position 2016 and 2015

	Year ended December 31, 2016	Year ended December 31, 2015	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 1,380,113	\$ 1,081,145	\$ 298,968	28%
Nonoperating Revenues	513	535	(22)	-4%
Total Revenues	<u>1,380,626</u>	<u>1,081,680</u>	<u>298,946</u>	28%
Expenses:				
Depreciation Expense	62,538	60,555	1,983	3%
Other Operating Expense	688,930	709,913	(20,983)	-3%
Nonoperating Expense	330,890	330,089	801	0%
Total Expenses	<u>1,082,358</u>	<u>1,100,557</u>	<u>(18,199)</u>	-2%
Changes in Net Position	<u>298,268</u>	<u>(18,877)</u>	<u>317,145</u>	1680%
Beginning Net Position, Before Prior Period Adjustment	1,166,995	1,081,372	85,623	8%
Prior Period Adjustment	<u>-</u>	<u>104,500</u>	<u>(104,500)</u>	-100%
Beginning Net Position, After Prior Period Adjustment	<u>1,166,995</u>	<u>1,185,872</u>	<u>(18,877)</u>	-2%
Ending Net Position	<u>\$ 1,465,263</u>	<u>\$ 1,166,995</u>	<u>\$ 298,268</u>	26%

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

On April 16, 2015, the District authorized, by resolution, an increase in sewer rates to increase the level of revenues necessary to meet current bond obligations. Effective June 1, 2015, base usage was decreased from 3,000 to 2,000 gallons and the charge at the base usage level was increased by \$4 per customer to a base rate of \$32.50. The consumption rate per 1,000 gallons, above the base usage, was increased by \$1.03 to \$3.75 per 1,000 gallons.

Total "Operating Revenues" (including sewer fees and charges related to providing sewer services to customers) increased by \$298,968, primarily because of an increase of 37 customers, most of which were from the Series 2012 construction expansion and increase in rates highlighted above. "Nonoperating revenues" remained constant.

Total "Operating Expenses", excluding depreciation, decreased by \$20,983 or three percent. This was due primarily to decreases for utilities of \$62,752 and professional fees of \$5,803 offset by increases in repairs and maintenance of \$37,058 and insurance of \$10,272. Non-operating expenses increased by \$823 due to the decrease in interest expense and the required payment of \$278,867 compared to \$279,740 in 2015 for the District's payment of bond installment for construction improvements financed by the Series 2012 Bonds, offset by increases in transfers to Livingston Parish Council Debt Obligation and flood expenses. The bonds, issued at \$15,900,000 by Livingston Parish Sewer District Number Two, require Livingston Parish Sewer District One to pay 33% of the bond installments, based on the percentage of construction improvements that benefit Livingston Parish Sewer District One – see *Footnote 13 – Other Contingencies and Commitment*.

Livingston Parish Sewer District One

**Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2016**

Net position increased \$298,268 for the fiscal year ending December 31, 2016, as compared to a decrease of \$18,877, before prior period adjustments, for the fiscal year ending December 31, 2015.

Budgetary Highlights

Livingston Parish Sewer District One adopts an annual operating budget for management purposes. 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 "Schedule 1 – Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2016

	Budget	Actual	Favorable
	Year ended	Year ended	(Unfavorable)
	December	December	Variance
	31, 2016	31, 2016	Variance
Revenues:			
Operating Revenues	\$ 1,357,500	\$ 1,380,113	\$ 22,613
Nonoperating Revenues	500	513	13
Total Revenues	<u>1,358,000</u>	<u>1,380,626</u>	<u>22,626</u>
Expenses:			
Depreciation Expense	61,000	62,538	(1,538)
Other Operating Expense	637,600	688,930	(51,330)
Nonoperating Expense	<u>352,200</u>	<u>330,890</u>	<u>21,310</u>
Total Expenses	<u>1,050,800</u>	<u>1,082,358</u>	<u>(31,558)</u>
Change in Net Position	<u>\$ 307,200</u>	<u>\$ 298,268</u>	<u>\$ (8,932)</u>

The largest variation between budgeted and actual accounts was for "Other Operating Expense" with a variance of \$51,330.

Livingston Parish Sewer District One

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2016

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

	12/31/16	12/31/15	Increase (Decrease)
Customers	1,897	1,860	37
Total Customers	1,897	1,860	37

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2016, Livingston Parish Sewer District One had \$627,995 (net of accumulated depreciation) recorded in capital assets. This includes sewer line systems and improvements, buildings, land, and machinery and equipment used to operate the sewerage system. The changes in capital assets are presented in the table below.

	December 31, 2016	December 31, 2015	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 55,432	\$ 55,432	\$ -	0%
Utility System	1,509,817	1,496,605	13,212	1%
Buildings	168,225	168,225	-	0%
Machinery & Equipment	211,379	205,316	6,063	3%
Subtotal	1,944,853	1,925,578	19,275	1.00%
Less: Accumulated Depreciation	(1,316,858)	(1,254,320)	(62,538)	-5%
Net Capital Assets	\$ 627,995	\$ 671,258	\$ (43,263)	-6%

During the fiscal year ending December 31, 2016, capital assets decreased by \$43,263 reflecting upgrades to the utility system and purchases of machinery and equipment for a total of \$19,275 offset by depreciation. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2016, totaled \$62,538.

Livingston Parish Sewer District One

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2016

Long-Term Debt

The only long-term financing for Livingston Parish Sewer District One is one bond financed by a private issuer, which was paid off during 2016 – see *Footnote 7 – Long-Term Obligations*. However, Livingston Parish Sewer District One has payment obligations based on contracts with Livingston Parish Sewer District Two. Livingston Parish Sewer District Two is the major service provider for Livingston Parish Sewer District One. The reader should refer to *Footnote 13 – Other Contingencies and Commitments*, for a discussion of those obligations related to contracts with Livingston Parish Sewer District 2.

Future Economic Plans

During the fiscal year ending December 31, 2016, and subsequent to fiscal year end, significant changes affect the future operation of the Livingston Parish Sewer District One. The reader of this document should refer to the following footnotes:

- *Footnote 14-Subsequent Events*. As of January 1, 2017, the operations of Livingston Parish Sewer District One will be merged and consolidated into Livingston Parish Sewer District Two. This footnote describes the results of the election November 8, 2016, in which the voters of Livingston Parish authorized the consolidation of Livingston Parish Sewer District Number One into Livingston Parish Sewer District Number Two. The merger of the two Districts occurred on January 1, 2017.
- *Footnote 13-Other Commitments and Contingencies*, describes financial obligations of Livingston Parish Sewer District One that will continue with the merger of the District into Livingston Parish Sewer District Two.

The Livingston Parish Sewer District One's management approach has been conservative. The Board actively monitored revenues and expenses and evaluated the costs of proposed expansion projects.

Requests for Information

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

Financial Statements

Livingston Parish Sewer District One
Statement of Net Position
As of December 31, 2016
(with 2015 summarized comparative information)

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 610,185	\$ 354,860
Receivables, Net :		
Accounts	23,802	21,001
Prepaid Insurance	-	11,275
Total Current Assets	<u>633,987</u>	<u>387,136</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	204,773	249,422
Total Restricted Assets	<u>204,773</u>	<u>249,422</u>
Property, Plant, and Equipment		
Land	55,432	55,432
Property, Plant and Equipment, Net	572,563	615,826
Total Property, Plant, and Equipment	<u>627,995</u>	<u>671,258</u>
Other Assets		
Meter Deposits	160	160
Total Other Assets	<u>160</u>	<u>160</u>
Total Assets	<u>1,466,915</u>	<u>1,307,976</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	-	6,310
Other Accrued Liabilities	1,652	765
Total Current Liabilities (Payable From Current Assets)	<u>1,652</u>	<u>7,075</u>
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest Payable	-	5,438
Revenue Bonds Payable	-	11,000
Total Current Liabilities (Payable From Restricted Assets)	<u>-</u>	<u>16,438</u>
Long Term Liabilities:		
Bonds Payable	-	117,468
Total Long Term Liabilities	<u>-</u>	<u>117,468</u>
Total Liabilities	<u>1,652</u>	<u>140,981</u>
Net Position		
Net Investment in Capital Assets	627,995	537,352
Restricted for:		
Capital Activity and Debt Service	204,773	249,422
Unrestricted	632,495	380,221
Total Net Position	<u>\$ 1,465,263</u>	<u>\$ 1,166,995</u>

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

Statement B

Livingston Parish Sewer District One
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2016
(with 2015 summarized comparative information)

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Sewer Fees	\$ 1,082,040	\$ 978,965
Permits & Inspection Fees	6,675	6,500
User Fees	45,520	37,795
Impact Fees	245,458	57,285
Grant Revenue	-	-
Miscellaneous Income	420	600
Total Operating Revenues	<u>1,380,113</u>	<u>1,081,145</u>
Operating Expenses		
Per Diem	5,800	5,000
Billing Costs	8,101	7,095
Depreciation	62,538	60,555
Insurance	50,540	40,268
Other	4,102	1,946
Professional Fees	40,708	46,511
Repairs and Maintenance	571,051	533,993
Supplies	8,452	12,172
Utilities	176	62,928
Total Operating Expenses	<u>751,468</u>	<u>770,468</u>
Operating Income (Loss)	<u>628,645</u>	<u>310,677</u>
Nonoperating Revenues (Expenses)		
Interest Income	513	535
Interest Expense	(5,440)	(6,509)
Transfer for Livingston Parish Council Debt Obligation	(45,438)	(43,840)
Transfer for Series 2012 Bonds	(278,867)	(279,740)
Flood Expenses	(1,145)	-
Total Nonoperating Revenues (Expenses)	<u>(330,377)</u>	<u>(329,554)</u>
Change in Net Position	<u>298,268</u>	<u>(18,877)</u>
Total Net Position, Beginning		
Before Prior Period Adjustment	1,166,995	1,081,372
Prior Period Adjustment	-	104,500
After Prior Period Adjustment	<u>1,166,995</u>	<u>1,185,872</u>
Total Net Position, Ending	<u>\$ 1,465,263</u>	<u>\$ 1,166,995</u>

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

Livingston Parish Sewer District One
Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2016
(with 2015 summarized comparative information)

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 1,131,434	\$ 1,020,933
Received for Meter Deposit Fees	-	-
Other Receipts	245,878	57,885
Payments for Operations	<u>(683,078)</u>	<u>(720,120)</u>
Net Cash Provided (Used) by Operating Activities	<u>694,234</u>	<u>358,698</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Flood Expenses	(1,145)	-
(Payments for) Debt Obligation to Parish Council	(45,438)	(43,840)
(Payments for) Debt Obligation for Series 2012 Bonds	(278,867)	(279,740)
(Payments for) Capital Acquisitions	(19,275)	(16,744)
Principal Proceeds from (Repayments for) Long Term Debt	(128,468)	(11,201)
Interest Payments for Long Term Debt	<u>(10,878)</u>	<u>(7,002)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(484,071)</u>	<u>(358,527)</u>
Cash Flows From Investing Activities		
Receipt of Interest	<u>513</u>	<u>36,438</u>
Net Cash Provided by Investing Activities	<u>513</u>	<u>36,438</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	210,676	36,609
Cash and Cash Equivalents, Beginning of Year	<u>604,282</u>	<u>567,673</u>
Cash and Cash Equivalents, End of Year	<u>\$ 814,958</u>	<u>\$ 604,282</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 610,185	\$ 354,860
Cash and Cash Equivalents, Restricted	<u>204,773</u>	<u>249,422</u>
Total Cash and Cash Equivalents	<u>\$ 814,958</u>	<u>\$ 604,282</u>

(Continued)

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

Statement C
(Continued)

**Livingston Parish Sewer District One
Statement of Cash Flows
For the year ended December 31, 2016
(with 2015 summarized comparative information)**

	2016	2015
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 628,645	\$ 310,677
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	62,538	60,555
(Increase) decrease in Accounts Receivable	(2,801)	(2,327)
(Increase) decrease in Prepaid Insurance	11,275	(4,337)
Increase (decrease) in Accounts Payable for Operating Activities	(6,310)	(649)
Increase (decrease) in Accrued Expenses	887	(5,221)
Net Cash Provided (Used) by Operating Activities	\$ 694,234	\$ 358,698

(Concluded)

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

Basic Financial Statements

Notes to the Financial Statements

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

Introduction

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

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

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

1. Summary of Significant Accounting Policies

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

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

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

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

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

GASB Statement No. 63 during the year ending December 31, 2012. The District did not have any deferred inflows or deferred outflows of resources at December 31, 2016.

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

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

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

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

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

B. Cash and Cash Equivalents and Investments

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

C. Investments

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

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

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

- There is no involuntary participation in an external investment pool.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Inventories are valued at cost using the first-in, first-out method. As of December 31, 2016, the District had no significant inventory.

E. Prepaid Items

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

F. Restricted Assets

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

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including 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.

All capital assets, other than land, are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

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

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

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

H. Compensated Absences

Employees of the District can earn leave based on the number of hours worked each pay period. At this time the District has no provision for leave carryover; therefore a leave accrual was not recorded in the financial statements.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

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

I. Long-Term Debt Obligations

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

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

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

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

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

For the District, there were no bond issue costs for existing bonds at December 31, 2016.

J. Net Position

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

Livingston Parish Sewer District One
Notes to the Financial Statements
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- **Net Investment in Capital Assets Component of Net Position** - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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

L. Extraordinary and Special Items

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

M. Estimates

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

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

2. Cash and Cash Equivalents

At December 31, 2016, the District has cash and cash equivalents (book balances) as follows:

	December 31, 2016
Demand Deposits	\$ 814,958
Certificate of Deposit	-
	\$ 814,958

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

At December 31, 2016, the District has \$835,128 in cash and cash equivalent deposits (collected bank balances). These demand deposits are secured from risk by \$250,000 of federal deposit insurance and \$585,128 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$585,128 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

All investments held by the District fall into category 1 credit risk, defined as "insured or registered, or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District and are held at the District's office. Because these investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section I50.164.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

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

4. Receivables

At December 31, 2016, the District recorded \$23,802 in customer accounts receivable. Billing services for the District are contracted with Ward 2 Water District of Livingston Parish and the City of Denham Springs. Accounts receivable at fiscal year-end includes the amounts collected but not yet remitted to the District. Customer accounts are written off as deemed uncollectible and any allowance for uncollectible accounts is deemed immaterial at fiscal year end.

5. Restricted Assets

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

	December 31, 2016
Restricted Cash and Cash Equivalents	
Impact Fee Fund	\$ 204,773
Total Restricted Assets	\$ 204,773

6. Capital Assets

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

	Beginning Balance 12/31/15	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/16
Capital Assets Being Depreciated				
Utility System	\$ 1,496,605	\$ 13,212	\$ -	\$ 1,509,817
Buildings	168,225	-	-	168,225
Machinery & Equipment	205,316	6,063	-	211,379
Total Capital Assets Being Depreciated	1,870,146	19,275	-	1,889,421
Less Accumulated Depreciation	(1,254,320)	(62,538)	-	(1,316,858)
Capital Assets Being Depreciated, Net	615,826	(43,263)	-	572,563
Land	55,432	-	-	55,432
Construction in Progress	-	-	-	-
Total Capital Assets, Net	\$ 671,258	\$ (43,263)	\$ -	\$ 627,995

During the fiscal year ending December 31, 2016, capital assets decreased by \$43,263 reflecting upgrades to the utility system and purchases of machinery and equipment totaling of \$19,275 offset by depreciation. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2016, totaled \$62,538.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

7. Long-Term Obligations

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
USDA 1984 Revenue					
Bonds, Loan 92-01	\$ 128,468	\$ -	\$ (128,468)	\$ -	\$ -
Total Long-Term Debt	<u>\$ 128,468</u>	<u>\$ -</u>	<u>\$ (128,468)</u>	<u>\$ -</u>	<u>\$ -</u>

During December 2016, the District made the final payment to USDA, paying off all long-term debt.

8. Flow of Funds, Restrictions on Use

With the payoff of the District's only long-term payable, debt restrictions that remained at fiscal year-end related only to cooperative agreements between Livingston Parish Sewer District One and Livingston Parish Sewer District Two, and to the payment of debt related to bonds issued by the Livingston Parish Council. These cooperative agreements are affected by several factors:

- The primary factor is the merger of Livingston Parish Sewer District One and Livingston Parish Sewer District Two, as detailed in the *Subsequent Events* footnote following. Obligations remaining for Livingston Parish Sewer District One will become an obligation, effective January 1, 2017, of the merged district.
- The District had responsibility for joint payment, by Local Service Agreement with Livingston Parish Sewer District Two, for payment of the December 22, 2009, Series 2009 Revenue Bonds issued at \$2,500,000 by the Livingston Parish Council (the Council) on behalf of Livingston Parish Sewer District Two relating to lift station repairs and refurbishments. The Local Service Agreement between Livingston Parish Sewer District Two and the Livingston Parish Council required Livingston Parish Sewer District Two to make each of the required monthly principal and interest payments relating to the Bond through maturity. Subsequently, the District and Livingston Parish Sewer District Two entered into a Local Services Agreement obligating the District to a pro-rata share payment of the monthly principal and interest obligations, requiring the District to pay 27% of the monthly obligation. The District made their required payment, totaling \$45,438 for the fiscal year ended.
- On May 19, 2016, Livingston Parish District Two issued \$2,200,000 of Revenue Refunding Bonds, Series 2016. The purpose of the Series 2016 bonds issued by the Livingston Parish Sewer District No. 2 were to partially refund the Series 2009 bonds of the Livingston Parish Council. The Series 2016 bonds issued at \$2,200,00 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 1.25% to 4%, with principal and interest installments beginning on May 19, 2016, to maturity on March 1, 2039. The obligation of Livingston Sewer District One was continued to pay 30% of the monthly obligation. However, this was a partial refunding of the Series 2009 Livingston Parish Council debt, and the remaining debt remains an obligation of Livingston Parish Sewer District Two and Livingston Parish Sewer District One. The remaining combined obligations of the Series 2009 bond issue were \$137,041 for 2016, with remaining obligations consisting of \$60,900 for 2017, \$63,600 for 2018, and \$61,200 for 2019.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

- By Local Service Agreement, the District also has responsibility for payment of part of the Series 2012 \$15,900,000 debt issue of the Livingston Parish Sewer District Two, as detailed in *Footnote 13 – Other Commitments and Contingencies*. The percentage payment by the District, required at 33% of the debt obligation, was paid by the District at \$278,867.

Rate Covenant - Debt Service Coverage and Rates: With the District's obligation for payment of bond issues of the Livingston Parish Council noted above, and the obligation by Local Service Agreement for partial payment of the Series 2016 Revenue Refunding Bonds, and the Series 2016 Revenue Refunding Bonds issued by Livingston Parish Sewer District Two, the District agreed to comply with bond covenants of these bonds. Pursuant to the Local Services Agreement executed between Livingston Parish Sewer District One and Livingston Parish Sewer District Two, an additional Rate Covenant for Debt Service Coverage applies to Livingston Sewer District One. With the issuance of the Series 2012 and the Series 2016 Revenue Refunding Bonds, issued in the name of Livingston Parish Sewer District Two, Livingston Parish Sewer District One (the District) covenants to fix, establish, maintain, and collect, so long as any principal and interest is unpaid on the Bonds, such Revenues in each Fiscal Year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the District One System in each Fiscal Year; (ii) provide Net Revenues in an amount sufficient to make required deposits and payments established for the benefit of its parity obligations and its pro rata payments of the principal and interest on the Bonds; (iii) provide Net Revenues in an amount equal to 125% of the required deposits to the sinking funds for the security and payment of the Bonds and any parity obligations; (iv) make all other payments required by the Bonds; and (v) pay all other obligations or indebtedness payable out of its revenues for such Fiscal Year. Sewer District Number One further covenants that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes.

At December 31, 2016 the District's bond covenant ratio was above the required percentage of 125%.

9. Restricted and Designated Net Position

At December 31, 2016, Livingston Parish Sewer District One recorded \$204,773 in Restricted Net Position (Restricted for Capital Activity 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.

10. Intergovernmental Agreement

Billing services for the District are contracted to the City of Denham Springs and Ward Two Water District of Livingston Parish. In addition, the District maintains contracts for sewer maintenance, primarily with Livingston Parish Sewer District Two, and paid a total of \$382,336 to outside parties for sewer maintenance and billing charges for the fiscal year ending December 31, 2016.

11. Risk Management

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

12. Litigation

According to the District's legal counsel, there is no pending litigation against Livingston Parish Sewer District One.

Livingston Parish Sewer District One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2016
(with 2015 summarized comparative information)

13. Other Contingencies and Commitments

The District's obligation for payment, by Local Service Agreement with Livingston Parish Sewer District Two, for obligations related to the payment of debt issued by the Livingston Parish Council are as described in *Footnote 8 – Flow of Funds, Restrictions on Use*. The District met their obligation to pay their required payment for the Series 2009 debt of the Livingston Parish Council for the fiscal year ended, paying a total of \$45,438. The Series 2009 bonds of the Livingston Parish Council, were partially refunded by the Series 2016 Revenue Refunding Bonds, issued May 19, 2016 at \$2,200,000, by Livingston Parish Sewer District Two. With the issuance of the Series 2016 bonds by Livingston Parish Sewer District Two, the District by Local Service Agreement, agreed to pay 30% of the debt obligation. However, this was a partial refunding of the Series 2009 Livingston Parish Council debt, and the remaining debt remains an obligation of Livingston Parish Sewer District Two and Livingston Parish Sewer District One. The remaining combined obligations of the Series 2009 bond issue were \$137,041 for 2016, with remaining obligations consisting of \$60,900 for 2017, \$63,600 for 2018, and \$61,200 for 2019. The rate that Livingston Sewer District One pays to Livingston Parish Sewer District Two for system maintenance and repair decreased from \$18 per customer, to \$16 per customer.

On November 14, 2012, Livingston Parish Sewer District Two secured financing for \$15,900,000 of Revenue Bonds. The Series 2012 Ward Two Sewer District Expansion bonds provide financing for construction improvements for both Livingston Parish Sewer District Two and Sewer District One. Construction improvements for this project totaled \$14,009,004 (recorded on the books of Livingston Sewer District Two) at December 31, 2016, and it is anticipated that 33% of the construction expenditures will benefit Livingston Parish Sewer District One. By cooperative agreement, Livingston Parish Sewer District One will assume responsibility for payment of debt installments in proportion to the construction costs benefitting each district. The first installment of principal and interest became due on March 1, 2013, with both sewer districts paying their proportionate shares. During the fiscal year ending December 31, 2016, Livingston Parish Sewer District One recorded a total of \$278,867 for their portion of the Series 2012 principal and interest payments.

14. Subsequent Events

Subsequent events have been evaluated by management through June 30, 2017, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events, other than those listed below, were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2016.

As of January 1, 2017, the operations of Livingston Parish Sewer District One was merged and consolidated into Livingston Parish Sewer District Two. On November 8, 2016, voters authorized the consolidation of operations of Sewerage District No. 1 of Livingston Parish and Sewerage District No. 2 of Livingston Parish. The proposition stated that in order to consolidate operations, achieve maximum budget efficiency and reduce the costs of operations, that the two Districts be granted the authority to merge in accordance with Article VI, Section 16 of the Constitution of the State of Louisiana of 1974. On December 15, 2016, the District, after consultation with legal services and the Louisiana Legislative Auditor, approved a motion to approve the merger, effective January 1, 2017.

Other Supplemental Information

Livingston Parish Sewer District One
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (GAAP Basis) and Actual
For the year ended December 31, 2016
With comparative amounts for the fiscal year ended December 31, 2015

	2016 Budget	2016 Actual	Variance Favorable (Unfavorable)	2015 Actual
Operating Revenues				
Sewer Fees	\$ 1,092,000	\$ 1,082,040	\$ (9,960)	\$ 978,965
Permits & Inspection Fees	6,000	6,675	675	6,500
User Fees	40,000	45,520	5,520	37,795
Impact Fees	219,000	245,458	26,458	57,285
Miscellaneous Income	500	420	(80)	600
Total Operating Revenues	<u>1,357,500</u>	<u>1,380,113</u>	<u>22,613</u>	<u>1,081,145</u>
Operating Expenses				
Per Diem	5,500	5,800	(300)	5,000
Billing Costs	8,500	8,101	399	7,095
Depreciation	61,000	62,538	(1,538)	60,555
Insurance	41,000	50,540	(9,540)	40,268
Other	4,350	4,102	248	1,946
Professional Fees	45,000	40,708	4,292	46,511
Repairs and Maintenance	521,000	571,051	(50,051)	533,993
Supplies	12,000	8,452	3,548	12,172
Utilities	250	176	74	62,928
Total Operating Expenses	<u>698,600</u>	<u>751,468</u>	<u>(52,868)</u>	<u>770,468</u>
Operating Income (Loss)	<u>658,900</u>	<u>628,645</u>	<u>(30,255)</u>	<u>310,677</u>
Nonoperating Revenues (Expenses)				
Interest Income	500	513	13	535
Interest Expense	(6,500)	(5,440)	1,060	(6,509)
Transfer for Livingston Parish Council Debt Oblig.	(44,000)	(45,438)	(1,438)	(43,840)
Transfer for Series 2012 Bonds	(300,500)	(278,867)	21,633	(279,740)
Flood Expenses	(1,200)	(1,145)	55	-
Total Nonoperating Revenues (Expenses)	<u>(351,700)</u>	<u>(330,377)</u>	<u>21,323</u>	<u>(329,554)</u>
Change in Net Position	<u>307,200</u>	<u>298,268</u>	<u>(8,932)</u>	<u>(18,877)</u>
Total Net Position, Beginning				
Before Prior Period Adjustment	1,166,995	1,166,995	-	1,081,372
Prior Period Adjustment	-	-	-	104,500
After Prior Period Adjustment	<u>1,166,995</u>	<u>1,166,995</u>	<u>-</u>	<u>1,185,872</u>
Total Net Position, Ending	<u>\$ 1,474,195</u>	<u>\$ 1,465,263</u>	<u>\$ (8,932)</u>	<u>\$ 1,166,995</u>

See independent auditor's report.

Livingston Parish Sewer District One
Schedule of Compensation Paid to Board of Commissioners

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Brian Lubecke, Chairman (225) 964-1717	9414 Lockhart Road Denham Springs, LA 70726	\$ 1,100	Appointed 2014 - Until Re-appointed
Joseph Grasso (225) 413-9274	10486 Sherrie Lane Denham Springs, LA 70726	1,500	Appointed 2014 - Until Re-appointed
Chad W. Pope (225) 665-9118	30847 Dum Rd Denham Springs, LA 70726	1,100	Appointed 2015 - Until Re-appointed
Gerald Burns (225) 665-7216	28630 Juban Road Denham Springs, LA 70726	600	Resigned 19-May-16
Brian Savoy (225) 268-3104	24700 Joe May Rd Denham Springs, LA 70726	700	Appointed 2015 - Until Re-appointed
Tommy Jarreau (225) 788-9984	28943 Juban Road Denham Springs, LA 70726	800	Appointed May 2016 Until Re-appointed
		<u>\$ 5,800</u>	

See independent auditor's report.

Schedule 4

**Livingston Parish Sewer District One
Schedule of Compensation, Benefits, and Other Payments to Agency Head**

Agency Head Name: Brian Lubecke, Chairman

<u>Purpose</u>	<u>Amount</u>
Board Member Per Diem	\$ 1,100
	\$ 1,100

See independent auditor's report.

Schedule 5

**Livingston Parish Sewer District One
Schedule of Sewer Customers and Sewer Rates
For the year ended December 31, 2016**

	<u>12/31/16</u>	<u>12/31/15</u>	Increase (Decrease)
Customers	1,897	1,860	37
Total Customers	<u>1,897</u>	<u>1,860</u>	<u>37</u>

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

See independent auditor's report.

Schedule of Audit Findings and Resolution

**Livingston Parish Sewer District One
Schedule of Findings and Questioned Costs
As of and for the Year Ended December 31, 2016**

Part I: Summary of Auditor’s Results

Financial Statements

Type of Auditor’s Report Issued: Unqualified.

Internal Control Over Financial Reporting:

Material Weakness(es) Identified:	No
Significant Deficiency(ies) that are not considered to be Material Weaknesses:	No
Noncompliance Material to the Financial Statements:	No

Federal Awards

There were no Major Programs for the District for the fiscal year ended December 31, 2016

Part II: Findings which are required to be reported in accordance with generally accepted *Governmental Auditing Standards*:

A. Compliance Findings –

There are no compliance findings within the *Corrective Action Plan for Current Year Audit Findings*.

B. Internal Control Findings -

No internal control findings are included within the *Corrective Action Plan for Current Year Audit Findings*.

Part III: Findings and Questioned Costs for Federal Awards which include audit findings as defined in Section 510(a) of Circular A-133:

N/A.

Part IV: Management Letter Items:

There were no management findings for the District for the fiscal year ending December 31, 2016.

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2016**

Compliance Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2015-C1 (Bond Covenant – Debt Coverage Ratio.)

Type Finding: Significant deficiency not constituting a material weakness.

Description of Finding:

The prior year finding noted for Livingston Parish Sewer District One that the bond debt coverage required ratio was 125%, but that the ratio achieved by the District was only 59%. The bond debt coverage ratio for the fiscal year ending December 31, 2016, exceeded the required ratio of 125%. This finding is resolved.

Corrective Action Taken:

Corrective action is listed as final, since the bond debt coverage ratio exceeded the required ratio of 125% for the fiscal year ended December 31, 2016. This increased ratio is the result of cumulative increases in fees over the past two years, plus a decrease in fees for maintenance and operation paid to Livingston Sewer District No. 2.

Description of Corrective Action Taken:

This finding is resolved.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Internal Control Findings (Reported in Accordance with Government Auditing Standards)

Reference Number: 2015-I1 (Lack of segregation of duties)

Type Finding: Significant deficiency not constituting a material weakness.

Description of Finding: The prior year finding noted that Livingston Parish Sewer District One must demonstrate that activities relating to the receipt and disbursement of funds are properly segregated. We recommended that the District continue to implement compensating controls to ensure the integrity of financial operations.

Corrective Action Taken: Although there was no change in the operation of Livingston Parish Sewer District One for year 2016, this finding is considered resolved, since as of January 1, 2017, the Livingston Parish Sewer District One will be merged with Livingston Parish Sewer District Two. The merger is as described within the *Subsequent Events* footnote. This finding is continued for the separate entity, Livingston Parish Sewer District Two, which operates under the same management structure.

Description of Corrective Action Taken: This finding is considered resolved, but continued as a finding for Livingston Sewer District Two.

(Continued)

**Livingston Parish Sewer District One
Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2016**

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Reference Number: 2015-I3 (Accounts Receivable Documentation).

Type Finding: Significant deficiency constituting a material weakness.

Description of Finding: The prior year finding noted that the District must obtain adequate support from third-party billing agents to determine that accounts receivable and sewer service revenue are reasonably valued.

Corrective Action Taken: A separate entity, Livingston Sewer District Two, manages and operates Livingston Sewer District Number One. The finding for the separate entity notes that the part of the finding, relating to the primary billing agent, is resolved since billing and usage reports, detailed payment data, and changes on customer account changes are provided on a continual basis. The finding for the Livingston Sewer District Two is continued only in relation to the smaller billing agent, since the smaller billing agent provides only a summary payment sheet each month. However, since the finding is continued for the separate entity, and since Livingston Sewer District One will be merged into Livingston Sewer District Two as of January 1, 2017 as described in the Subsequent Events footnote, this finding is considered resolved for Livingston Sewer District One.

Description of Corrective Action Taken: This finding is considered resolved, but continued as a finding for Livingston Sewer District Two.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Internal Control and Compliance Material to Federal Awards

There were no findings related to federal awards.

Management Findings

No management findings.

(Concluded)

**Livingston Parish Sewer District One
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended December 31, 2016**

Compliance Findings (Reported in Accordance with Government Auditing Standards)

No Compliance Findings for the fiscal year ended December 3, 2016.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Internal Control Findings (Reported in Accordance with Government Auditing Standards)

No Internal Control Findings for the fiscal year ended December 3, 2016.

Contact Person:

Brian Lubecke, Chairman
9414 Lockhart Road
Denham Springs, LA 70726
(225) 964-1717

Internal Control and Compliance Material to Federal Awards

There were no findings related to federal awards.

Management Letter

No management findings

(Concluded)

Bruce C. Harrell, CPA

Dale H. Jones, CPA
Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy Westcott Garcia, CPA
Denise R. LeTard, CPA

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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 FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To Members of the Board of Commissioners
Livingston Parish Sewer District One
Livingston Parish Council
Denham Springs, Louisiana 70727

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Livingston Parish Sewer District One, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Livingston Parish Sewer District One's basic financial statements and have issued our report dated June 30, 2017.

Internal Control Over Financial Reporting

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

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

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

BRUCE HARRELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

To Members of the Board of Commissioners

Livingston Parish Sewer District One

Livingston Parish Council

Page 2

Compliance and Other Matters

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

Purpose of this Report

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



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana

June 30, 2017