

Livingston Parish Sewer District
DBA Livingston Parish Sewer District Number
Two

Annual Financial Statements

As of and for the Year Then Ended December 31, 2020
With Supplementary Information
(with 2019 summarized comparative information)



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Livingston Parish Sewer District
Annual Financial Statements
As of and for the Year Ended December 31, 2020
With Supplementary Information
(with 2019 summarized comparative information)

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Basis for Qualified Opinion

As described in Note 8 to the financial statements, management did not adopt GASB Statement No. 83 - *Certain Asset Retirement Obligations* as an estimate was not available for an asset retirement obligation as it relates to small package sewer treatment plants. An asset retirement obligation would increase liabilities, deferred outflows of resources, and expenses of the District in accordance with accounting principles generally accepted in the United States of America. The amount by which this departure would affect the liabilities, deferred outflows of resources, and expenses of the District has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Livingston Parish Sewer District, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Livingston Parish Sewer District’s 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 8 - 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit for the year ended December 31, 2020 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 2020 financial statements, for the year ended December 31, 2020 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of not adopting GASB Statement No 83 as explained in the "Basis for Qualified Opinion" paragraph, the information included in the accompanying schedules listed as Other Supplementary Information in the table of contents related to the 2020 financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

We have also previously 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 Livingston Parish Sewer District's basic financial statements for the year ended December 31, 2019, which are not presented with the accompanying financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated June 24, 2020. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston Parish Sewer District's basic financial statements as a whole. The information included in the accompanying schedules listed as Other Supplementary Information in the table of contents, related to the 2019 financial statements, for the year ended December 31, 2020, 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 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those 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 2019 information included in the accompanying schedules listed as Other Supplementary Information in the table of contents is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021 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.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana
June 28, 2021

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, 2020

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, 2020, total assets and deferred outflows were \$39,388,506, and exceeded liabilities in the amount of \$8,207,416 (i.e., net position). Of the total net position, \$2,202,179 was unrestricted and available to support short-term operations. The net investment in capital assets totaled \$4,183,283. The remaining balance was restricted for capital projects activity and debt service.
- The long-term portion of bonds payable decreased to \$679,928 at December 31, 2020 compared to a decrease of \$732,887 at the end of the prior fiscal period. This was due to bond principal payments during the fiscal year.
- For the year ended December 31, 2020, operating revenues increased to \$5,437,679 as compared to \$5,154,827 for the fiscal year ending December 31, 2019.
- The District's operating expenses, other than depreciation expense, increased by \$176,818 to \$3,025,955 for fiscal year ending December 31, 2020 as compared to \$2,849,137 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$101,082, supplies of \$51,068, salaries and wages of \$48,018, and utilities of \$27,771 which were offset by a decrease in professional fees of \$62,185.
- The District showed an increase in net position of \$347,907 for the fiscal year ended December 31, 2020, as compared to an increase of \$1,105,720 for the fiscal year ending December 31, 2019.

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2020

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, 2020**

**Condensed Statements of Net Position
2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 7,371,564	\$ 11,924,309	\$ (4,552,745)	-38%
Capital Assets	31,971,457	27,066,567	4,904,890	18%
Total Assets	<u>39,343,021</u>	<u>38,990,876</u>	<u>352,145</u>	1%
Deferred Outflows of Resources				
Refunding of Debt	45,485	47,380	(1,895)	-4%
Total Deferred Outflows of Resources	<u>45,485</u>	<u>47,380</u>	<u>(1,895)</u>	-4%
Liabilities:				
Long-Term Debt Outstanding	28,864,096	29,544,024	(679,928)	-2%
Other Liabilities	2,316,994	1,634,723	682,271	42%
Total Liabilities	<u>31,181,090</u>	<u>31,178,747</u>	<u>2,343</u>	0%
Net Position:				
Net Investment in Capital Assets	4,183,283	3,919,874	263,409	7%
Restricted for Capital Activity and Debt Service	1,821,954	1,903,588	(81,634)	-4%
Unrestricted	2,202,179	2,036,047	166,132	8%
Total Net Position	<u>\$ 8,207,416</u>	<u>\$ 7,859,509</u>	<u>\$ 347,907</u>	4%

The major components of change for "Current and Other Assets" is a decrease in restricted cash of \$4,617,146 for sewer expansion construction related to the Series 2018 construction funds and an increase in unrestricted cash of \$173,792.

"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.

"Total Net Position" (total assets less total liabilities) increased \$347,907 for the fiscal year ended December 31, 2020, compared to an increase of \$1,105,720 for the fiscal year ending December 31, 2019.

Livingston Parish Sewer District

**Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues:				
Operating Revenues	\$ 5,437,679	\$ 5,154,827	\$ 282,852	5%
Nonoperating Revenues	93,393	1,101,840	(1,008,447)	-92%
Total Revenues	<u>5,531,072</u>	<u>6,256,667</u>	<u>(725,595)</u>	-12%
Expenses:				
Depreciation Expense	1,089,199	1,001,569	87,630	9%
Other Operating Expense	3,025,955	2,849,137	176,818	6%
Nonoperating Expense	1,068,011	1,300,241	(232,230)	-18%
Total Expenses	<u>5,183,165</u>	<u>5,150,947</u>	<u>32,218</u>	1%
Changes in Net Position	<u>347,907</u>	<u>1,105,720</u>	<u>(757,813)</u>	-69%
Net Position, Beginning	<u>7,859,509</u>	<u>6,753,789</u>	<u>1,105,720</u>	16%
Ending Net Position	<u>\$ 8,207,416</u>	<u>\$ 7,859,509</u>	<u>\$ 347,907</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 \$282,852 primarily due to an increase of \$30,708 in impact fees and \$205,786 in sewer fees. Nonoperating revenues decreased \$1,008,447 due to decreases of \$271,945 in FEMA reimbursements, \$116,055 in interest income, \$599,863 in reimbursements for the Juban Expansion, and \$45,000 in grant income.

Total "Operating Expenses", other than depreciation expense, increased by \$176,818 to \$3,025,955 for fiscal year ending December 31, 2020 as compared to \$2,849,137 for the prior fiscal year. The increase is due primarily to increases in repairs and maintenance of \$101,082, supplies of \$51,068, salaries and wages of \$48,018, and utilities of \$27,771 which were offset by a decrease in professional fees of \$62,185.

Total "Nonoperating Expense" decreased by \$232,230. This decrease was due primarily to decreases in bond issuance cost of \$133,135, interest expense of \$48,073, and transfers to the Parish Council for Series 2016 Revenue Refunding Bonds of \$69,741.

The District showed an increase of \$347,907 (change in net position) for the fiscal year ending December 31, 2020, as compared to an increase of \$1,105,720 for the fiscal year ending December 31, 2019.

Budgetary Highlights

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2020

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, 2020

	Budget Year ended December 31, 2020	Actual Year ended December 31, 2020	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 5,446,500	\$ 5,437,679	\$ (8,821)
Nonoperating Revenues	72,500	93,393	20,893
Total Revenues	<u>5,519,000</u>	<u>5,531,072</u>	<u>12,072</u>
Expenses:			
Depreciation Expense	1,020,000	1,089,199	(69,199)
Other Operating Expense	3,599,000	3,025,955	573,045
Nonoperating Expense	<u>900,000</u>	<u>1,068,011</u>	<u>(168,011)</u>
Total Expenses	<u>5,519,000</u>	<u>5,183,165</u>	<u>335,835</u>
Change in Net Position	\$ <u>-</u>	\$ <u>347,907</u>	\$ <u>347,907</u>

Actual revenues exceeded budgeted revenues by approximately 0.22% or \$12,072, and actual expenses were below their projection of expenses by approximately 6.09% or \$335,835.

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, 2020

General Operating Data

	December 31, 2020	December 31, 2019	Increase (Decrease)
Customers	8,310	8,063	247
Total Customers	8,310	8,063	247

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2020, Livingston Parish Sewer District had \$31,971,457 (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, 2020	December 31, 2019	Increase (Decrease)	Percentage Change
Capital Assets				
Buildings	\$ 580,858	\$ 580,858	-	0%
Machinery & Equipment	2,135,496	1,740,148	395,348	23%
Utility System	33,265,457	32,930,197	335,260	1%
Vehicles	752,203	333,130	419,073	126%
Subtotal	36,734,014	35,584,333	1,149,681	3%
Less: Accumulated Depreciation	(12,064,557)	(10,975,358)	(1,089,199)	-10%
Capital Assets Being Depreciated, Net	24,669,457	24,608,975	60,482	0%
Land	193,566	193,566	-	0%
Construction in Progress	7,108,434	2,264,026	4,844,408	214%
Net Capital Assets	\$ 31,971,457	\$ 27,066,567	\$ 4,904,890	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. With the issuance of the 2012 Refunding Bonds at \$572,000, the issuance of the 2012 Ward Two Sewer District Expansion bonds at \$15,900,000, the issuance of the Series 2016 Sewer Refunding Bonds at \$2,200,000, the issuance of the Series 2018 Revenue Bonds at \$10,315,000, and the issuance of the Series 2019 Revenue Refunding Bonds at \$3,980,000 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. The reader should refer to *Footnote 7 – Flow of Funds Restrictions on Use* and *Footnote 13 – Other Commitments and Contingencies* for

Livingston Parish Sewer District

Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2020

a discussion of the District's compliance to bond covenants. The District for the fiscal year ending December 31, 2020 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.

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 accountant, 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, 2020
(with 2019 summarized comparative information)

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 2,210,592	\$ 2,036,800
Receivables, Net :		
Accounts	28,948	27,903
Due From Other Governments	363,953	343,290
Other Receivables	-	118,000
Prepaid Insurance	32,500	35,456
Total Current Assets	2,635,993	2,561,449
Restricted Assets:		
Restricted Cash and Cash Equivalents	4,506,762	9,123,908
Total Restricted Assets	4,506,762	9,123,908
Property, Plant, and Equipment		
Land	193,566	193,566
Construction in Progress	7,108,434	2,264,026
Property, Plant and Equipment, Net	24,669,457	24,608,975
Total Property, Plant, and Equipment	31,971,457	27,066,567
Other Assets		
Prepaid Bond Insurance Costs, Net	226,540	236,683
Meter Deposits	2,269	2,269
Total Other Assets	228,809	238,952
Total Assets	39,343,021	38,990,876
Deferred Outflows of Resources		
Refunding of Debt	45,485	47,380
Total Deferred Outflows of Resources	45,485	47,380
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	155,662	164,352
Other Accrued Payables	11,044	133,469
Due To Other Governments	531	-
Total Current Liabilities (Payable From Current Assets)	167,237	297,821
Current Liabilities (Payable From Restricted Assets):		
Construction Payable	927,886	267,989
Accrued Interest Payable	540,871	513,913
Revenue Bonds Payable	681,000	555,000
Total Current Liabilities (Payable From Restricted Assets)	2,149,757	1,336,902
Long Term Liabilities:		
Bonds Payable	28,864,096	29,544,024
Total Long Term Liabilities	28,864,096	29,544,024
Total Liabilities	31,181,090	31,178,747
Net Position		
Net Investment in Capital Assets	4,183,283	3,919,874
Restricted for:		
Capital Projects and Debt Service	1,821,954	1,903,588
Unrestricted	2,202,179	2,036,047
Total Net Position	\$ 8,207,416	\$ 7,859,509

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, 2020
(with 2019 summarized comparative information)**

	2020	2019
Operating Revenues		
Sewer Fees	\$ 4,594,166	\$ 4,388,380
Permits & Inspection Fees	65,781	65,108
User & Hook-up Fees	129,074	114,974
Impact Fees	606,634	575,926
Other Operating Income	42,024	10,439
Total Operating Revenues	5,437,679	5,154,827
Operating Expenses		
Salaries and Wages	599,104	551,086
Payroll Taxes & Group Insurance	146,647	119,363
Per Diem	6,600	5,300
Amortization-Prepaid Bond Insurance	10,144	9,864
Bad Debts	6,729	7,954
Depreciation	1,089,199	1,001,569
Fuel/Oil-Trucks	50,819	49,135
Insurance	134,472	115,403
Licenses & Permits	12,713	12,425
Office Expense	6,217	6,091
Other	153,802	191,194
Professional Fees	126,116	188,301
Repairs and Maintenance	1,145,073	1,043,991
Supplies	215,703	164,635
Telephone	17,947	18,741
Uniform Expense	15,295	14,851
Utilities	378,574	350,803
Total Operating Expenses	4,115,154	3,850,706
Operating Income (Loss)	1,322,525	1,304,121
Nonoperating Revenues (Expenses)		
Interest Income	52,246	168,301
FEMA Reimbursement	16,731	288,676
Grant Income	-	45,000
Interest Expense	(989,532)	(1,037,605)
Bond Issuance Cost	-	(133,135)
Transfer for Parish Council Debt Obligation	-	(69,741)
Storm and Flood Expense	(78,479)	(59,760)
CARES Act Funds	24,416	-
Reimbursement for Juban Expansion	-	599,863
Total Nonoperating Revenues (Expenses)	(974,618)	(198,401)
Change in Net Position	347,907	1,105,720
Total Net Position, Beginning	7,859,509	6,753,789
Total Net Position, Ending	\$ 8,207,416	\$ 7,859,509

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, 2020
(with 2019 summarized comparative information)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 5,394,610	\$ 5,455,596
Other Receipts	156,092	292,694
Payments for Operations	(2,401,524)	(2,137,562)
Payments to Employees	(742,446)	(668,690)
Net Cash Provided by Operating Activities	<u>2,406,732</u>	<u>2,942,038</u>
Cash Flows From Capital and Related Financing Activities		
(Payments for) Storm and Flood Expenses	(78,479)	(59,760)
Proceeds from FEMA Reimbursements	-	333
Proceeds from Grants	24,416	45,000
Reimbursements for Juban Expansion	-	599,863
(Payments for) Livingston Parish Council Debt Obligation	531	(70,408)
(Payments for) Capital Acquisitions	(5,334,192)	(2,687,931)
Principal Proceeds from (Repayments for) Long Term Debt	(553,928)	(732,887)
Deferred Outflows for Refunding	1,895	(5,079)
Debt Issue Cost Payments	-	(133,135)
Prepaid Bond Insurance Payments	10,143	2,854
Interest Payments for Long Term Debt	(972,718)	(1,169,217)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,902,332)</u>	<u>(4,210,367)</u>
Cash Flows From Investing Activities		
Receipt of Interest	52,246	168,301
Proceeds from sale (Payments) for Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>52,246</u>	<u>168,301</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(4,443,354)	(1,100,028)
Cash and Cash Equivalents, Beginning of Year	<u>11,160,708</u>	<u>12,260,736</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,717,354</u>	<u>\$ 11,160,708</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 2,210,592	\$ 2,036,800
Cash and Cash Equivalents, Restricted	<u>4,506,762</u>	<u>9,123,908</u>
Total Cash and Cash Equivalents	<u>\$ 6,717,354</u>	<u>\$ 11,160,708</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, 2020
(with 2019 summarized comparative information)

Statement C
(Continued)

	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 1,322,525	\$ 1,304,121
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,099,343	1,011,433
(Increase) decrease in Accounts Receivable	(1,045)	311,208
(Increase) decrease in Prepaid Insurance	2,956	(1,568)
(Increase) decrease in Other Assets	118,000	(118,000)
(Increase) decrease in Due (to) and from Other Governments	(3,932)	400,255
Increase (decrease) in Accounts Payable	(8,690)	(93,474)
Increase (decrease) in Accrued Expenses	(122,425)	128,063
Net Cash Provided by Operating Activities	\$ 2,406,732	\$ 2,942,038

(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, 2020
(with 2019 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.

Livingston Parish Sewer District
Notes to the Financial Statements
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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote 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, 2020. The District did record \$45,485 of deferred outflows of resources due to debt refundings during the year ending December 31, 2019.

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.

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with 2019 summarized comparative information)

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 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, 2020 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, 2020, 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.

Livingston Parish Sewer District
Notes to the Financial Statements
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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 expensed 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

Livingston Parish Sewer District
Notes to the Financial Statements
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GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

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

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

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

The District had no bond issue costs for the fiscal year ended December 31, 2020.

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.

Livingston Parish Sewer District
Notes to the Financial Statements
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- **Restricted Component of Net Position** - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized 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, 2019, 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, 2020, the District has cash and cash equivalents (book balances) as follows:

	December 31, 2020
Demand Deposits	\$ 4,032,544
Trust Funds	2,684,810
	\$ 6,717,354

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

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
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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.

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, 2020, the District has \$6,492,817 in cash and cash equivalent deposits (collected bank balances), consisting of \$3,807,999 in demand deposits and \$2,684,818 in Trust Funds. The demand deposits are held in two banks. Demand deposits in one bank are secured from risk by \$250,000 of federal deposit insurance and \$3,507,171 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The \$3,507,171 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 \$50,828 are secured from risk by \$250,000 of federal deposit insurance. The \$2,684,818 of Trust Funds is fully collateralized by the Trust Fund department of the participating bank.

3. Receivables

At December 31, 2020, the District recorded \$28,948 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, 2020:

	December 31, 2020
Restricted Cash and Cash Equivalents	
Bond Reserve Account	\$ 705,192
Bond Contingency Account	24,140
Bond Sinking Account	874,979
Impact Fee Fund	217,643
Construction Expansion Fund	2,684,808
Cash Bond Escrow Account	-
Total Restricted Assets	\$ 4,506,762

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with 2019 summarized comparative information)

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2020 is as follows:

	Beginning Balance 12/31/19	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance 12/31/20
Capital Assets Being Depreciated				
Buildings	\$ 580,858	\$ -	\$ -	\$ 580,858
Machinery and Equipment	1,740,148	395,348	-	2,135,496
Utility System	32,930,197	335,260	-	33,265,457
Vehicles	333,130	419,073	-	752,203
Total Capital Assets Being Depreciated	35,584,333	1,149,681	-	36,734,014
Less Accumulated Depreciation	(10,975,358)	(1,089,199)	-	(12,064,557)
Capital Assets Being Depreciated, Net	24,608,975	60,482	-	24,669,457
Land	193,566	-	-	193,566
Construction in Progress	2,264,026	4,844,408	-	7,108,434
Total Capital Assets, Net	\$ 27,066,567	\$ 4,904,890	\$ -	\$ 31,971,457

Depreciation expense for the fiscal year ending December 31, 2020, totaled \$1,089,199. 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.

6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2020:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-Term Debt					
Revenue Refunding Bonds, Series 2012	\$ 261,000	\$ -	\$ (50,000)	\$ 211,000	\$ 51,000
Sewer Expansion Bonds, Series 2012	13,455,000	-	(420,000)	13,035,000	425,000
Revenue Refunding Bonds, Series 2016	2,145,000	-	(85,000)	2,060,000	85,000
Revenue Bonds, Series 2018	10,315,000	-	-	10,315,000	-
Revenue Refunding Bonds, Series 2019	3,980,000	-	-	3,980,000	120,000
Total Long-Term Debt	30,156,000	-	(555,000)	29,601,000	681,000
Plus:					
Unamortized Premium (Discount)	(56,976)	4,752	(3,680)	(55,904)	(1,072)
Total Long-Term Debt	\$ 30,099,024	\$ 4,752	\$ (558,680)	\$ 29,545,096	\$ 679,928

Livingston Parish Sewer District
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020
(with 2019 summarized comparative information)

Bonds Payable as of December 31, 2020 is as follows:

	December 31, 2020	December 31, 2019
Revenue Refunding Bonds \$ 572,000		
Sewer Revenue Bonds, Series 2012		
Dated 6/28/2012 due in annual installments of principal and semi-annual installments of interest - varying from \$56,804 to \$53,755 interest at 2.85%, with bonds maturing 3/1/2024.	\$ 211,000	\$ 261,000
Sewer Expansion Bonds \$ 15,900,000		
Sewer Expansion Bonds, Series 2012		
Dated 11/21/2012 due in annual installments of principal and semi-annual installments of interest - varying from \$853,230 to \$847,960 interest from 2.0% to 3.6%, with bonds maturing 3/1/2042.	13,035,000	13,455,000
Revenue Refunding Bonds \$ 2,200,000		
Sewer Revenue Bonds, Series 2016		
Dated 5/16/2016 due in annual installments of principal and semi-annual installments of interest - varying from \$66,000 to \$149,894 interest from 1.25% to 4.0%, with bonds maturing 3/1/2039.	2,060,000	2,145,000
Revenue Bonds \$ 10,315,000		
Sewer Revenue Bonds, Series 2018		
Dated 7/19/2018 due in annual installments of principal and semi-annual installments of interest - varying from \$30,433 to \$232,082 interest from 3.0% to 3.7%, with bonds maturing 3/1/2048.	10,315,000	10,315,000
Revenue Refunding Bonds \$ 2,200,000		
Sewer Revenue Bonds, Series 2019		
Dated 12/12/2019 due in annual installments of principal and semi-annual installments of interest - varying from \$195,437 to \$233,744 interest from 2.25% to 3.0%, with bonds maturing 3/1/2044.	3,980,000	3,980,000
	\$ 29,601,000	\$ 30,156,000

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, 2020, including interest payments of \$16,928,672 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
2021	\$ 51,000	\$ 5,287	\$ 56,287	\$ 425,000	\$ 423,705	\$ 848,705	\$ 85,000	\$ 63,080	\$ 148,080
2022	53,000	3,805	56,805	435,000	415,205	850,205	85,000	61,720	146,720
2023	54,000	2,280	56,280	445,000	404,330	849,330	85,000	60,275	145,275
2024	53,000	755	53,755	460,000	390,980	850,980	90,000	58,700	148,700
2025	-	-	-	475,000	377,180	852,180	90,000	56,968	146,968
2026 to 2030	-	-	-	2,595,000	1,663,600	4,258,600	485,000	241,023	726,023
2031 to 2035	-	-	-	3,015,000	1,241,250	4,256,250	590,000	141,488	731,488
2036 to 2040	-	-	-	3,575,000	682,855	4,257,855	550,000	37,888	587,888
2041 to 2045	-	-	-	1,610,000	87,480	1,697,480	-	-	-
2046 to 2048	-	-	-	-	-	-	-	-	-
	<u>\$ 211,000</u>	<u>\$ 12,127</u>	<u>\$ 223,127</u>	<u>\$ 13,035,000</u>	<u>\$ 5,686,585</u>	<u>\$ 18,721,585</u>	<u>\$ 2,060,000</u>	<u>\$ 721,142</u>	<u>\$ 2,781,142</u>

Year Ending 12/31/20	Series 2018 Sewer Revenue Bonds \$10,315,000			Series 2019 Revenue Refunding Bonds \$3,980,000			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ -	\$ 376,349	\$ 376,349	\$ 120,000	\$ 115,425	\$ 235,425	\$ 681,000	\$ 983,846	\$ 1,664,846
2022	-	376,349	376,349	120,000	111,825	231,825	693,000	968,904	1,661,904
2023	-	376,349	376,349	125,000	108,150	233,150	709,000	951,384	1,660,384
2024	-	376,349	376,349	125,000	104,400	229,400	728,000	931,184	1,659,184
2025	50,000	375,599	425,599	130,000	100,575	230,575	745,000	910,322	1,655,322
2026 to 2030	285,000	1,853,460	2,138,460	715,000	444,900	1,159,900	4,080,000	4,202,983	8,282,983
2031 to 2035	350,000	1,800,276	2,150,276	820,000	337,050	1,157,050	4,775,000	3,520,064	8,295,064
2036 to 2040	585,000	1,729,431	2,314,431	955,000	203,925	1,158,925	5,665,000	2,654,099	8,319,099
2041 to 2045	4,285,000	1,397,020	5,682,020	870,000	52,950	922,950	6,765,000	1,537,450	8,302,450
2046 to 2048	4,760,000	268,436	5,028,436	-	-	-	4,760,000	268,436	5,028,436
	<u>\$ 10,315,000</u>	<u>\$ 8,929,618</u>	<u>\$ 19,244,618</u>	<u>\$ 3,980,000</u>	<u>\$ 1,579,200</u>	<u>\$ 5,559,200</u>	<u>\$ 29,601,000</u>	<u>\$ 16,928,672</u>	<u>\$ 46,529,672</u>

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.

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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 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 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

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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 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 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

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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 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

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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, 2020, 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

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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, 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, 2020 was \$45,485.

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.

Total interest expense from all sewer revenue bonds equaled \$986,566 for the year ending December 31, 2020. All bonds are secured by the Net Revenues of the District. The gross sewer revenue recognized during the current period was \$4,789,021. On May 20, 2021, the District approved the issuance of Series 2021 Revenue Refunding Bonds in the amount of \$12,915,000 which would refund the Series 2012 Sewer Expansion Bonds. See Footnote 16.

8. Asset Retirement Obligation

The District was not able to adopt GASB Statement No. 83 – *Certain Asset Retirement* Obligation for the year ended December 31, 2020. The District may have an asset retirement obligation related to an environmental obligation to close sewer treatment plants at the end of service. An estimate was not available for this obligation as it relates to the closure of small package sewer treatment plants; however, the District may have expenses if closed.

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9. Restricted Net Position

At December 31, 2020, Livingston Parish Sewer District recorded \$1,821,954 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 to Denham Springs and Ward Two Water District of Livingston Parish. The District has a Local Service Agreement with Water 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

At December 31, 2020, the District was not involved in any outstanding litigation or claims.

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 \$1,301,767 for engineering and related items for the southern expansion project of the Series 2018 project. The District has incurred \$893,165 in costs related to this contract. There is approximately \$408,602 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 \$5,112,238 for construction of Phase 5-Buddy Ellis treatment plant for the southern expansion project of the Series 2018 project. The District has incurred \$4,647,788 in costs related to this contract including retainage. There is approximately \$464,450 remaining commitment related to the construction contract for this project.

14. Storm and Flood Expenses

As of December 31, 2020, 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.

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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, 2020, the District incurred costs related to Hurricanes Laura, Sally, and Delta. The District recorded a receivable of \$16,731 from FEMA for disaster assistance for Hurricanes Laura and Sally. The District is anticipating receiving approximately \$50,882 additional from FEMA for disaster assistance for Hurricane Delta; however, final approval hasn't been received from FEMA.

15. COVID-19 Pandemic

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic and this pandemic has resulted in federal, state, and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders, and quarantining of people that may have been exposed to the virus.

COVID-19 and actions taken to mitigate it have and are expected to continue to have adverse effects on the economy. As the COVID-19 pandemic is complex and rapidly evolving, we cannot reasonably estimate the duration or severity of this pandemic nor its full impact on the entity, its financial position, change in financial position, or cash flows.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the COVID-19 pandemic. Among the CARES Act key provisions were funds designated for programs for state and local governments, which include creation of the Coronavirus Relief Fund with \$150 billion for direct aid for state and local governments to assist in expenses associated with COVID-19. The State of Louisiana will receive \$1.8 billion from this Fund and will appropriate 45% to local governments. The District received \$24,416 during the fiscal year as a pass-thru from the Parish for salaries and other expenses related to COVID-19 during the fiscal year ended December 31, 2020.

16. Subsequent Events

Subsequent events have been evaluated by management through June 28, 2021, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. Other than noted below, no events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2020.

On May 20, 2021, the District approved the issuance of Series 2021 Revenue Refunding Bonds in the amount of \$12,915,000 which would refund the Series 2012 Sewer Expansion Bonds. This issuance has interest rates that vary from 0.57% to 3.00%. There is also approximately \$304,271 of bond issuance costs related to the issuance of the Series 2021 Refunding Bonds.

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, 2020
(With Comparative Amounts for the Year Ended December 31, 2019)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
Operating Revenues				
Sewer Fees	\$ 4,715,000	\$ 4,594,166	\$ (120,834)	\$ 4,388,380
Permits & Inspection Fees	89,000	65,781	(23,219)	65,108
User & Hook-up Fees	110,000	129,074	19,074	114,974
Impact Fees	525,000	606,634	81,634	575,926
Development Fees	-	-	-	-
Other Operating Income	7,500	42,024	34,524	10,439
Total Operating Revenues	<u>5,446,500</u>	<u>5,437,679</u>	<u>(8,821)</u>	<u>5,154,827</u>
Operating Expenses				
Salaries and Wages	595,000	599,104	(4,104)	551,086
Payroll Taxes & Group Insurance	147,500	146,647	853	119,363
Per Diem	6,500	6,600	(100)	5,300
Amortization	8,400	10,144	(1,744)	9,864
Bad Debts	6,000	6,729	(729)	7,954
Depreciation	1,020,000	1,089,199	(69,199)	1,001,569
Fuel/Oil-Trucks	40,000	50,819	(10,819)	49,135
Insurance	160,000	134,472	25,528	115,403
Licenses & Permits	15,000	12,713	2,287	12,425
Office Expense	5,300	6,217	(917)	6,091
Other	219,800	153,802	65,998	191,194
Professional Fees	120,000	126,116	(6,116)	188,301
Repairs and Maintenance	1,739,500	1,145,073	594,427	1,043,991
Supplies	169,000	215,703	(46,703)	164,635
Telephone	17,000	17,947	(947)	18,741
Uniform Expense	14,000	15,295	(1,295)	14,851
Utilities	336,000	378,574	(42,574)	350,803
Total Operating Expenses	<u>4,619,000</u>	<u>4,115,154</u>	<u>503,846</u>	<u>3,850,706</u>
Operating Income (Loss)	<u>827,500</u>	<u>1,322,525</u>	<u>495,025</u>	<u>1,304,121</u>
Nonoperating Revenues (Expenses)				
Interest Income	55,000	52,246	(2,754)	168,301
FEMA Reimbursement	-	16,731	16,731	288,676
Grant Income	-	-	-	45,000
Interest Expense	(900,000)	(989,532)	(89,532)	(1,037,605)
Bond Issuance Cost	-	-	-	(133,135)
Transfer for Parish Debt Obligation	-	-	-	(69,741)
Storm and Flood Expense	-	(78,479)	(78,479)	(59,760)
CARES Act Funds	17,500	24,416	6,916	-
Reimbursement for Juban Expansion	-	-	-	599,863
Total Nonoperating Revenues (Expenses)	<u>(827,500)</u>	<u>(974,618)</u>	<u>(147,118)</u>	<u>(198,401)</u>
Change in Net Position	<u>-</u>	<u>347,907</u>	<u>347,907</u>	<u>1,105,720</u>
Total Net Position, Beginning	<u>7,859,509</u>	<u>7,859,509</u>	<u>-</u>	<u>6,753,789</u>
Total Net Position, Ending	<u>\$ 7,859,509</u>	<u>\$ 8,207,416</u>	<u>\$ 347,907</u>	<u>\$ 7,859,509</u>

See independent auditor's report.

Schedule 3

**Livingston Parish Sewer District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2020**

<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	\$ 1,400	Until Re-appointed
Harry Wells (225) 485-1676	26170 John L Lane Denham Springs, LA 70726	1,600	Until Re-appointed
Norris Achord (225) 603-6612	32375 Cane Market Rd Walker, LA 70785	1,300	Until Re-appointed
Asa Faulkner (225) 287-8518	8562 Beechwood Drive Denham Springs, LA 70706	700	Until Re-appointed
Larry Tarver (225) 347-1616	11889 Colyell Drive Walker, LA 70785	1,600	Deceased January 2021
		<u>\$ 6,600</u>	

See independent auditor's report.

Schedule 4

**Livingston Parish Sewer District
Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2020**

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, 2020

	2020	2019	Increase (Decrease)
Customers	8,310	8,063	247
Total Customers	8,310	8,063	247

Tap Fee is \$300.98 (plus road bore)
plus additional Impact Fee as indicated
below:

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

Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy W. Garcia, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2020, 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 28, 2021.

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2020-I1 and 2020-I2 that we consider to be significant deficiencies.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To Members of the Board of Commissioners
Livingston Parish Sewer District
Livingston Parish Council
Page 2

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Livingston Parish Sewer District's Response to Findings

Livingston Parish Sewer District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Livingston Parish Sewer District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, Louisiana
June 28, 2021

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

Section I Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified
Disclaimer Adverse

Internal control over financial reporting:

Material Weakness(es) identified? Yes No
Significant Deficiency(ies) identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards - NA

Internal Control over major federal Programs:

Material Weakness(es) identified? Yes No
Significant Deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified Qualified
Disclaimer Adverse

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Yes No

Identification of Major Federal Programs:

Assistance Listing Number (s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Auditee qualified as low-risk auditee? Yes No

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

Section II Financial Statement Findings

Finding Number: 2020-II 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.

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

Management's Response: Compensating controls will be further reviewed and implemented where possible.

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

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

Criteria: The District relies on third-party billing agents to process the utility billings for sewer services since the sewer accounts are included in customer accounts that provide water and sewer, and sometimes gas service billings. Documentation provided by the billing agents must be sufficient to determine that accounts receivable and sewer service revenue are reasonably valued. Since the primary objective of the billing agent utility system software is to provide services to its own customers, the District often has to work with the billing agents to obtain utility billing software program changes necessary for reporting transactions of the District.

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.

Effect: Sufficient documentation is necessary to determine that receivables are complete and that sewer service revenues are correctly stated.

**Livingston Parish Sewer District
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

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.

Management's Response: We will contact our secondary billing agents to increase the level of documentation for sewer payments and billings.

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

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, 2020**

Section I Internal Control and Compliance Material to the Financial Statements

Finding Number: 2019-II 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.

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

Management's Response: Compensating controls will be further reviewed and implemented where possible.

Current Year Status: Lack of segregation of duties is a continuing issue with smaller entities. The District continues to look for opportunities to implement compensating controls. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2020-II.

Finding Number: 2019-II2 Accounts Receivable Documentation (Significant Deficiency)

Criteria: The District relies on third-party billing agents to process the utility billings for sewer services since the sewer accounts are included in customer accounts that provide water and sewer, and sometimes gas service billings. Documentation provided by the billing agents must be sufficient to determine that accounts receivable and sewer service revenue are reasonably valued. Since the primary objective of the billing agent utility system software is to provide services to its own customers, the District often has to work with the billing agents to obtain utility billing software program changes necessary for reporting transactions of the District.

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.

Effect: Sufficient documentation is necessary to determine that receivables are complete and that sewer service revenues are correctly stated.

**Livingston Parish Sewer District
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2020**

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.

Management's Response: We will contact our secondary billing agent to increase the level of documentation for sewer payments and billings.

Current Year Status: Despite contacting the secondary billing agent, the District was still unable to obtain more detailed documentation related to sewer payments and billing. This is primarily due to the continued effects related to the flood. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2020-I2.

Finding Number: 2019-C1 Ethics Training (Noncompliance)

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

Condition: The District did not have documentation of the required ethics training for employees or board members for the year ending December 31, 2019.

Cause: Failure to complete training or provide certificate.

Effect: Noncompliance with the above referenced statutes.

Recommendations: The District should ensure that all employees and board members complete the required training each year. The District should put into place a tracking system for the completion of the required annual course, such as a worksheet that includes all employees and copies of their completion certificates. Management should communicate a required completion deadline date and follow up with consequences for failure to meet the deadline.

Management's Response: Management will have all employees and board members complete the ethics training as soon as possible. Management will work on implementing the auditor's recommendation.

Current Year Status: Resolved

Federal Award Findings and Questioned Costs

NA

This schedule was prepared by management.