

**Livingston Parish Sewer District One**  

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**Annual Financial Statements**

**As of and For the Year Ended December 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-4-04

**LEROY J. CHUSTZ**  
Certified Public Accountant  
A Professional Accounting Corporation

**Livingston Parish Sewer District One**  
**Annual Financial Statements**  
**As of and For the Year Ended December 31, 2003**  
**With Supplemental Information Schedules**

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

**Board Members of  
Livingston Parish Sewerage District One  
Denham Springs, Louisiana**

I have audited the accompanying basic financial statements of the **Livingston Parish Sewerage District One**, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2003, as listed in the Table of Contents. These basic financial statements are the responsibility of **Livingston Parish Sewerage District One's** management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position and the results of operations and cashflows for the year then ended of the **Livingston Parish Sewerage District One**, as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 20, 2004, on my consideration of the **Livingston Parish Sewerage District One's** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **Livingston Parish Sewerage District One's** basic financial statements. The accompanying supplementary information, such as the Management's Discussion and Analysis, as listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the **Livingston Parish Sewerage District One**, but is required by the Governmental Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

*Leroy J. Chustz*  
Certified Public Accountant  
April 20, 2004

**Required Supplemental Information (Part I)**  
**Management's Discussion and Analysis**

**Livingston Parish Sewer District One  
Denham Springs, Louisiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS 12-31-2003**

This section of the Livingston Parish Sewer District One's annual financial report presents our discussion and analysis of the District's financial performance during this fiscal year. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information stated on attached financial summaries

**OVERVIEW OF FINANCIAL STATEMENTS:**

The following narrative illustrates the minimum requirements as established by Governmental Accounting Standards Board Statement 34 as it pertains to the Livingston Parish Sewer District One.

1. **\*\*MANAGEMENT DISCUSSION and ANALYSIS\*\***
  2. **\*\*BASIC FINANCIAL STATEMENTS\*\***
  3. **\*\*REQUIRED SUPPLEMENTARY INFORMATION\*\***
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**BASIC FINANCIAL STATEMENTS:**

This annual report consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the operations of Sewer District One of Livingston Parish as a whole and present a longer-term view of the current District finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the District's net assets and changes in them. The net difference between the assets and liabilities measures the health of the District's finances. Increases or decreases are noted as a measurement for your evaluation of the financial position of the District.

**Livingston Parish Sewer District One  
Denham Springs, Louisiana**

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**FINANCIAL HIGHLIGHTS:**

- 1- District had cash and investments of \$425,897 on 12-31-2003 representing a increase of \$105,610 from prior year end.
- 2- District had accounts receivable of \$24,868 on 12-31-2003 representing an increase from prior year end
- 3- District had prepaid insurance of \$8,184 on 12-31-2003 representing an increase of \$2,816 from prior year end
- 4- District had restricted assets of \$127,955 on 12-31-2003 representing an increase of \$4,400 from prior year end
- 5- District had land, plant facilities and equipment net of accumulated depreciation of \$880,184 on 12-31-2003 representing a decrease of \$15,075 from prior year end. Depreciation expense totaled \$43,235 as per GASB Statement 34 Guidelines on Capital Assets and Depreciation
- 7- District had capital purchases and asset improvements placed in service of \$10,449 during period ended 12-31-2003
- 8- District had sewer service sales and sewer maintenance fees of \$283,437 along with \$67,513 of non operating income on 12-31-2003
- 9- District had net income from all operations of \$194,379 on 12-31-2003

**Livingston Parish Sewer District One  
Denham Springs, Louisiana**

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Financial Analysis of the Entity:

STATEMENT OF NET ASSETS:

	2003	2002
Current and other assets	\$ 512,823	\$ 325,815
Cash assets restricted	127,955	123,555
Capital Assets (Net)	880,184	895,259
Total Assets	\$ 1,520,962	\$ 1,344,629
	<u>=====</u>	<u>=====</u>
Current liabilities	\$ 2,544	\$ 2,519
Other liabilities	16,956	17,618
Long Term debt payable	370,735	388,144
Total Liabilities	\$ 390,235	\$ 408,281
	<u>-----</u>	<u>-----</u>
Net Assets:		/
Unreserved Earnings	1,130,727	936,348
Total Net Assets	1,130,727	936,348
	<u>=====</u>	<u>=====</u>

Net assets of the District increased by \$194,379 from the previous year resulting from operating and non-operating revenues exceeding expenses for 12-31-2003.

**General Revenue Information:**

The District receives no ad-valorem taxes or sales taxes, but rather is a customer-user based system whereby customers of the District pay service fees on sewer usage by previously established sewer rates. New customers pay connection fees when being added for service along with a service deposit to cover a reasonable monthly sewerage bill which is reserved. The District has experienced growth in the past five year period with a forecast of continued accelerated growth in 2004. The customer base has grown from an approximate 330 customers in 1998 to a billable customer count of 510 by the close of 12-31-2003.

**Livingston Parish Sewer District One**  
**Denham Springs, Louisiana**  
**Statement of Activities**

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	2003	2002
Sewer Service Sales-operations	\$ 283,437	\$ 185,671
Non operating revenues	67,513	20,488
	-----	-----
Subtotal Revenues	350,949	206,159
District Expenses direct	( 107,111)	( 96,965)
District Expenses general	( 49,460)	( 83,964)
Beginning Net Assets	936,348	911,118
Changes in net assets	\$ 194,379	\$ 25,230
Ending Net Assets	<u>1,130,727</u>	<u>936,348</u>

District total revenues increased by \$97,766 and non operating revenues increased by \$47,025 respectively from the previous year. The total cost of operations decreased by \$23,358 from the previous year due to the following:

- (A) decrease in special repairs of lift station pumps
- (B) decrease in salaries since employee departed at end of January 2003 and regular maintenance is handled by Sewer District Two on a contractual basis

**Capital Assets:**

District One will begin assisting the Livingston Parish Sewer District Two who will be investing in a major improvement project on site relating to a new Wastewater Treatment Plant (to be completed in 2005).

The Louisiana Tax Commission has approved a bond issuance to cover approximately 5.0 million dollars of additional capital improvements to be completed by mid 2005 on the infrastructure of this treatment facility for Sewer District Two. District One has factored District rates to assist in disbursing in the future for the debt retirement of this facility which will handle both District's sewerage.



**Livingston Parish Sewer District One**  
**Denham Springs, Louisiana**  
**Statement of Activities (Continued)**

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Summary: The District has committed to assisting with the debt retirement of the construction of a wastewater treatment facility since the processing of wastewater of the District as well as Sewer District Two will eventually be accomplished by this plant to be located on the present site of District office.

Capital Assets:

	2003	2002
1.LAND	\$ 55,432	\$ 55,432
<hr style="border-top: 1px dashed black;"/>		
Systems, equipment, assets	1,498,922	1,415,330
(Accum. Depreciation expense)	( 618,738)	( 575,503)
<hr style="border-top: 1px dashed black;"/>		
2.NET EQUIP- SYSTEMS	\$ 824,752	839,827
<hr style="border-top: 3px double black;"/>		

Total Capital Assets Net	\$ 880,184	\$ 895,259
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**DEBT:**

District has a total outstanding debt of \$ 370,735 as of 12-31-2003.

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**Livingston Parish Sewer District One  
Denham Springs, Louisiana**

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**CONTACTING Livingston Parish Sewer District One's Management:**

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to show that the Livingston Parish Sewer District One's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Director of Operations, James Ray Clark , or Chairman, Steve Cutler, Post Office Box 1205 Denham Springs, La 70727.

# **Basic Financial Statements**

## **Government-Wide Financial Statements**

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

1. **Proprietary Fund Financial Statements:**

- Enterprise funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**LIVINGSTON PARISH SEWER DISTRICT NUMBER ONE**  
**STATEMENT OF NET ASSETS**  
**As of December 31, 2003**

	2003
<b><i>Current Assets</i></b>	
Cash and Cash Equivalents	\$
Certificate of Deposit (with original maturities in excess of three months)	243,620.17
Prepaid Expense	235,990.39
Receivables	8,183.74
<b>Total Current Assets</b>	<b>24,868.31</b>
	512,662.61
<b><i>Restricted Assets</i></b>	
Cash and Cash Equivalents	
Certificate of Deposit (with original maturities in excess of three months)	38,884.58
<b>Total Restricted Assets</b>	<b>89,071.05</b>
	127,955.63
<b><i>Property, Plant &amp; Equipment</i></b>	
Land	
Plant and Facilities	55,432.21
Less: Accumulated Depreciation	1,443,489.98
<b>Total Property, Plant, and Equipment (Net)</b>	<b>(618,737.97)</b>
	880,184.22
<b><i>Other Assets</i></b>	
Deposits	
	160.00
<b>TOTAL ASSETS</b>	<b>1,520,962.46</b>
<b><i>Current Liabilities</i></b>	
Accounts Payable	
<b>Total Current Liabilities</b>	<b>2,544.30</b>
	2,544.30
<b><i>Current Liabilities (Payable from Restricted Assets)</i></b>	
Accrued interest payable	
Bond payable - FMHA - current portion	16,956.60
Bond payable - 1997 A series - current portion	6,566.26
<b>Current Liabilities (Payable from Restricted Assets)</b>	<b>12,000.00</b>
	35,522.86
<b><i>Long-Term Liabilities</i></b>	
Bond Payable - FMHA	
Bond Payable - 1997 A series	226,168.61
<b>Long-Term Liabilities</b>	<b>126,000.00</b>
	352,168.61
<b>TOTAL LIABILITIES</b>	<b>390,235.77</b>
<b><i>Net Assets</i></b>	
Reserved Net Assets for bond retirement & system improvements	
Investment in Fixed Assets - Net of Related Debt	127,955.63
Unrestricted Net Assets	509,449.35
<b>NET ASSETS</b>	<b>\$ 493,321.71</b>
	<b>1,130,726.69</b>

The accompanying notes are an integral part of this statement

**LIVINGSTON PARISH SEWER DISTRICT NUMBER ONE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2003

	<b>2003</b>
<b>OPERATING REVENUES:</b>	
Sewer Fees	\$ 283,436.99
Permits & Inspection fees	2,025.00
User Fees	14,884.00
Subdivision Requirement Fees	45,842.00
Miscellaneous Income	690.00
Total Operating Revenues	346,877.99
<b>OPERATING EXPENSES:</b>	
<b>Direct Expenses</b>	
Depreciation	43,235.00
System Maintenance	63,310.02
Billing Fees	566.00
Total Direct Expenses	107,111.02
<b>General and Administrative Expenses</b>	
Salaries	3,196.88
Payroll Taxes & Group Insurance	758.96
Per Diem	2,220.00
Insurance	12,440.62
Professional Fees	9,095.00
License & Permits	786.48
Office Expense	889.72
Total General and Administrative Expenses	29,387.66
Total Operating Expense	136,498.68
<b>NET OPERATING INCOME (LOSS)</b>	<b>210,379.31</b>
<b>NON-OPERATING REVENUES &amp; EXPENSES</b>	
Interest Income	4,072.13
Less: Interest Expense	(20,072.38)
Total Non-Operating Revenue (Expense)	(16,000.25)
<b>NET INCOME (LOSS)</b>	<b>194,379.06</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>936,347.63</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,130,726.69</b>

The accompanying notes are an integral part of this statement

**LIVINGSTON PARISH SEWER DISTRICT ONE  
 PROPRIETARY FUND - ENTERPRISE FUND  
 STATEMENT OF CASH FLOWS  
 For the Year Ended December 31, 2003**

**Cash Flows from Operating Activities**

Received from Customers	\$ 321,285.14
Other Receipts	690.00
Payments for Operations	(89,843.74)
Payments for Employees	<u>(6,175.84)</u>
Net cash provided (used) by operating activities	<u>225,955.56</u>

**Cash Flows from Capital and Related Financing Activities**

Paid for Capital Acquisitions	(28,160.72)
Principal Repayments, Revenue Bonds Payable	(17,409.58)
Interest Payments - Revenue Bonds Payable	<u>(20,733.20)</u>
Net cash provided (used) by Capital and Related Financing Activities	<u>(66,303.50)</u>

**Cash Flows from Investing Activities**

Receipt of Interest	4,072.13
Purchase of Investments	<u>(4,400.63)</u>
Net cash Provided (used) by Investing Activities	<u>(328.50)</u>

**Net Increase (Decrease) in Cash**

	159,323.56
<b>Cash at Beginning of Year</b>	<u>123,181.19</u>
<b>Cash at End of the Year</b>	<u><u>282,504.75</u></u>

**Reconciliation of Cash & Cash Equivalents to the Statement of Net Assets**

Cash and Cash Equivalents	<u>243,620.17</u>
Restricted Cash and Cash Equivalents	<u>38,884.58</u>
Total Cash and Cash Equivalents	<u><u>282,504.75</u></u>

**Reconciliation of Net Operating Income (Loss) to Net Cash Provided**

**(Used) by Operating Activities**

Operating Income	210,379.31
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Depreciation Expense	43,235.00
Change in Accounts Receivable	(24,868.31)
Changes in Prepaid Expense	(2,815.74)
Changes in Accounts Receivable	<u>25.30</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 225,955.56</u></u>

The accompanying notes are an integral part of this statement

**Basic Financial Statements**  
**Notes to the Financial Statements**

**LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the year ended December 31, 2003**

**INTRODUCTION**

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

The District is located in Denham Springs, Louisiana. The purpose of the District is to provide sanitation services to customers within the boundaries of the District. The District is composed of three board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$60.00 per meeting.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Sewerage District One is considered a component unit of Livingston Parish Government. 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. Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of Livingston Parish Sewerage District One. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements. The Livingston Parish Sewerage District One has no governmental funds and only one proprietary fund.



**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Livingston Parish Sewerage District One reports the following proprietary funds:

Operating Fund - Accounts for financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 District's primary sources of revenues are user charges and fees charged for connecting to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**C. Deposits and Investments**

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

**D. Receivables and Payables**

All trade and property tax receivables are shown net of an allowance for uncollectible. The District periodically evaluates the collectability of delinquent accounts.

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

**E. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. As of, December 31, 2003, the District had no significant inventory.

**F. Restricted Assets**

The District is required to maintain the following reserves as a condition of the loans made to the Sewer District and/or bond covenants.

**FARMERS HOME ASSOCIATION LOAN**

**A. *Reserve Bond Sinking Fund***

Each month the district must transfer into the revenue bond sinking fund, a sum equal to one-twelfth of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sums as may be required as the same respectively become due. Said fiscal agent bank shall make available from the revenue bond sinking fund to the paying agent for all installments on the bond payable from said fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

**B. *Sewerage System Revenue Bond Reserve Fund***

Each month the district must transfer into the reserve fund, a sum equal to five per cent of the sum required to be transferred in each month into the revenue bond sinking fund as required in the reserve bond sinking fund, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bonds. The money in the reserve fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the revenue bond sinking fund as to which there would otherwise be default.

**C. *Depreciation and Contingency Fund***

Each month the district must transfer into the depreciation and contingency fund the sum of \$168.00. 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.

### 1997-A SERIES BONDS

- A. **A Sewerage System Revenue Bond and Interest Sinking Fund (the "Revenue Bond Sinking Fund")**, sufficient in amount to pay promptly and fully the principle of and interest on the bond and unrefunded bond, including any additional pari passu bonds issued hereafter in the manner provided in this resolution, as they severally became due and payable by depositing with the regularly designated fiscal agent bank of the District (which must be a member of the Federal Deposit Insurance Corporation) by transferring from said Revenue Fund to the Sinking Fund before the 20th day of each month of each year beginning on the first day of the month following delivery of the bond, a sum equal to one-twelfth (1/12) of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sums as may be required as the same respectively become due. Money in the Revenue Bond 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 of and interest on the bond and parity bonds.

Following the required payments to the Revenue Bond Sinking Fund, the monies remaining in the Revenue Fund shall be distributed in accordance with the following paragraphs:

- B. **A "Sewerage System Revenue Bond Reserve Fund"**, by transferring to the regularly designated fiscal agent bank (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 five percent (5%) of the sum required in (b) above, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bond, the unrefunded bond, and any additional parity bonds. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the Revenue Bond 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.
- C. **A "Depreciation and Contingency Fund"**, by transferring from the Sewerage System Revenue Fund on or before the 20th day of each month to the regularly designated fiscal agent bank of the District (which must be a member of the Federal Deposit Insurance Corporation) the sum equal to five percent (5%) of the sums required to be transferred in each month into the Revenue Bond Sinking Fund, as required in (b) above, but not less than

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

\$168.00 per month. 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 the Reserve Fund.

Restricted assets have been set aside in the current period as required by the applicable bond resolution in order to service the bonds payable.

**G. Capital Assets**

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

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

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

Description	<u>Estimated Lives</u>
Infrastructure assets	40
Land improvements	40
Buildings and building improvements	40
Furniture and fixtures	5-10
Vehicles	5
Equipment	3-10

**H. Compensated Absences**

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

**I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**J. Fund Equity**

In the government wide financial statements, equity is reported as net assets and is segregated into three components. Those components are: amounts invested in capital assets (net of related debt), amounts restricted, and unrestricted net assets.

**K. 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.

**L. Estimates**

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

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budget Information**

Livingston Parish Sewerage District One uses the following budget practices:

- The District's secretary/treasurer prepares a proposed budget and submits same to the Board of Directors no later than fifteen days prior to the beginning of each fiscal year.
- A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**

Denham Springs, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2003

- All budgetary appropriations lapse at the end of each fiscal year.
- Budgets for the funds are presented on the modified accrual basis of accounting. All budgetary amounts presented reflect the original amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

**3. CASH AND CASH EQUIVALENTS**

At December 31, 2003, the District had cash and cash equivalents (book balances) as follows:

<b>December 31, 2003</b>	
Demand Deposits	\$ 210,534
Certificate of Deposit	33,087
Money Market Funds	<u>38,885</u>
<b>Total</b>	<b><u>\$ 282,506</u></b>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance of 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. Deposits (bank balances) secured at December 31, 2003, are as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Board or by its agent in its name

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Board's name; or collateralized with no written or approved collateral agreement.

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Not Required To Be Collateralized</u>	<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>		
Cash and Cash Equivalents	\$ 243,638	\$ 133,087	\$ 0	\$ 110,551	\$ 0	\$ 243,620
Certificates of Deposit (With original maturities in excess of three months)	235,990	10,929	0	225,061	0	235,990
Restricted Assets	<u>127,956</u>	<u>89,072</u>	<u>0</u>	<u>0</u>	<u>38,884</u>	<u>127,956</u>
<b>Total Deposits</b>	<b><u>\$ 607,584</u></b>	<b><u>\$ 233,088</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 335,612</u></b>	<b><u>\$ 38,884</u></b>	<b><u>\$ 607,566</u></b>

Deposits are collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

**4. RESTRICTED ASSETS**

The following reserve accounts are required as a condition of District's bonds or loans:

**FMHA**

	<b>Sinking Fund</b>	<b>Reserve Fund</b>	<b>Depreciation and Contingency Fund</b>
Required Balance	\$ 16,900	\$ 6,859	\$ 11,760
Balance at December 31, 2003	<u>16,946</u>	<u>7,464</u>	<u>14,474</u>
Over (Under) Funded Amount	<u>\$ 46</u>	<u>\$ 605</u>	<u>\$ 2,714</u>

**1997 SERIES A**

	<b>Sinking Fund</b>	<b>Reserve Fund</b>	<b>Depreciation and Contingency Fund</b>
Required Balance	\$ 15,169	\$ 6,773	\$ 18,203
Balance at December 31, 2003	<u>18,124</u>	<u>24,192</u>	<u>46,755</u>
Over (Under) Funded Amount	<u>\$ 2,955</u>	<u>\$ 17,419</u>	<u>\$ 28,552</u>

**5. INVESTMENTS**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the District's name.

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

**6. ACCOUNTS RECEIVABLE**

Customer accounts receivable are as follows:

	<u>December 31, 2003</u>
Receivable from Customers	\$ 24,868
Accounts Receivable at December 31, 2003	<u>\$ 24,868</u>

**7. CHANGES IN GENERAL FIXED ASSETS**

The following is a summary of changes in capital assets:

	BALANCE				BALANCE
	01/01/03	ADDITIONS	DELETIONS		12/31/03
Land	\$ 55,432	\$ 0	\$ 0		\$ 55,432
Equipment	63,025	17,712			80,737
Improvements	2,489	1,103			3,592
Plant and facilities	<u>1,349,816</u>	<u>9,346</u>			<u>1,359,162</u>
Total	<u>\$ 1,470,762</u>	<u>\$ 28,161</u>	<u>\$ 0</u>		<u>\$ 1,498,923</u>
Less: Accumulated					<u>618,738</u>
Plant and facilities (net)					<u>\$ 880,185</u>
Depreciation expense					<u>\$ 43,235</u>



**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**  
**Denham Springs, Louisiana**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2003**

**8. LONG-TERM DEBT**

The following is a summary of loan transactions of the Sewer District for the year ending December 31, 2003:

	<u>FMHA LOAN</u>	<u>1997 REFUNDING BONDS</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>TOTAL</u>
Bonds payable at January 1, 2003	\$ 239,144	\$ 149,000	\$ 0	\$ 388,144
Bonds Issued	0	0	0	
Bonds Retired	<u>6,409</u>	<u>11,000</u>	<u>0</u>	<u>17,409</u>
Bonds payable at December 31, 2003	<u>\$ 232,735</u>	<u>\$ 138,000</u>	<u>\$ 0</u>	<u>\$ 370,735</u>

Repayment is to be made as follows:

**A.**

YEAR ENDED	<u>FARMERS HOME BOND</u>		<u>HANCOCK BONDS</u>		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2004	\$ 6,566	\$ 11,637	\$ 12,000	\$ 8,280	\$ 38,483
2005	6,895	11,308	13,000	7,560	38,763
2006	7,239	10,964	14,000	6,780	38,983
2007	7,602	10,602	14,000	5,940	38,144
2008	7,981	10,222	15,000	5,100	38,303
2009-2013	46,307	44,708	70,000	10,800	171,815
2014-2018	59,101	31,914			91,015
2019-2023	75,429	15,586			91,015
2024-2028	15,615	781			16,396
TOTAL	<u>\$ 232,735</u>	<u>\$ 147,722</u>	<u>\$ 138,000</u>	<u>\$ 44,460</u>	<u>\$ 562,917</u>

**LIVINGSTON PARISH SEWERAGE DISTRICT ONE**

Denham Springs, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2003

**9. RISK MANAGEMENT**

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

**10. PER DIEM PAID TO BOARD MEMBERS**

Board members are appointed by the Livingston Parish Council and serve at the pleasure of the Council. There are no set terms of office. Board members are paid \$60 per diem for each meeting they attend.

**2003**

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Norman Breeland	13	\$ 780
Steve Cutler	13	720
Cecil Thompson	12	720
		<u>\$ 2,220</u>

**11. INCOME TAXES**

The Livingston Parish Sewerage District One is exempt from all federal and state income taxes.

**12. LITIGATION**

According to the Sewerage District's attorney, there is no pending litigation against the Livingston Parish Sewerage District One.

**13. RETIREMENT PLAN**

The Sewer District does not sponsor an employee retirement program at this time.

**Required Supplemental Information (Part II)**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Proprietary Fund

**Livingston Parish Sewer District One**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual**  
**For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
<b>Operating Revenues</b>				
Sewer Fees	\$ 236,000	\$ 236,000	\$ 283,437	\$ 47,437
Permits and Inspection fees	2,000	2,000	2,025	25
User fees	9,000	9,000	14,884	5,884
Subdivision Requirement fees	45,000	45,000	45,842	842
Miscellaneous Income	2,000	2,000	690	(1,310)
<b>Total Revenues</b>	<b>294,000</b>	<b>294,000</b>	<b>346,878</b>	<b>52,878</b>
<b>Operating Expenses</b>				
<b>Direct Expenses</b>				
Depreciation	40,000	40,000	43,235	(3,235)
Systems Maintenance	62,000	62,000	63,310	(1,310)
Billing Fees	700	700	566	134
<b>General and Administrative Expenses</b>				
Salaries	3,200	3,200	3,197	3
Payroll taxes & Group Insurance	900	900	759	141
Per Diem	3,000	3,000	2,220	780
Insurance	13,000	13,000	12,441	559
Professional Fees	9,000	9,000	9,095	(95)
Liscense & Permits	800	800	786	14
Office Expense	3,700	3,700	890	2,810
<b>Total Operating Expenditure</b>	<b>136,300</b>	<b>136,300</b>	<b>136,499</b>	<b>49,680</b>
<b>Net Operating Income (Loss)</b>	<b>157,700</b>	<b>157,700</b>	<b>210,379</b>	<b>3,198</b>
<b>Non-Operating Revenues &amp; Expenses</b>				
Interest Income	7,000	7,000	4,072	2,928
Interest Expense	(26,000)	(26,000)	(20,072)	(5,928)
<b>Total Non-Operating Income</b>	<b>(19,000)</b>	<b>(19,000)</b>	<b>(16,000)</b>	<b>(3,000)</b>
<b>Excess of Revenues (Expenditures)</b>	<b>138,700</b>	<b>138,700</b>	<b>194,379</b>	<b>199</b>
<b>Net Assets December 31, 2002</b>	<b>936,348</b>	<b>936,348</b>	<b>936,348</b>	
<b>Net Assets December 31, 2003</b>	<b>\$ 1,075,048</b>	<b>\$ 1,075,048</b>	<b>\$ 1,130,727</b>	

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board Members of  
Livingston Parish Sewerage District One  
Denham Springs, Louisiana**

I have audited the basic financial statements of **Livingston Parish Sewerage District One**, Denham Springs, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2003, and have issued my report thereon dated April 20, 2004. I conducted my 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audits, I considered **Livingston Parish Sewerage District One's** internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of **Livingston Parish Sewerage District One's** management, pass-through entities, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Leroy J. Chustz*

Certified Public Accountant, APAC

April 20, 2004

# **Livingston Parish Sewerage District One**

## **Schedule of Findings Year Ended December 31, 2003**

### **A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Livingston Parish Sewerage District One.
2. No reportable conditions were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.
4. There were no federal awards received by Livingston Parish Sewerage District One.

**Livingston Parish Sewerage District One**

**Schedule of Prior Year Findings  
Year Ended December 31, 2003**

**B. SUMMARY OF PRIOR YEAR AUDIT RESULTS**

There were no prior year audit findings.