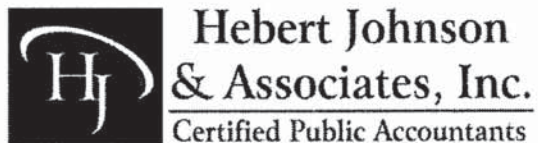


**LIVINGSTON PARISH SEWER DISTRICT
DENHAM SPRINGS, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2021



A Professional Accounting Corporation

Livingston Parish Sewer District

**Annual Financial Statements
As of and for the Year Ended December 31, 2021
With Supplementary Information
(with 2020 summarized comparative information)**

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CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants

Society of Louisiana Certified Public Accountants



**Hebert Johnson
& Associates, Inc.**
Certified Public Accountants

18435 HIGHWAY 22, STE. 2
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

18890 FLORIDA BLVD., STE A
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

A P R O F E S S I O N A L A C C O U N T I N G C O R P O R A T I O N

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Livingston Parish Sewer District, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 the Livingston Parish Sewer District, as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Livingston Parish Sewer District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Livingston Parish Sewer District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee

that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Livingston Parish Sewer District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Livingston Parish Sewer District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The District's December 31, 2020 financial statements were audited by a predecessor auditor. The predecessor auditor expressed a qualified opinion on those audited financial statements in their report dated June 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 information included in the accompanying schedules listed as Other Supplementary Information in the table of contents related to the 2021 financial statements, for the year ended December 31, 2021 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 included in the accompanying schedules listed as Other Supplementary Information in the table of contents related to the 2021 financial statements 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, 2022 on our consideration of the Livingston Parish Sewer 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 provide an opinion on the effectiveness of the District's 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 the Livingston Parish Sewer District's internal control over financial reporting and compliance.

Respectfully Submitted,

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
June 30, 2022

Required Supplementary Information
Management's Discussion and Analysis

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

Introduction

The Livingston Parish Sewer District (the District) is pleased to present its Annual Financial Statements developed in compliance with Government 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, 2021, total assets and deferred outflows were \$102,955,265, and exceeded liabilities in the amount of \$8,115,754 (i.e., net position). Of the total net position, \$729,187 was unrestricted and available to support short-term operations. The net investment in capital assets totaled (\$10,449). The remaining balance was restricted for capital projects activity and debt service.
- The long-term portion of bonds payable increased by \$51,930,126 at December 31, 2021 compared to a decrease of \$679,928 composed of principal payments at the end of the prior fiscal period. This increase was due to a new issuance of revenue bonds in December, 2021, for expansion of the District.
- For the year ended December 31, 2021, operating revenues increased to \$6,326,240 as compared to \$5,437,679 for the fiscal year ending December 31, 2020.
- The District's operating expenses, other than depreciation expense, increased by \$483,165 to \$3,549,158 for fiscal year ending December 31, 2021 as compared to \$3,065,993 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$124,247, supplies of \$34,423, salaries and wages/group insurance of \$158,440, fuel of \$16,963 and utilities of \$99,631.
- The District showed a decrease in net position of \$413,477 for the fiscal year ended December 31, 2021, as compared to an increase of \$348,559 for the fiscal year ending December 31, 2020. The decrease in 2021 net position resulted mainly from realizing bond issuance cost of \$1,333,196

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

Overview of the Annual Financial Report

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

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

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

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

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

Financial Analysis

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

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

Condensed Statements of Net Position 2021 and 2020

	2021	2020 (Restated)	Dollar Change	Percentage Change
Assets:				
Current and Other Assets	\$ 70,708,430	\$ 7,371,564	\$ 63,336,866	859%
Capital Assets	31,986,513	31,971,457	15,056	0%
Total Assets	102,694,943	39,343,021	63,351,922	161%
Deferred Outflows of Resources				
Refunding of Debt	43,590	45,485	(1,895)	-4%
Asset Retirement Obligation - Sewer	216,732	228,772	(12,040)	-5%
Total Deferred Outflows of Resources	260,322	274,257	(1,895)	-1%
Liabilities:				
Long-Term Debt Outstanding	80,794,222	28,864,096	51,930,126	180%
Other Liabilities	14,045,289	2,223,951	11,821,338	532%
Total Liabilities	94,839,511	31,088,047	63,751,464	205%
Net Position:				
Net Investment in Capital Assets	(10,449)	4,183,283	(4,193,732)	-100%
Restricted for Capital Activity and Debt Service	4,481,632	1,821,954	2,659,678	146%
Unrestricted	3,644,571	2,523,994	1,120,577	44%
Total Net Position	\$ 8,115,754	\$ 8,529,231	\$ (413,477)	-5%

The major component of change for "Current and Other Assets" is an increase in restricted cash of \$61,888,520 for sewer expansion construction related to a new Series 2021 construction bond funds.

"Capital Assets" increased by \$15,056, reflecting primarily asset additions of \$793,423 and construction in progress additions of \$375,693 less the depreciation recorded on capital assets of \$1,154,060 for the fiscal year ending December 31, 2021. Capital asset increases included \$610,632 in sewer system improvements, \$55,763 for vehicles, \$127,028 for various equipment and improvements, and \$670,551 for construction in progress additions relating to the southern expansion project.

"Total Net Position" (total assets less total liabilities) decreased \$413,477 for the fiscal year ended December 31, 2021, compared to an increase of \$348,559 for the fiscal year ending December 31, 2020.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2021	Year ended December 31, 2020 (Restated)	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 6,326,240	\$ 5,437,679	\$ 888,561	5%
Nonoperating Revenues	938,111	93,393	844,718	-92%
Total Revenues	<u>7,264,351</u>	<u>5,531,072</u>	<u>1,733,279</u>	-12%
Expenses:				
Depreciation Expense	1,154,060	1,089,199	64,861	9%
Other Operating Expense	3,549,158	3,065,993	483,165	6%
Nonoperating Expense	2,974,610	1,027,321	1,947,289	-18%
Total Expenses	<u>7,677,828</u>	<u>5,182,513</u>	<u>2,495,315</u>	1%
Changes in Net Position	<u>(413,477)</u>	<u>348,559</u>	<u>(762,036)</u>	-69%
Net Position, Beginning	<u>8,529,231</u>	<u>7,859,509</u>	<u>669,722</u>	16%
Prior Period Adjustments (Note 14)	<u>-</u>	<u>321,163</u>		
Total Adjusted Net Position, Beginning	<u>8,529,231</u>	<u>8,180,672</u>		
Ending Net Position	<u>\$ 8,115,754</u>	<u>\$ 8,529,231</u>	<u>\$ (92,314)</u>	4%

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

Total "Operating Revenues" (including sewer sales and revenues related to providing sewer maintenance fees and impact fees) increased by \$888,561 primarily due to an increase of \$400,140 in impact fees, \$68,755 in user-hookup fees, and \$443,391 in sewer fees. Non-operating revenues increased \$844,718 due to increases of \$508,087 in FEMA reimbursements, \$409,560 in storm insurance proceeds along with a decrease of \$48,513 in interest income.

Total "Operating Expenses", other than depreciation expense, increased by \$483,165 to \$3,549,158 for fiscal year ending December 31, 2021 as compared to \$3,065,993 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$124,247, supplies of \$34,423, salaries and wages-group insurance of \$158,440, fuel of \$16,963 and utilities of \$99,631.

Total "Non-operating Expense" increased by \$1,947,289. This increase was due primarily to increases in bond issuance cost of \$1,333,196, interest expense of \$275,400, and increases in storm expenses of \$338,693.

The District showed a decrease of \$413,477 (change in net position) for the fiscal year ending December 31, 2021, as compared to an increase of \$348,559 for the fiscal year ending December 31, 2020.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

Budgetary Highlights

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

Budget vs. Actual - Fiscal Year ended December 31, 2021

	Budget Year ended December 31, 2021	Actual Year ended December 31, 2021	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 6,090,300	\$ 6,326,240	\$ 235,940
Nonoperating Revenues	125,700	938,111	812,411
Total Revenues	<u>6,216,000</u>	<u>7,264,351</u>	<u>1,048,351</u>
Expenses:			
Depreciation Expense	1,010,000	1,154,060	(144,060)
Other Operating Expense	3,181,000	3,549,158	(368,158)
Nonoperating Expense	1,618,400	2,974,610	(1,356,210)
Total Expenses	<u>5,809,400</u>	<u>7,677,828</u>	<u>(1,868,428)</u>
Change in Net Position	<u>\$ 406,600</u>	<u>\$ (413,477)</u>	<u>\$ (820,077)</u>

Actual revenues exceeded budgeted revenues by approximately 17% or \$1,048,351, and actual expenses were above their projection of expenses by approximately 32% or \$1,868,428 (bond issuance cost recognized of \$1,333,196 comprising the large difference).

Other Significant Trends and Account Changes

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

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

General Operating Data

	December 31, 2021	December 31, 2020	Increase (Decrease)
Customers	9,326	8,310	1,016
Total Customers	9,326	8,310	1,016

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2021, Livingston Parish Sewer District had \$31,986,513 (net of accumulated depreciation) recorded in capital assets. This includes sewer line systems and improvements, land, buildings, machinery and equipment, and vehicles used to operate the sewerage system. The changes in capital assets are presented in the table below.

	December 31, 2021	December 31, 2020	Increase (Decrease)	Percentage Change
Capital Assets				
Buildings	\$ 580,858	\$ 580,858	\$ -	0%
Machinery & Equipment	2,262,524	2,135,496	127,028	23%
Utility System	33,876,089	33,265,457	610,632	1%
Vehicles	807,966	752,203	55,763	126%
Subtotal	37,527,437	36,734,014	793,423	3%
Less: Accumulated Depreciation	(13,218,617)	(12,064,557)	(1,154,060)	-10%
Capital Assets Being Depreciated, Net	24,308,820	24,669,457	(360,637)	0%
Land	193,566	193,566	-	0%
Construction in Progress	7,484,127	7,108,434	375,693	214%
Net Capital Assets	\$ 31,986,513	\$ 31,971,457	\$ 15,056	18%

“Capital Assets” increased by \$4,904,890, reflecting primarily asset additions of \$5,994,089 less the depreciation recorded on capital assets of \$1,089,199 for the fiscal year ending December 31, 2020. Capital asset increases included \$335,260 in sewer system improvements, \$419,073 for vehicles, \$395,348 for various equipment and improvements, and \$4,844,408 for construction in progress relating to the southern expansion project.

Long-Term Offerings

The primary source of long-term financing for Livingston Parish Sewer District are bonds issued through private lenders. A new issuance of refinanced Refunding Bonds was accomplished in May of 2021 for favorable interest rates and the retirement of previous bonds. In 2021, a new \$50,000,000 expansion bond was issued in December, 2021 in order to handle the immediate growth in the northern and southern regions. The District covenants that net income will be maintained at a sufficient level to cover all operating and maintenance expenses and to cover bond requirements including debt installments and bond deposit requirements agreed to with the issuance of revenue bonds for the District.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2021

The reader should refer to *Footnote 7 – Flow of Funds Restrictions on Use* and *Footnote 13 – Other Commitments and Contingencies* for a discussion of the District's compliance to bond covenants. The District for the fiscal year ending December 31, 2021 complied with bond covenants requiring a 125% ratio of Net Revenues to bond deposit requirements.

Future Economic Plans

The Livingston Parish Sewer District's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. The Board's emphasis is on providing services at the lowest cost available and to actively pursue projects that result in better service for customers. Future expansions in the eastern and northern regions of the District along with continued expansion in the southern region will be included in serving new customers in these areas in the next five years.

Requests for Information

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

Financial Statements

Livingston Parish Sewer District
Statement of Net Position
As of December 31, 2021
(with 2020 summarized comparative information)

	2021	2020 (Restated)
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 2,405,798	\$ 1,855,494
Receivables, Net :		
Accounts	607,321	28,948
Due From Other Governments	808,752	363,953
Prepaid Insurance	37,896	387,598
Total Current Assets	3,859,767	2,635,993
Restricted Assets:		
Restricted Cash and Cash Equivalents	66,395,282	4,506,762
Total Restricted Assets	66,395,282	4,506,762
Property, Plant, and Equipment		
Land	193,566	193,566
Construction in Progress	7,484,127	7,108,434
Property, Plant and Equipment, Net	24,308,820	24,669,457
Total Property, Plant, and Equipment	31,986,513	31,971,457
Other Assets		
Prepaid Bond Insurance Costs, Net	451,112	226,540
Meter Deposits	2,269	2,269
Total Other Assets	453,381	228,809
Total Assets	102,694,943	39,343,021
Deferred Outflows of Resources		
Asset Retirement Obligation - Sewer Plants	216,732	228,772
Refunding of Debt	43,590	45,485
Total Deferred Outflows of Resources	260,322	274,257
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	117,856	155,662
Accrued Vacation	40,360	27,997
Other Accrued Payables	14,673	11,044
Asset Retirement Obligation Liability	90,813	90,813
Due To Other Governments	-	531
Total Current Liabilities (Payable From Current Assets)	263,702	286,047
Current Liabilities (Payable From Restricted Assets):		
Construction Payable	327,899	927,886
Bond Issuance Payable	11,373	-
Accrued Interest Payable	484,315	329,018
Revenue Bonds Payable	12,958,000	681,000
Total Current Liabilities (Payable From Restricted Assets)	13,781,587	1,937,904
Long Term Liabilities:		
Bonds Payable	80,794,222	28,864,096
Total Long Term Liabilities	80,794,222	28,864,096
Total Liabilities	94,839,511	31,088,047
Net Position		
Net Investment in Capital Assets	(10,449)	4,183,283
Restricted for:		
Capital Projects and Debt Service	4,481,632	1,821,954
Unrestricted	3,644,571	2,523,994
Total Net Position	\$ 8,115,754	\$ 8,529,231

The accompanying notes are an integral part of this statement.

Statement B

Livingston Parish Sewer District
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2021
(with 2020 summarized comparative information)

	<u>2021</u>	<u>2020</u> (Restated)
Operating Revenues		
Sewer Fees	\$ 5,037,557	\$ 4,594,166
Permits & Inspection Fees	53,240	65,781
User & Hook-up Fees	197,829	129,074
Impact Fees	1,006,774	606,634
Other Operating Income	30,840	42,024
Total Operating Revenues	<u>6,326,240</u>	<u>5,437,679</u>
Operating Expenses		
Salaries and Wages	688,014	627,101
Payroll Taxes & Group Insurance	244,174	146,647
Per Diem	5,800	6,600
Amortization-Prepaid Bond Insurance	12,185	10,144
Bad Debts	13,403	6,729
Depreciation	1,154,060	1,089,199
Fuel/Oil-Trucks	67,782	50,819
Insurance	154,350	134,472
Licenses & Permits	21,837	12,713
Office Expense	6,697	6,217
Other	134,146	153,802
Professional Fees	147,923	126,116
Repairs and Maintenance	1,281,361	1,157,114
Supplies	250,126	215,703
Telephone	27,256	17,947
Uniform Expense	15,899	15,295
Utilities	478,205	378,574
Total Operating Expenses	<u>4,703,218</u>	<u>4,155,192</u>
Operating Income (Loss)	<u>1,623,022</u>	<u>1,282,487</u>
Nonoperating Revenues (Expenses)		
Interest Income	3,733	52,246
FEMA Reimbursement	524,818	16,731
Interest Expense	(1,224,242)	(948,842)
Bond Issuance Cost	(1,333,196)	-
Insurance Proceeds	409,560	-
Storm Expense	(417,172)	(78,479)
CARES Act Funds	-	24,416
Total Nonoperating Revenues (Expenses)	<u>(2,036,499)</u>	<u>(933,928)</u>
Change in Net Position	<u>(413,477)</u>	<u>348,559</u>
Total Net Position, Beginning	8,529,231	7,859,509
Prior Period Adjustment (Note 14)	-	321,163
Total Adjusted Net Position, Beginning	<u>8,529,231</u>	<u>8,180,672</u>
Total Net Position, Ending	<u>\$ 8,115,754</u>	<u>\$ 8,529,231</u>

The accompanying notes are an integral part of this statement.

Livingston Parish Sewer District
Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2021
(with 2020 summarized comparative information)

	<u>2021</u>	<u>2020</u> (Restated)
Cash Flows From Operating Activities		
Received From Customers	\$ 5,717,027	\$ 5,297,702
Other Receipts	30,840	156,092
Payments for Operations	(2,280,848)	(2,401,524)
Payments to Employees	(916,197)	(742,446)
Net Cash Provided by Operating Activities	<u>2,550,822</u>	<u>2,309,824</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Storm and Flood Expenses	(417,172)	(78,479)
Proceeds from Insurance Reimbursements	409,560	-
Proceeds from Grants	80,019	24,416
(Payments for) Livingston Parish Council Debt Obligation	(531)	531
(Payments for) Capital Acquisitions	(1,769,103)	(5,334,192)
Principal Proceeds from (Repayments for) Long Term Debt	64,207,126	(553,928)
Deferred Outflows for Refunding	1,895	1,895
Debt Issue Cost Payments	(1,321,823)	-
Prepaid Bond Insurance Payments	(236,757)	10,143
Interest Payments for Long Term Debt	(1,068,945)	(972,718)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>59,884,269</u>	<u>(6,902,332)</u>
Cash Flows From Investing Activities		
Receipt of Interest	3,733	52,246
Proceeds from sale (Payments) for Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>3,733</u>	<u>52,246</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	62,438,824	(4,540,262)
Cash and Cash Equivalents, Beginning of Year	6,362,256	10,902,518
Cash and Cash Equivalents, End of Year	<u>\$ 68,801,080</u>	<u>\$ 6,362,256</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 2,405,798	\$ 1,855,494
Cash and Cash Equivalents, Restricted	66,395,282	4,506,762
Total Cash and Cash Equivalents	<u>\$ 68,801,080</u>	<u>\$ 6,362,256</u>

(Continued)

The accompanying notes are an integral part of this statement.

Livingston Parish Sewer District
Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2021
(with 2020 summarized comparative information)

	<u>2021</u>	<u>2020</u>
		(Restated)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 1,623,022	\$ 1,282,487
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,178,286	1,111,384
(Increase) decrease in Accounts Receivable	(578,373)	(97,953)
(Increase) decrease in Prepaid Insurance	349,702	2,956
(Increase) decrease in Other Assets	-	118,000
(Increase) decrease in Due (to) and from Other Governments	-	(3,932)
Increase (decrease) in Accounts Payable	(37,806)	(8,690)
Increase (decrease) in Accrued Expenses	15,991	(94,428)
Net Cash Provided by Operating Activities	<u>\$ 2,550,822</u>	<u>\$ 2,309,824</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Notes to the Financial Statements

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)

Introduction

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Government 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

Livingston Parish Sewer District
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position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote 1, Section J – Net Position*. As required by the Government Accounting Standards Board (GASB), the District implemented GASB Statement No. 63 during the year ending December 31, 2012. The District did not have any deferred inflows at December 31, 2021. At December 31, 2021 the District has deferred outflows for debt refunding of \$43,590 and for an asset retirement obligation for sewer packing plants of \$216,732.

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

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

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

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

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

B. Cash and Cash Equivalents and Investments

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

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)

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 for the District are reported at fair market value. 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.

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

As of December 31, 2021 the District had no investments.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Inventories are valued at cost using the first-in, first-out method. As of December 31, 2021, 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. Also impact fees received for expansion are restricted by enabling legislation.

G. Capital Assets

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Effective for fiscal year 2019, the District no longer capitalizes interest during the construction period on a prospective basis as per GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

H. Compensated Absences

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

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

I. Long-Term Debt Obligations

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

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

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

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

The District had bond issue costs of \$1,333,196 for the fiscal year ended December 31, 2021.

J. Net Position

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

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

**Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)**

- **Unrestricted Component of Net Position** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2020, 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, if any, recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

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

M. Estimates

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

2. Cash and Cash Equivalents

At December 31, 2021, the District has cash and cash equivalents (book balances) as follows:

	December 31, 2021
Demand Deposits	\$ 4,194,660
Trust Funds	64,606,420
	\$ 68,801,080

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

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial risk. At December 31, 2021, the District has \$69,077,186 in cash and cash equivalent deposits (collected bank balances), consisting of \$4,470,757 in demand deposits and \$64,606,429 in Trust Funds. The demand deposits are held in two banks. Demand deposits in one bank of \$4,009,239 are secured from risk by \$250,000 of federal deposit insurance and \$3,759,239 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The \$3,759,239 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The demand deposits in the second bank of \$461,518 are secured from risk by \$250,000 of federal deposit insurance. and \$211,518 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The \$211,518 is exposed to custodial credit risk. The \$64,606,428 of Trust Funds is fully collateralized by the Trust Fund department of the participating bank.

3. Receivables

At December 31, 2021, the District recorded \$607,321 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.

4. Restricted Assets

The following is a summary of restricted assets at December 31, 2021:

	December 31, 2021
Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 183,150
Bond Contingency Account	26,980
Bond Sinking Account	4,360,688
Bond Proceed Fund	11,374
Impact Fee Fund	441,140
Construction Expansion Fund	48,998,650
Cash Bond Escrow Account	12,373,300
Total Restricted Assets	<u>\$ 66,395,282</u>

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2021 is as follows:

	<u>Beginning Balance 12/31/20</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/21</u>
Capital Assets Being Depreciated				
Buildings	\$ 580,858	\$ -	\$ -	\$ 580,858
Machinery and Equipment	2,135,496	127,028	-	2,262,524
Utility System	33,265,457	610,632	-	33,876,089
Vehicles	752,203	55,763	-	807,966
Total Capital Assets Being Depreciated	<u>36,734,014</u>	<u>793,423</u>	<u>-</u>	<u>37,527,437</u>
Less Accumulated Depreciation	<u>(12,064,557)</u>	<u>(1,154,060)</u>	<u>-</u>	<u>(13,218,617)</u>
Capital Assets Being Depreciated, Net	<u>24,669,457</u>	<u>(360,637)</u>	<u>-</u>	<u>24,308,820</u>
Land	193,566	-	-	193,566
Construction in Progress	7,108,434	670,551	(294,858)	7,484,127
Total Capital Assets, Net	<u>\$ 31,971,457</u>	<u>\$ 309,914</u>	<u>\$ (294,858)</u>	<u>\$ 31,986,513</u>

Depreciation expense for the fiscal year ending December 31, 2021, totaled \$1,154,060. Capital asset increases included \$610,632 in sewer system improvements, \$55,763 for vehicles, \$65,028 for various equipment and improvements, and \$670,551 for construction in progress relating to the southern expansion project.

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2021:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
Revenue Refunding Bonds, Series 2012	\$ 211,000	\$ -	\$ (51,000)	\$ 160,000	\$ 53,000
Sewer Expansion Bonds, Series 2012	13,035,000	-	(425,000)	12,610,000	12,610,000
Revenue Refunding Bonds, Series 2016	2,060,000	-	(85,000)	1,975,000	85,000
Revenue Bonds, Series 2018	10,315,000	-	-	10,315,000	-
Revenue Refunding Bonds, Series 2019	3,980,000	-	(120,000)	3,860,000	120,000
Revenue Refunding Bonds Series 2021	-	12,915,000	-	12,915,000	90,000
Revenue Bonds, Series 2021	-	50,000,000	-	50,000,000	-
Total Long-Term Debt	<u>29,601,000</u>	<u>62,915,000</u>	<u>(681,000)</u>	<u>91,835,000</u>	<u>12,958,000</u>
Plus:					
Unamortized Premium (Discount)	<u>(55,904)</u>	<u>2,006,475</u>	<u>(33,349)</u>	<u>1,917,222</u>	<u>54,426</u>
Total Long-Term Debt	<u>\$ 29,545,096</u>	<u>\$ 64,921,475</u>	<u>\$ (714,349)</u>	<u>\$ 93,752,222</u>	<u>\$ 13,012,426</u>

Livingston Parish Sewer District
Notes to the Financial Statements
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The annual requirements to amortize all debt outstanding as of December 31, 2021, including interest payments of \$49,055,324 are as follows:

Year Ending 12/31/20	Series 2012 Revenue Refunding Bonds \$572,000			Series 2012 Sewer Expansion Bonds \$15,900,000			Series 2016 Revenue Refunding Bonds \$2,200,000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 53,000	\$ 3,805	\$ 56,805	\$ 12,610,000	\$ 207,602	\$ 12,817,602	\$ 85,000	\$ 61,720	\$ 146,720
2023	54,000	2,280	56,280	-	-	-	85,000	60,275	145,275
2024	53,000	755	53,755	-	-	-	90,000	58,700	148,700
2025	-	-	-	-	-	-	90,000	56,967	146,967
2026	-	-	-	-	-	-	90,000	55,123	145,123
2027 to 2031	-	-	-	-	-	-	505,000	222,100	727,100
2032 to 2036	-	-	-	-	-	-	610,000	121,575	731,575
2037 to 2041	-	-	-	-	-	-	420,000	21,600	441,600
2042 to 2046	-	-	-	-	-	-	-	-	-
2047 to 2051	-	-	-	-	-	-	-	-	-
2052 to 2056	-	-	-	-	-	-	-	-	-
	<u>\$ 160,000</u>	<u>\$ 6,840</u>	<u>\$ 166,840</u>	<u>\$ 12,610,000</u>	<u>\$ 207,602</u>	<u>\$ 12,817,602</u>	<u>\$ 1,975,000</u>	<u>\$ 658,060</u>	<u>\$ 2,633,060</u>

Year Ending 12/31/20	Series 2018 Sewer Revenue Bonds \$10,315,000			Series 2019 Revenue Refunding Bonds \$3,980,000			Series 2021 Revenue Refunding Bonds \$12,915,000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ -	\$ 376,349	\$ 376,349	\$ 120,000	\$ 111,825	\$ 231,825	\$ 90,000	\$ 295,224	\$ 385,224
2023	-	376,349	376,349	125,000	108,150	233,150	535,000	293,479	828,479
2024	-	376,349	376,349	125,000	104,400	229,400	540,000	289,713	829,713
2025	50,000	375,599	425,599	130,000	100,575	230,575	545,000	284,692	829,692
2026	50,000	374,099	424,099	135,000	96,600	231,600	555,000	278,416	833,416
2027 to 2031	305,000	1,844,010	2,149,010	730,000	425,400	1,155,400	2,895,000	1,251,463	4,146,463
2032 to 2036	360,000	1,788,055	2,148,055	850,000	312,000	1,162,000	3,240,000	889,898	4,129,898
2037 to 2041	760,000	1,705,429	2,465,429	985,000	174,825	1,159,825	3,705,000	406,080	4,111,080
2042 to 2046	5,560,000	1,216,405	6,776,405	660,000	30,000	690,000	810,000	11,075	821,075
2047 to 2051	3,230,000	120,619	3,350,619	-	-	-	-	-	-
2052 to 2056	-	-	-	-	-	-	-	-	-
	<u>\$ 10,315,000</u>	<u>\$ 8,553,263</u>	<u>\$ 18,868,263</u>	<u>\$ 3,860,000</u>	<u>\$ 1,463,775</u>	<u>\$ 5,323,775</u>	<u>\$ 12,915,000</u>	<u>\$ 4,000,040</u>	<u>\$ 16,915,040</u>

Year Ending 12/31/20	Series 2021 Sewer Revenue Bonds \$12,915,000			Total		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ -	\$ 307,733	\$ 307,733	\$ 12,958,000	\$ 1,364,258	\$ 14,322,258
2023	-	1,457,681	1,457,681	799,000	2,298,214	3,097,214
2024	-	1,457,681	1,457,681	808,000	2,287,598	3,095,598
2025	250,000	1,457,681	1,707,681	1,065,000	2,275,514	3,340,514
2026	680,000	1,447,681	2,127,681	1,510,000	2,251,919	3,761,919
2027 to 2031	3,825,000	6,842,605	10,667,605	8,260,000	10,585,578	18,845,578
2032 to 2036	4,550,000	6,106,355	10,656,355	9,610,000	9,217,883	18,827,883
2037 to 2041	5,280,000	5,381,705	10,661,705	11,150,000	7,689,639	18,839,639
2042 to 2046	5,940,000	4,604,780	10,544,780	12,970,000	5,862,260	18,832,260
2047 to 2048	11,920,000	3,655,880	15,575,880	15,150,000	3,776,499	18,926,499
	<u>17,555,000</u>	<u>1,445,962</u>	<u>19,000,962</u>	<u>17,555,000</u>	<u>1,445,962</u>	<u>19,000,962</u>
	<u>\$ 50,000,000</u>	<u>\$ 34,165,744</u>	<u>\$ 84,165,744</u>	<u>\$ 91,835,000</u>	<u>\$ 49,055,324</u>	<u>\$ 140,890,324</u>

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7. Flow of Funds, Restrictions on Use

On February 28, 1984, the District issued \$1,047,000 of United States Farmer's Home Administration (referred to as USDA) Sewer Revenue Bonds. The bonds were issued at an annual interest rate of 5.0%, and were due in installments of \$62,077 through February 28, 2024. These bonds were refunded by the Livingston Parish Sewer District # 2 Revenue Refunding Bonds, Refunding Series 2012, issued on June 28, 2012, at an issue amount of \$572,000. The Series 2012 Refunding Bonds of \$572,000 bonds were issued at an annual interest rate of 2.85%, and are due in annual installments of principal and semi-annual installments of interest expense, with the bonds maturing on March 1, 2024. The proceeds derived from the sale of the Bonds in the amount of \$572,000, along with certain other proceeds of the District as issuer in the amount of \$5,300, provided funding of \$556,154 for the Paying Agent to redeem in full the Series 1984 Bonds, and \$21,146 to pay the costs of issuance of the Bonds. The bond issuance costs totaling \$21,146 were recorded in the fiscal year ending December 31, 2012, as an expense in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Series 2012 Refunding Bonds were issued in parity with the \$4,950,000 Series 2004 Sewerage System Revenue Bonds, and in parity with the Issuer's outstanding obligations under a Local Services Agreement dated December 22, 2009, by and between the Issuer and Parish of Livingston, State of Louisiana, executed in accordance with the issuance by the Local Government Environmental Facilities and Community Development Authority of its \$2,500,000 Revenue Bonds.

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

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

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

The Series 2014 Refunding is categorized as an Advance Refunding since the new debt proceeds were placed with an escrow agent and invested until they are used to pay principal and interest on the debt at a future time. An in-substance defeasance for accounting and reporting purposes is deemed to have occurred since the debtor irrevocably placed cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of interest and principal of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal. For the Advance Refunding, the

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District must report the difference between the reacquisition price and the net carrying amount as a deferred outflow or deferred inflow of resources and recognize the difference as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. Footnote 9 of GASB Statement 62 provides a definition of reacquisition price for an Advance Refunding as the amount that is placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and call premium. A premium or discount pertaining to the new debt is not considered part of the reacquisition price but, instead is a separate item related to and amortized over the life of the new debt. Net Carrying Amount is the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt. For the Series 2014 Refunding, the District recognized a Deferred Outflow of \$49,488, consisting of Reacquisition Price of \$4,483,229 placed in escrow plus less Carrying Amount of \$4,295,000 less reserve funds of \$138,741 applied to the refunding transaction. The Series 2014 Sewer Revenue Bonds were refunded by issuance of the Sewerage System Refunding Bonds, Series 2019, dated December 12, 2019.

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

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

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

Sewerage System Bond and Interest Sinking Fund (the Sinking Fund): Each month the District shall transfer from the Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (which must be a member of the Federal Deposit Insurance Corporation), monthly in advance on or before the 20th day of each month of each year a sum equal to 1/12 of the principal and 1/6 interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principals and interest as the same respectively become due. The \$15,900,000 Series 2012 bonds specify a required payment by the 25th of each month to the Sinking Fund in an amount sufficient in amount to make the principal and interest payments due on the Bonds. Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal and interest on the bond and parity bonds. Said fiscal agent shall make available from the revenue bond sinking fund to the paying agent such funds as are available from the Sinking Fund, at least ten days in advance of the date on which each payment of

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principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

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

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

The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds. The Series 2014 bond refunding required a \$261,300 deposit to the Debt Service Reserve Fund. Required deposits, as detailed above, supplement the \$261,300 deposit. The Reserve Fund was fully funded before being paid off by the Series 2019 Revenue Refunding Bonds dated December 12, 2019.

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

Sewerage System Depreciation and Contingency Fund (the Depreciation and Contingency Fund): Each month the District shall transfer from the Sewerage System Revenue Fund an amount monthly in advance on or before the 20th day of each month of each year beginning with the first month following completion of the improvements and extensions to the System financed with the proceeds of the Bonds, the sum equal to five percent of the amount, for each parity bond, to be paid monthly into the Sinking Fund. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and Reserve Fund. The Depreciation and Contingency Fund was fully funded before being paid off by the Series 2019 Revenue Refunding Bonds dated December 12, 2019.

Bond Debt Coverage Factor: With the issuance of the parity bonds, the District (the Issuer) covenants to fix, establish, maintain and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to (i) pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year; (ii) to provide Net Revenues in an amount sufficient to make deposits in the Sinking Fund and the Reserve Fund established by the

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

For the fiscal year ending December 31, 2021, the computation for the bond debt coverage ratio (Net Revenues to bond deposit requirements) was in compliance with bond provisions requiring the 125% ratio.

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

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

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

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

On December 12, 2019, the District issued \$3,980,000 of Revenue Refunding Bonds, Series 2019. This refunding issue provided for current refunding of the Series 2014 Sewer Revenue Refunding Bonds, originally issued at \$4,625,000. At the time of closing, the Series 2019 bond issue refunded the outstanding principal balance of \$4,265,000 of the Series 2016 bonds. The Series 2019 bonds issued at \$3,980,000 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 2.25% to 3.00%, with interest installments beginning on March 1, 2020 and principal installments beginning on March 1, 2021, to maturity on March 1, 2044. With the issuance of the Series 2019 bonds, the District incurred bond issuance costs of \$133,135. Also incurred were Prepaid Insurance Costs of \$13,717, and \$27,926 related to a bond premium, which are amortized over the life of the bond.

For the Current Refunding, the District must report the difference between the reacquisition price and the net carrying amount as a deferred outflow or deferred inflow of resources and recognize the difference as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. Footnote 9 of GASB Statement 62 provides a definition of reacquisition price for a Current Refunding as the principal amount remaining on the old debt plus any call premium, any unamortized prepaid insurance, and any miscellaneous costs that must be paid to refund the debt currently. A premium or discount pertaining to the new debt is not considered part of the reacquisition price but, instead is a separate item related to and amortized over the life of the new debt. Net Carrying Amount is the amount due at maturity,

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adjusted for any unamortized premium or discount related to the old debt. For current refunding or prior refunding, the deferral of the difference between the net carrying amount of the prior refunding debt and the cost/reacquisition price of the new debt, together with the unamortized balance from the prior refunding. For the Series 2019 Refunding, the District recognized a Deferred Outflow of \$6,706, consisting of Reacquisition Price of \$4,155,000 less Carrying Amount of \$4,161,706. This Deferred Outflow was added to the unamortized Deferred Outflow from Series 2014 Refunding of \$40,674 for a total Deferred Outflow of \$47,380 that will be amortized over the shorter of the original period remaining (300 months) or life of latest refunding (300 months). The balance of the Deferred Outflow at December 31, 2021 was \$43,590.

The bond restrictions are described below.

Sinking Fund: All payments of principal of and interest on the Bonds are expected to be made from the 2019 Debt Service Fund. Such account serves as a debt service fund for the payment of principal of and interest on the Bonds. Amounts deposited into the Debt Service Fund which are required to pay a portion of the next maturing principal of and next due interest on the Bonds are expected to be deposited by the District with the paying agent fifteen days prior to each interest payment date on the Bonds. It is expected that all such amounts (together with investment income thereon) will be used to pay such principal and interest within thirteen months from the date of receipt.

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

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

On May 20, 2021, the District issued \$12,915,000 of Revenue Refunding Bonds, Series 2021. This refunding issue provided for an advanced refunding of the Series 2012 Sewer Revenue Bonds, originally issued at \$15,900,000. The Series 2021 Revenue refunding bonds issue will refund the outstanding principal balance of \$12,610,000 of the Series 2012 bonds. The Series 2021 Revenue Refunding Bonds issued at \$12,915,000 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from .49% to 3.00%, with interest installments beginning on March 1, 2022 and principal installments beginning on March 1, 2022, to maturity on March 1, 2042. With the issuance of the Series 2021 Revenue refunding bonds, the District incurred bond issuance costs of \$297,898. Also incurred were Prepaid Insurance Costs of \$63,426, and \$39,238 related to a bond discount, which are amortized over the life of the bond.

The following shows the net present value benefits and cash savings for the Sewer Revenue Refunding Bonds, Series 2021:

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	354,976
Transfers from Prior Issue Debt Service Fund	(67,388)
Net present Value Benefit	\$ 287,587
Net PV Benefit / \$12,175,000 Refunded Principal	2.362%
Net PV Benefit / \$12,915,000 Refunding Principal	2.227%

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The bond restrictions are described below.

Sinking Fund: All payments of principal of and interest on the Bonds are expected to be made from the 2021 Debt Service Fund. Such account serves as a debt service fund for the payment of principal of and interest on the Bonds. Amounts deposited into the Debt Service Fund which are required to pay a portion of the next maturing principal of and next due interest on the Bonds are expected to be deposited by the District with the paying agent ten days prior to each interest payment date on the Bonds. It is expected that all such amounts (together with investment income thereon) will be used to pay such principal and interest within thirteen months from the date of receipt.

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

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

On December 15, 2021, the District issued \$50,000,000 of Revenue Bonds, Series 2021 for financing the acquisition, construction, extension and improvement of the District's sewerage system (the "Improvement Project"). The Series 2021 bonds issued at \$50,000,000 are payable in annual installments of principal, and semi-annual interest installments with interest rates ranging from 2.5% to 4.0%, with interest installments beginning on March 1, 2022 and principal installments beginning on March 1, 2025, to maturity on March 1, 2056. With the issuance of the Series 2021 bonds, the District incurred bond issuance costs of \$1,023,925. Also incurred were Prepaid Insurance Costs of \$173,332, and \$2,007,799 related to a bond premium, which are amortized over the life of the bond.

Sinking Fund: Each month the District shall transfer from the Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (which must be a member of the Federal Deposit Insurance Corporation), monthly in advance on or before the 20th day of each month of each year a sum equal to 1/12 of the principal and 1/6 interest falling due on the next principal and interest payment date, together with such additional proportionate sum as may be required to pay said principals and interest as the same respectively become due. The \$50,000,000 Series 2021 bonds specify a required payment by the 20th of each month to the Sinking Fund in an amount sufficient in amount to make the principal and interest payments due on the Bonds. It is expected that all such amounts (together with investment income thereon) will be used to pay such principal and interest within thirteen months from the date of receipt.

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

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

Total interest expense from all sewer revenue bonds equaled \$1,224,242 for the year ending December 31, 2021. All bonds are secured by the Net Revenues of the District. The gross sewer revenue recognized during the current period was \$5,288,626.

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8. Asset Retirement Obligation

The District was adopted GASB Statement No. 83 – *Certain Asset Retirement* Obligation for the year ended December 31, 2021. The District recorded an asset retirement obligation related to an DEQ environmental obligation to close sewer treatment plants at the end of service. The original amount recorded was for \$240,813 and will be amortized over twenty years with eighteen years remaining. The amount amortized for the year ended December 31, 2021 and recorded in repairs and maintenance was \$12,041. The unamortized amount of the asset retirement obligation at December 31, 2021 was \$216,732. The asset retirement obligation liability owed at December 31, 2021 is \$90,813.

9. Restricted Net Position

At December 31, 2021, Livingston Parish Sewer District recorded \$4,481,632 in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants and impact fees received for expansion restricted by enabling legislation.

10. Intergovernmental Agreements

Billing services for the District are contracted to the City of Denham Springs and Ward Two Water District of Livingston Parish. The District has a Local Service Agreement with Ward Two Water District for January 1, 2020 through December 31, 2021. The agreement states that Ward Two Water District will collect the monthly service charge, connection fees, and tap fees for sewer services provided by the District less cost of collection and administration. This cost of collection and administration is the sum of \$1.50 per month per connection which are billed by Ward Two Water District, the sum of \$3.00 for each service or connection charge collected on existing taps, the sum of \$8.00 for each new tap fee collected for first time service, and the sum of \$20.00 for each impact fee collected. The District has a Local Service Agreement with the City of Denham Springs. The agreement states that The City of Denham will collect the monthly service charge, connection fees, and tap fees for sewer services provided by the District less cost of collection and administration. This cost of collection and administration is the sum of \$1.00 per month per connection which are billed by the City of Denham.

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

The District is involved in lawsuits and claims in the ordinary course of their operations. It is management's opinion that outstanding claims would not have a material effect on the District's operations.

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13. Other Commitments and Contingencies

During the fiscal year ended December 31, 2019, the District entered into a contract with Alvin Fairburn and Associates for \$1,189,696 for engineering and related items for the southern expansion project of the Series 2018 project. The District has incurred \$1,032,691 in costs related to this contract. There is approximately \$157,005 remaining commitment related to engineering for this project.

During the fiscal year ended December 31, 2020, the District entered into a contract with NCMC, Inc for \$5,227,975 for construction of Phase 5-Buddy Ellis treatment plant for the southern expansion project of the Series 2018 project. The District has incurred \$5,227,975 in costs related to this contract including retainage. There are some addition costs remaining in this project.

14. Prior Period Adjustment

At December 31, 2021, the District had prior period adjustments related to corrections in prior period listed below:

	2021
Beginning Net Position Before Prior Period Adjustments	\$ 8,207,416
Adjustment to Record Accrued Interest	211,853
Adjustment to Record Deferred Outflow - Asset Retirement Obligation - Sewer Plants, Less Amortization	228,772
Adjustment to Record Asset Retirement Obligation - Liability	(90,813)
Adjustment to Record Accrued Vacation	(27,997)
Beginning Net Position After Prior Period Adjustments	\$ 8,529,231

15. Operating Lease

On March 17, 2020, the District entered into an operating lease for a Xerox C8035H Copier. The term of the lease is for 60 months at \$186.47 per month. The amount of the lease expense for 2021 was \$2,238. The payment schedule for the years subsequent to December 31, 2021 are as follows:

Year Ending December 31	Amount
2022	\$ 2,238
2023	2,238
2024	2,238
2025	561
	\$ 7,275

16. Storm and Flood Expenses

As of December 31, 2021, the District incurred approximately \$858,100 in expenses related to the August 2016 Flood disaster. These expenses were incurred to repair sewerage facilities, to replace the bridge to the District office, and to facilitate continuing operation of these facilities during the disaster.

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021
(with 2020 summarized comparative information)

The District recorded a receivable of \$343,290 from FEMA for disaster assistance during the fiscal year ended December 31, 2020. The District is still working with GOHSEP to obtain available reimbursements for disaster assistance. The District is currently undergoing a cost analysis to determine the amount of eligible reimbursements from FEMA.

As of December 31, 2021, the District incurred costs related to Hurricanes Ida. The District recorded a receivable of \$461,529 from FEMA for disaster assistance for Hurricane Ida.

17. Subsequent Events

Subsequent events have been evaluated by management through June 30, 2022, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2021.

Other Supplementary Information

Livingston Parish Sewer District
Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2021
(With Comparative Amounts for the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual (Restated)
Operating Revenues				
Sewer Fees	\$ 5,070,000	\$ 5,037,557	\$ (32,443)	\$ 4,594,166
Permits & Inspection Fees	56,000	53,240	(2,760)	65,781
User & Hook-up Fees	160,000	197,829	37,829	129,074
Impact Fees	769,000	1,006,774	237,774	606,634
Other Operating Income	35,300	30,840	(4,460)	42,024
Total Operating Revenues	<u>6,090,300</u>	<u>6,326,240</u>	<u>235,940</u>	<u>5,437,679</u>
Operating Expenses				
Salaries and Wages	660,000	688,014	(28,014)	627,101
Payroll Taxes & Group Insurance	243,500	244,174	(674)	146,647
Per Diem	6,000	5,800	200	6,600
Amortization	10,000	12,185	(2,185)	10,144
Bad Debts	14,200	13,403	797	6,729
Depreciation	1,010,000	1,154,060	(144,060)	1,089,199
Fuel/Oil-Trucks	59,000	67,782	(8,782)	50,819
Insurance	145,000	154,350	(9,350)	134,472
Licenses & Permits	23,000	21,837	1,163	12,713
Office Expense	6,800	6,697	103	6,217
Other	137,500	134,146	3,354	153,802
Professional Fees	130,000	147,923	(17,923)	126,116
Repairs and Maintenance	1,051,000	1,281,361	(230,361)	1,157,114
Supplies	232,000	250,126	(18,126)	215,703
Telephone	23,000	27,256	(4,256)	17,947
Uniform Expense	15,000	15,899	(899)	15,295
Utilities	425,000	478,205	(53,205)	378,574
Total Operating Expenses	<u>4,191,000</u>	<u>4,703,218</u>	<u>(512,218)</u>	<u>4,155,192</u>
Operating Income (Loss)	<u>1,899,300</u>	<u>1,623,022</u>	<u>(276,278)</u>	<u>1,282,487</u>
Nonoperating Revenues (Expenses)				
Interest Income	9,000	3,733	(5,267)	52,246
FEMA Reimbursement	80,000	524,818	444,818	16,731
Interest Expense	(990,000)	(1,224,242)	(234,242)	(948,842)
Bond Issuance Cost	(168,400)	(1,333,196)	(1,164,796)	-
Insurance Proceeds	36,700	409,560	372,860	-
Storm Expense	(460,000)	(417,172)	42,828	(78,479)
CARES Act Funds	-	-	-	24,416
Total Nonoperating Revenues (Expenses)	<u>(1,492,700)</u>	<u>(2,036,499)</u>	<u>(543,799)</u>	<u>(933,928)</u>
Change in Net Position	<u>406,600</u>	<u>(413,477)</u>	<u>(820,077)</u>	<u>348,559</u>
Total Net Position, Beginning	<u>7,859,509</u>	<u>8,529,231</u>	<u>669,722</u>	<u>7,859,509</u>
Prior Period Adjustments (Note 14)	-	-	-	321,163
Total Adjusted Net Position, Beginning	<u>7,859,509</u>	<u>8,529,231</u>	<u>669,722</u>	<u>8,180,672</u>
Total Net Position, Ending	<u>\$ 8,266,109</u>	<u>\$ 8,115,754</u>	<u>\$ (150,355)</u>	<u>\$ 8,529,231</u>

See independent auditor's report.

Livingston Parish Sewer District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2021

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Michael Dougay, Chairman (225) 978-8988	36375 Page Drive Denham Springs, LA 70706	\$ 1,100	Until Re-appointed
Harry Wells (225) 485-1676	26170 John L Lane Denham Springs, LA 70726	1,400	Until Re-appointed
Norris Achord (225) 603-6612	32375 Cane Market Rd Walker, LA 70785	1,200	Until Re-appointed
Asa Faulkner (225) 287-8518	8562 Beechwood Drive Denham Springs, LA 70706	1,100	Until Re-appointed
Brandon Caldwell (225) 305-6334	22058 LA Hwy 16 Denham Spring, LA 70726	1,000	Until Re-appointed
		<u>\$ 5,800</u>	

See independent auditor's report.

Livingston Parish Sewer District
Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2021

Agency Head Name: Michael Dougay, Chairman

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

See independent auditor's report.

Livingston Parish Sewer District
Schedule of Customers and Schedule of Sewer Rates
For the year ended December 31, 2021

	2021	2020	Increase (Decrease)
Customers	9,326	8,310	1,016
Total Customers	9,326	8,310	1,016

Base tap fee of \$750.00 this fee is required for a sewer service tap that was not previously installed with the LPSD sanitary sewer lines.

Base tap fee of \$350.00 this fee is required in order to inspect the connection to be made between the sewer user service line and a pre-existing sewer service tap.

Sewer Fees (Effective June 1, 2015)	Impact Fee	Size Tap
Residential Sewer Rates:	\$ 3,649	3/4" Tap
\$ 32.50 - First 2,000 Gallons	3,777	1" Tap
3.75 - All Over 2,000 Gallons, per Thousand	11,268	1 & 1/2" Tap
32.50 - Residential With Own Well - Flat Rate	46,980	2" Tap
	50,222	3" Tap
Commercial Sewer Rates:	121,796	4" Tap
\$ 48.50 - Plus \$4.25 Per Thousand Gallons Flat Rate Plus Usage	259,202	6" Tap
48.50 - Flat Rate Only. Commercial W/own Well.	742,317	8" Tap
48.50 - \$48.50 Per Unit Plus \$4.25 Per Thousand Gallons. Commercial With Multiple Connections Having a Single Water Meter		

See independent auditor's report.

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



**Hebert Johnson
& Associates, Inc.**
Certified Public Accountants

18435 HIGHWAY 22, STE. 2
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

18890 FLORIDA BLVD., STE A
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Livingston Parish Sewer District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Livingston Parish Sewer District's basic financial statements and have issued our report dated June 30, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying Schedule of Current Year Findings, Recommendations and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Current Year Findings, Recommendations and Responses as items 2021-02 and 2021-03 as material weaknesses.

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. We consider the deficiencies, described in the accompanying Schedule of Current Year Findings, Recommendations and Responses as Findings 2021-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston Parish Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Findings, Recommendations, and Responses as items 2021-04 and 2021-05.

Livingston Parish Sewer District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Livingston Parish Sewer District's response to the findings identified in our audit and described in the accompanying Schedule of Current Year Findings, Recommendations, and Responses. The Livingston Parish Sewer District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
June 30, 2022

Livingston Parish Sewer District
Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended December 31, 2021

We have audited the basic financial statements of the Livingston Parish Sewer District as of and for the year ended December 31, 2021, and have issued our report thereon dated June 30, 2022. 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. Our audit of the financial statements as of December 31, 2021 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control

Material Weakness, Yes

Significant Deficiencies, Yes

Compliance

Compliance Material to Financial Statements, Yes

b. Federal Awards

Not Applicable

Was a management letter issued? No

Section II – Financial Statement Findings

Finding Number: 2021-01 Lack of Proper Segregation of Duties (Significant Deficiency)

Criteria:

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

Condition:

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

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

Cause:

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

Effect:

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

Livingston Parish Sewer District
Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended December 31, 2021

Recommendations:

The District must remain vigilant in identifying compensating controls and ensuring that those implemented are operating effectively. We also recommend a member of the board to review the bank statement and cancelled checks from each month's bank statement for any fictitious vendors.

Management's Response:

Compensating controls will be further reviewed and implemented where possible.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

2021-02 Approval of Payroll (Material Weakness)

Criteria:

A personnel file should be maintained for each employee that contains, at a minimum, (1) the employment application form that includes background information (employee's name, address, date of birth, emergency contact) and work experience of the employee; (2) the approved starting salary or rate of pay amount; (3) the Federal Employee's Withholding Certificate Form W-4 and Louisiana Employee Withholding Exemption Certificate Form L-4; (4) approved salary or hourly pay rate increases/decreases; (5) employee authorized deductions (e.g., insurance, deferred compensation plan); (6) performance appraisals; (7) promotions; and (8) disciplinary actions.

Conditions:

As part of our internal control procedures, we reviewed a sample of personnel files. We noted the files did not contain the approved starting salary or subsequent changes to pay rates.

Cause:

This appears to be an oversight by management.

Effect:

We were not able to determine if the employees in our sample were paid the correct rate of pay.

Recommendation:

We recommend management include in each employee's file (1) the employment application form that includes background information (employee's name, address, date of birth, emergency contact) and work experience of the employee; (2) the approved starting salary or rate of pay amount; (3) the Federal Employee's Withholding Allowance Certificate Form W-4 and Louisiana Employee Withholding Exemption Certificate Form L-4; (4) approved salary or hourly pay rate increases/decreases; (5) employee authorized deductions (e.g., insurance, deferred compensation plan); (6) performance appraisals; (7) promotions; and (8) disciplinary actions. We also recommend the District approve all current pay rates for employees to save as a record in each personnel file to document proper pay rates going forward.

Management's Response:

Management will begin including all information recommended in each employee's personnel file.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

**Livingston Parish Sewer District
Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended December 31, 2021**

2021-03 Material Prior Period Adjustments (Material Weakness)

Criteria:

Controls should be in place to prevent, or detect and correct, material misstatements in the financial statements.

Condition:

A prior period adjustment was made in order to adjust accrued interest of \$211,853, and asset retirement obligation for the sewer plant of \$228,772, an asset retirement obligation liability of \$90,813 and accrued vacation of \$27,997 to its actual amount. The amount of the adjustment resulted in a difference of \$321,815.

Cause:

The adjustment of accrued interest was a result in a miscalculation. The District did not have the amounts totaled last year to record the asset retirement obligation.

Effect:

This resulted in a material adjustment to the financial statements.

Recommendation:

We recommend the District record the adjustments provided by the auditor.

Management's Response:

The District approved the proposed entry to adjust accrued interest from the prior year's auditor. The District will record the proposed adjustments from the current auditor.

Contact Person:

Michael Dougay, Chairman
(225) 978-8988

Compliance

2021-04 Ethics and Sexual Harassment Training

Criteria:

LRS 42:1170 requires public servants to receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of his public employment or term of office.

LRS 42:343 requires public servants to receive a minimum of one hour of education and training preventing sexual harassment during each full calendar year of the public servant's term of office.

Condition:

The District did not have documentation of the required ethics and sexual harassment training for the five public officials or servants tested at December 31, 2021.

Cause:

The public officials or public servants tested did not complete the required training course.

Effect:

Noncompliance with the revised statutes listed in the criteria.

Livingston Parish Sewer District
Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended December 31, 2021

Recommendation:

The District should ensure all board members and employees complete the required training during each year. The District should set a completion deadline for all board members to complete the required training.

Management Response:

Management will have all employees and board members complete the ethics and sexual harassment training as soon as possible.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

2021-05 Violation of Public Bid Law

Criteria:

The public bid law “shall not apply in the event that an extreme public emergency occurs.”
The president of the police jury, the president of the parish council, the mayor of the municipality, or a person designated to act on behalf of the governing authority of any other political subdivision, shall declare that an extreme emergency exists and shall cause such declaration to be published in the official journal within ten days or as soon as practicable thereafter.

Condition:

The District purchased a generator for \$62,000 for emergency maintenance after the damage caused from Hurricane Ida in September 2021. The District did not post the required notice declaring an extreme emergency in the official journal of the District

Cause:

The District was no aware of the required declaration.

Effect:

The District is in violation of the Public Bid Law.

Recommendation:

We recommend the District familiarize itself with the Public Bid Law during emergency situations.

Management’s Response:

The District agrees with the recommendation.

Contact Person:
Michael Dougay, Chairman
(225) 978-8988

**Livingston Parish Sewer District
Schedule of Current Year Findings, Recommendations, and Responses
For the Year Ended December 31, 2021**

Section III Federal Award Findings and Questioned Costs

NA

**Livingston Parish Sewer District
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2021**

Prior Year Findings:

Finding Number: 2020-I1 Lack of Proper Segregation of Duties (Significant Deficiency)

Condition:

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

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

Recommendations:

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

Resolved:

See Finding 2021-01

Finding Number: 2020-I2 Accounts Receivable Documentation (Significant Deficiency)

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

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

Resolved:

Fully

This schedule was prepared by management.

**LIVINGSTON PARISH SEWER DISTRICT
DENHAM SPRINGS, LOUISIANA**

STATEWIDE AGREED-UPON PROCEDURES REPORT

Fiscal Period January 1, 2021 through December 31, 2021



**Hebert Johnson
& Associates, Inc.**
Certified Public Accountants

A Professional Accounting Corporation

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

ADAM C. HEBERT, CPA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



**Hebert Johnson
& Associates, Inc.**
Certified Public Accountants

18435 HIGHWAY 22, STE. 2
P.O. BOX 1151
PONCHATOLA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

18890 FLORIDA BLVD., STE A
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

A P R O F E S S I O N A L A C C O U N T I N G C O R P O R A T I O N

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of
the Livingston Parish Sewer District
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Livingston Parish Sewer District's management is responsible for those C/C areas identified in the SAUPs.

The Livingston Parish Sewer District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception:

The District has written policies and procedures for each category. The District's sexual harassment procedures do not address annual employee training and annual reporting.

Management's Response:

The District will address written policies and procedures for employee training and annual reporting.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions were found as a result of these procedures.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

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

No exceptions were found as a result of these procedures.

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

No exceptions were found as a result of these procedures.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Exception:

The District's outside accountant receives cash collections, makes deposits, post collections to the general ledger and reconciles the bank account.

Management's Response:

As a compensating control, the District's outside accountant will provide management with a list of all collections made and will review the bank statement to ensure collections were deposited.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions were found as a result of these procedures.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of these procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions were found as a result of these procedures.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were found as a result of these procedures.

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

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

No exceptions were found as a result of these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of these procedures.

Payroll and Personnel

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

No exceptions were found as a result of these procedures.

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

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions were found as a result of these procedures.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions were found as a result of these procedures.

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

No exceptions were found as a result of these procedures.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Exceptions:

The District did not have the employees' approved pay rates documented in the employees' personnel file.

Management's Response:

The District will begin to have the employees' pay rates documented and kept in each employee's personnel file.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in

management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No exceptions were found as a result of these procedures.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found as a result of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Exceptions:

None of the five officials selected had completed the ethics training course.

Management's Response:

The District will complete ensure the employees and board members complete the ethics training course as soon as possible.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were found as a result of these procedures.

Debt Service

These procedures are not applicable to the Organization.

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt

covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions were found as a result of these procedures.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions were found as a result of these procedures.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and

observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exceptions:

Out of the five employees / officials selected, none of the individuals completed the training course for sexual harassment. The District did not post its sexual harassment and complaint procedure. The District did not complete report required by R.S. 42:344.

Management's Response:

The District ensure all employees / officials complete its sexual harassment training as soon as possible. The District will post its sexual harassment and complaint procedure in a conspicuous location. The report required by R.S. 42:344 will be completed by February 1 each year.

We were engaged by the Livingston Parish Sewer District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Livingston Parish Sewer District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
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