

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Financial Statements With Auditors' Report
As of and For the Year Ended June 30, 2018

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana

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Independent Auditors' Report

Board of Supervisors
Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Caddo Parish Sewerage District No. 2, a component unit of the Caddo Parish Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Caddo Parish Sewerage District No. 2'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.

Auditors' 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 from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Caddo Parish Sewerage District No. 2, a component unit of the Caddo Parish Commission, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Caddo Parish Sewerage District No. 2's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2019, on our consideration of Caddo Parish Sewerage District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Caddo Parish Sewerage District No. 2's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
May 28, 2019

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Statement of Net Position
June 30, 2018

	Business - Type Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 77,518
Investments - certificates of deposit	150,000
Accounts receivable - sewerage fees	18,392
Prepaid expenses	8,025
Total current assets	253,935
Capital assets:	
Land	59,452
Other capital assets, net of accumulated depreciation	214,747
Other assets	2,340
Total assets	530,474
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	11,592
Customer desposits	20,305
Total current liabilities	31,897
NET POSITION	
Net investment in capital assets	274,199
Unrestricted	224,378
Total net position	\$ 498,577

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2
 Caddo Parish, Louisiana
 Statement of Activities
 For the Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Functions / Programs:</u>		<u>Charges for Services</u>	<u>Business-Type Activities</u>
Business-Type Activities			
Sewerage services	\$ 215,849	\$ 211,466	\$ (4,383)
Total business-type activities	<u>215,849</u>	<u>211,466</u>	<u>(4,383)</u>
General revenues:			
Ad valorem taxes			90,130
Interest income			187
State revenue sharing			<u>1,870</u>
Total general revenues			<u>92,187</u>
Change in net position			87,804
Net position - beginning			410,773
Net position - ending			<u><u>\$ 498,577</u></u>

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Enterprise Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 77,518
Investments - certificates of deposit	150,000
Accounts receivable	18,392
Prepaid expenses	8,025
Total current assets	253,935
Noncurrent assets:	
Capital assets:	
Land	59,452
Plant and equipment	2,376,549
Less: accumulated depreciation	(2,161,802)
Other assets	2,340
Total noncurrent assets	276,539
Total assets	530,474
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	11,592
Customer deposits	20,305
Total current liabilities	31,897
Net position	
Net investment in capital assets	274,199
Unrestricted	224,378
Total net position	\$ 498,577

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
Operating revenues:	
Charges for service -	
Sewerage fees	\$ 211,466
Total operating revenues	211,466
Operating expenses:	
Salaries and payroll taxes	31,187
Accounting and auditing	10,130
Board of supervisor's fees	3,180
Contract labor	27,600
Insurance	12,145
Maintenance and repairs	58,670
Miscellaneous expenses	7,715
Office expense	18,524
Utilities	20,348
Depreciation	25,840
Total operating expenses	215,339
Operating income (loss)	(3,873)
Non-operating revenues (expenses):	
Ad valorem taxes	90,130
State revenue sharing	1,870
Interest income	187
Interest expense	(510)
Net non-operating revenues (expenses)	91,677
Change in net position	87,804
Net position - beginning of year	410,773
Net position - end of year	\$ 498,577

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 212,621
Cash payments to suppliers for goods and services	(154,389)
Cash payments to employees for services	(32,316)
Net cash provided by operating activities	25,916
Cash Flows From Noncapital Financing Activities	
Ad Valorem taxes	90,130
State revenue sharing	1,870
Net cash provided by noncapital financing activities	92,000
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(56,604)
Interest paid on capital debt	(510)
Net cash (used in) capital and related financing activities	(57,114)
Cash Flow From Investing Activities	
Interest income	187
Purchase of investments - certificates of deposit	(150,000)
Net cash (used in) investing activities	(149,813)
Net decrease in cash and cash equivalents	(89,011)
Cash, Beginning of year	166,529
Cash, End of year	\$ 77,518
Reconciliation of Operating Income (Loss) to Net Cash Provided	
By/(Used In) Operating Activities	
Operating income (loss)	\$ (3,873)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	25,840
Accounts receivable	1,155
Prepaid expenses	(413)
Accounts payable	3,272
Meter Deposits	(65)
Net cash flows from operating activities	\$ 25,916

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018

INTRODUCTION

The Caddo Parish Sewerage District No. 2 (the District) was created by the Caddo Parish Commission by ordinance section 44-452. The District is comprised of a board of five supervisors, each appointed by the Caddo Parish Commission.

(1) Summary of Significant Accounting Policies

The District's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

Because the Caddo Parish Commission appoints the members of the governing board and because the District operates within the geographical boundaries of Caddo Parish, the District was determined to be a component unit of the Caddo Parish Commission, the governing body of the parish and the governmental body with oversight responsibility. This report includes only funds which are maintained by the District and does not present information on the Caddo Parish Commission, the general government service provided by that governmental unit, or the other governmental units that comprise the Commission.

B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the funds maintained by the District as a whole) and fund financial statements (reporting the District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general fund and all activities are classified as business-type activities.

In the government-wide Statement of Net Position, the business-type activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts – net investment in capital assets and unrestricted net position.

(Continued)

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are supported by program revenues and general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, which must be directly associated with the function. Program revenues of the District consist of sewerage fee charges and operating grants. The net costs (by function) are normally covered by general revenues.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Proprietary Fund – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the District:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District's general fund was determined to be a major fund.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

(Continued)

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

1. Accrual:

The business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of fees for services relating to sewerage services, property taxes, state revenue sharing, grants and interest income. Property taxes are recorded in the year for which the taxes are levied. Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. Grant revenue is recorded when the District is entitled to the funds. Interest income is recorded when earned. State revenue sharing revenue is recorded when it is both measurable and available

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, 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, or money market accounts with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. 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. Investments are carried at fair value.

F. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Treatment and disposal plant	20 – 50 years
Equipment	5 – 15 years
Office furniture and fixtures	5 years
Sewer collection system	10 – 50 years

(Continued)

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

G. Compensated Absences

The District has the following policy relating to vacation and sick leave:

Employees earn annual leave based upon their length of employment. Upon separation of employment, employees are paid for accumulated annual leave based upon certain conditions. Employees also earn sick leave, but no unused sick leave is paid upon separation of employment.

H. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Long-Term Obligations

In the government-wide and fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

K. Bad Debts

The District uses the direct charge-off method of accounting for uncollectible ad valorem taxes and water system receivables. Although this method is not in accordance with generally accepted accounting principles, the overall effect on the financial statements is immaterial.

L. Capitalized Interest

The District capitalizes net interest costs and interest earned as part of the cost of constructing various sewer projects when material.

(Continued)

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

M. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

N. Postretirement Benefits

The District provides no postretirement benefits to its employees.

O. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

(2) Levied Taxes

The following is a summary of authorized and levied as valorem taxes:

	Authorized Millage	Levied Millage	Expiration Date
Operating and maintenance	16.37	16.37	2028

A special election was held November 18, 2018 of which the voters approved to continue to levy and collect the millage for a period of ten(10) years beginning with year 2019.

(3) Cash, Cash Equivalents and Investments

At June 30, 2018, the District had cash, cash equivalents and investments (book balances), totaling \$227,518 as detailed below.

The District had cash and cash equivalents at June 30, 2018 (book balances) totaling \$77,518. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Investments at June 30, 2018 consisted of certificates of deposit totaling \$150,000. The certificates of deposit have initial maturities greater than 90 days and are carried at cost, which approximates market value. The investments are considered category A in applying the credit risk of the Governmental Accounting Standards Board (GASB).

(Continued)

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

Credit Risk

Custodial credit risk is the risk that in the event of a bank or other deposing institution failure, the government's deposits may not be returned to it. As of June 30, 2018, the District's bank balances totaled \$227,560 which did not exceed the FDIC insured limits.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 59,452	\$	\$	\$ 59,452
Capital assets, being depreciated:				
Sewerage collection system	1,075,802			1,075,802
Buildings and improvements	84,492			84,492
Office	15,974			15,974
Treatment and disposal plant	1,200,281			1,200,281
Total capital assets, being depreciated at historical cost	2,376,549			2,376,549
Less accumulated depreciation:				
Sewerage collection system	(911,596)	(18,975)		(930,571)
Buildings and improvements	(43,114)	(3,601)		(46,715)
Office	(15,974)			(15,974)
Treatment and disposal plant	(1,165,278)	(3,264)		(1,168,542)
Total accumulated depreciation	(2,135,962)	(25,840)		(2,161,802)
Total capital assets, being depreciated, net	240,587	(25,840)		214,747
Business-Type activities capital assets, net	\$ 300,039	\$ (25,840)	\$	\$ 274,199

Depreciation expense for the year ended June 30, 2018 was \$25,840 and reported in sewerage services function of business-type activities.

(Continued)

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

(5) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificates of Indebtedness:					
Revenue Refunding Bonds, Series 2013	\$ 56,604	\$ _____	\$ 56,604	\$ _____	\$ _____

Revenue Refunding Bonds Series 2013

The series 2013 revenue refunding bonds were issued for the purpose of refunding the outstanding balance of the Certificates of Indebtedness, Series 2009. The purchaser of the bonds was a local bank. Original amount of the issue was \$284,000, due in monthly installments of \$4,784. Repayment of debt is to be made from the District's lawfully available funds. Interest rate on the bonds is 2.25%. The bonds were secured by the excess of annual revenues of the District. The bonds were paid off during the year ended June 30, 2018.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2018 consisted of the following:

Accounts payable	\$ 11,056
Payroll liabilities	536
	\$ 11,592

(7) Subsequent Events

Subsequent events have been evaluated through May 28, 2019, the date the financial statements were available to be issued.

(8) Risk Management

The District purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

(9) Investigation – Uncertainties

On March 15, 2019, the office manager at the District was arrested and charged with felony theft. This matter is being handled by the Caddo Parish Sheriff's Office. The investigation into this matter is ongoing at this time and the effect on the financial statements is not known.

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Other Supplementary Information
Schedule of Payments Made to Board of Supervisors
For the Year Ended June 30, 2018

	<u>AMOUNT</u>
Curtis Williams	\$ 540
LaSonia Haley	780
James Gavin	660
Gerald Adams	300
Diann Adams	180
Steve Barras	660
Joey Corsentino	<u>60</u>
Total	<u>\$ 3,180</u>

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Other Supplementary Information
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2018

Agency Head: James Gavin, Board Chairman

PURPOSE		AMOUNT
Board of Supervisors fees	\$	660
Reimbursements		222

COOK & MOREHART

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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*

Independent Auditors' Report

Board of Supervisors
Caddo Parish Sewerage
District No. 2

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 and the major fund of the Caddo Parish Sewerage District No. 2 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Caddo Parish Sewerage District No. 2's basic financial statements, and have issued our report thereon dated May 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Caddo Parish Sewerage District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Caddo Parish Sewerage District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Caddo Parish Sewerage District No. 2'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 of this section 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. We did identify a certain deficiency in internal control, described in the accompany Schedule of Current Year Audit Findings, and listed as 2018-01, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo Parish Sewerage District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Audit Findings as items 2018-02, 2018-03, and 2018-04.

Caddo Parish Sewerage District No. 2's Response to Finding

Caddo Parish Sewerage District No. 2's response to the findings identified in our audit is described in the accompanying Schedule of Current Year Audit Findings. Caddo Parish Sewerage District No. 2'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 control 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.



Cook & Morehart
Certified Public Accountants
May 28, 2019

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Summary Schedule of Prior Audit Findings
June 30, 2018

There was one finding in the audit for the year ended June 30, 2017, as follows:

Reference No:	2017-01 Material Weakness – Controls Over Revenue Collections
Criteria:	Internal controls should be in place to provide adequate segregation of duties over collections of the District's revenue for sewerage fees and other revenues.
Condition:	Collections of the sewerage fees and other revenues are generally done by one employee of the District. That one employee also maintains the accounting records in regards to customer's accounts receivable.
Current Status:	Repeat finding for the year ended June 30, 2018.

Caddo Parish Sewerage District No. 2
Caddo Parish, Louisiana
Schedule of Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
June 30, 2018

Current Year Audit Findings and Corrective Action Plan

There are three findings in the current audit for the year ended June 30, 2018, as follows:

Reference No:	2018-01 Material Weakness – Controls Over Revenue Collections
Criteria:	Internal controls should be in place to provide adequate segregation of duties over collections of the District's revenue for sewerage fees and other revenues.
Condition:	Collections of the sewerage fees and other revenues are generally done by one employee of the District. That one employee also maintains the accounting records in regards to customer's accounts receivable.
Cause:	Due to the small size of the District and available resources, there is a lack of segregation of duties.
Effect:	Due to lack of segregation of duties, errors or irregularities could occur and not be detected.
Recommendation:	The District should consider implementing controls whereby the duties concerning collection of the sewerage fees and other revenues can be properly segregated.
Corrective Action Planned:	The District will consider controls where feasible, but due to the size of District and available resources, segregation of duties will not always be possible.
Reference No:	2018-02 Open Meetings Law
Criteria:	Louisiana Revised Statue 42:20 requires public bodies to keep written minutes of all open meetings.
Condition:	The District held open board meetings on January 31, 2018, February 27, 2018 and March 19, 2018 for which no written minutes were maintained.
Cause:	The District was not in compliance with the Open Meetings Law.
Recommendation:	The District should maintain written minutes of all open meetings.
Corrective Action Planned:	It is the District's policy to maintain written minutes of all open meetings.

(Continued)

Caddo Parish Sewerage District No. 2
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Reference No: 2018-03 Late Submission of Audit

- Finding:** The audit for the year ended June 30, 2018 was not submitted timely in accordance with state law.
- Criteria:** State law requires audit reports to be submitted no later than six months after the District's fiscal year end.
- Cause:** Allegations and other matters, as disclosed in footnote 9, page 14 of the Notes to Financial Statements, caused additional audit services which delayed completion of the audit.
- Effect:** The audit report was not submitted timely in accordance with state law.
- Recommendation:** We recommend the District establish controls and procedures to ensure future audit reports are timely submitted.
- Corrective Action Planned:** The District will establish controls and procedures to ensure future audit reports are submitted timely.

Reference No: 2018-004 Fraud/Misappropriation

1. *A general statement describing the fraud or misappropriation that occurred:* The former office manager was arrested and charged with felony theft.
2. *A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment):* Utility cash collections.
3. *The amount of funds or approximate value of assets involved:* The amount of funds involved was greater than \$1,000 but the total amount has not yet been determined.
4. *The department or office in which the fraud or misappropriation occurred:* Caddo Parish Sewerage District No. 2's Office.
5. *The period of time over which the fraud or misappropriation occurred:* At this time it appears during the calendar year 2018.
6. *The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation:* Office Manager
7. *The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated:* Charges have not yet been adjudicated.

(Continued)

Caddo Parish Sewerage District No. 2
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8. *Is the person who committed or is believed to have committed the act of fraud still employed by the agency?* No, the individual is no longer employed by the District.
9. *If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?* Not applicable – no longer employed.
10. *Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?* Yes, the Louisiana Legislative Auditor's Office, as well as the District Attorney for Caddo Parish, have been notified.
11. *What is the status of the investigation at the date of the auditor's/accountant's report?* The investigation is on-going and has not been adjudicated at this time.
12. *If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?* Not applicable – investigation is not complete.
13. *What is the status of any related adjudication at the date of the auditor's/accountant's report?* Not yet adjudicated.
14. *Has restitution been made or has an insurance claim been filed?* Unknown.
15. *Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)?* Yes, the Louisiana Legislative Auditor's Office, as well as the District Attorney for Caddo Parish, have been notified.
16. *Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?* The Town's internal controls did not detect the matter in question.
17. *If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner:* Due to the small size of the District and available resources, there is a lack of segregation of duties over collections.

Management's plan to ensure that the fraud or misappropriation does not occur in the future: The District will consider controls where feasible and has a contract accountant performing certain additional duties monthly, but due to the size of the District and available resources, segregation of duties will not always be possible.