

**Caddo Parish Sewerage District No. 2**  
**Caddo Parish, Louisiana**  
**Financial Statements With Auditors' Report**  
**As of and For the Year Ended June 30, 2020**

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana

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# COOK & MOREHART

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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, 2020, 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, 2020, 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 16 and 17 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 December 30, 2020, 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  
December 30, 2020

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Statement of Net Position  
June 30, 2020

	<u>Business - Type Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 95,309
Restricted cash - customer deposits	20,772
Investments - certificates of deposit	251,604
Accounts receivable - sewerage fees	17,768
Prepaid expenses	10,344
Total current assets	<u>395,797</u>
Capital assets:	
Land	59,452
Other capital assets, net of accumulated depreciation	164,712
Other assets	<u>2,340</u>
Total assets	<u>622,301</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	6,643
Customer desposits	20,772
Total current liabilities	<u>27,415</u>
<b>NET POSITION</b>	
Net investment in capital assets	224,164
Unrestricted	<u>370,722</u>
Total net position	<u>\$ 594,886</u>

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, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions / Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Business-Type Activities
Business-Type Activities				
Sewerage services	\$ 273,466	\$ 197,809	\$ 8,922	\$ (66,735)
Total business-type activities	273,466	197,809	8,922	(66,735)
General revenues:				
Ad valorem taxes				97,409
Interest income				1,954
State revenue sharing				1,847
Other				1,570
Total general revenues				102,780
Change in net position				36,045
Net position - beginning				558,841
Net position - ending				\$ 594,886

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, 2020

	<u>Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 95,309
Restricted cash - customer deposits	20,772
Investments - certificates of deposit	251,604
Accounts receivable	17,768
Prepaid expenses	10,344
Total current assets	395,797
Noncurrent assets:	
Capital assets:	
Land	59,452
Plant and equipment	2,376,549
Less: accumulated depreciation	(2,211,837)
Other assets	2,340
Total noncurrent assets	226,504
Total assets	622,301
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	6,643
Customer deposits	20,772
Total current liabilities	27,415
<b>Net position</b>	
Net investment in capital assets	224,164
Unrestricted	370,722
Total net position	\$ 594,886

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, 2020

	Enterprise Fund
Operating revenues:	
Charges for service -	
Sewerage fees	\$ 197,809
Total operating revenues	197,809
Operating expenses:	
Salaries and payroll taxes	34,917
Accounting and auditing	15,305
Board of supervisor's fees	2,640
Contract labor - operator fees	27,600
Insurance	12,674
Maintenance and repairs	98,371
Miscellaneous expenses	3,637
Computer support and maintenance	3,695
Office expense	23,191
Utilities	26,591
Depreciation	24,845
Total operating expenses	273,466
Operating income (loss)	(75,657)
Non-operating revenues (expenses):	
Ad valorem taxes	97,409
State revenue sharing	1,847
Interest income	1,954
Intergovernmental grant income	8,922
Other	1,570
Net non-operating revenues (expenses)	111,702
Change in net position	36,045
Net position - beginning of year	558,841
Net position - end of year	\$ 594,886

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, 2020

	Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 200,778
Cash payments to suppliers for goods and services	(213,936)
Cash payments to employees for services	(34,917)
Net cash (used in) operating activities	(48,075)
Cash Flows From Noncapital Financing Activities	
Ad Valorem taxes	97,409
State revenue sharing	1,847
Intergovernmental grant income	8,922
Other	1,570
Net cash provided by noncapital financing activities	109,748
Cash Flow From Investing Activities	
Interest income	1,954
Purchase of investments - certificates of deposit	(1,604)
Net cash provided by investing activities	350
Net increase in cash and cash equivalents	62,023
Cash, Beginning of year	54,058
Cash, End of year	\$ 116,081
Cash is reflected on the statement of net position as follows:	
Cash and cash equivalents	\$ 95,309
Restricted cash - customer deposits	20,772
	\$ 116,081
Reconciliation of Operating Income (Loss) to Net Cash Provided	
By/(Used In) Operating Activities	
Operating income (loss)	\$ (75,657)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	24,845
Accounts receivable	2,969
Prepaid expenses	(2,010)
Accounts payable	2,171
Meter Deposits	(393)
Net cash flows (used in) operating activities	\$ (48,075)

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Notes to Financial Statements  
June 30, 2020

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, 2020  
(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 enterprise 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, 2020  
(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, 2020  
(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, 2020  
(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.

P Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

(Continued)

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Notes to Financial Statements  
June 30, 2020  
(Continued)

(2) Levied Taxes

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

	Authorized Millage	Levied Millage	Expiration Date
Operating and maintenance	16.98	16.98	2028

A special election was held November 18, 2019 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, 2020, the District had cash, cash equivalents and investments (book balances), totaling \$367,685 as detailed below.

The District had cash and cash equivalents at June 30, 2020 (book balances) totaling \$116,081, of which \$20,772 is shown as restricted for customer deposits. 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, 2020 consisted of certificates of deposit totaling \$251,604. The certificates of deposit have initial maturities greater than 90 days and are carried at cost, which approximates market value. The investments presented in the financial statements using a level 2 fair value measurement.

Credit Risk

Custodial credit risk is the risk that in the event of a bank or other depository institution failure, the government's deposits may not be returned to it. As of June 30, 2020, the District's bank balances totaled \$373,991 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the District's name.	\$ 1,604
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(Continued)

Caddo Parish Sewerage District No 2  
Caddo Parish, Louisiana  
Notes to Financial Statements  
June 30, 2020  
(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2020</u>
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	<u>2,376,549</u>			<u>2,376,549</u>
Less accumulated depreciation				
Sewerage collection system	(948,896)	(18,008)		(966,904)
Buildings and improvements	(50,316)	(3,601)		(53,917)
Office	(15,974)			(15,974)
Treatment and disposal plant	(1,171,806)	(3,236)		(1,175,042)
Total accumulated depreciation	<u>(2,186,992)</u>	<u>(24,845)</u>		<u>(2,211,837)</u>
Total capital assets, being depreciated, net	<u>189,557</u>	<u>(24,845)</u>		<u>164,712</u>
Business-Type activities capital assets, net	<u>\$ 249,009</u>	<u>\$ (24,845)</u>	<u>\$</u>	<u>\$ 224,164</u>

Depreciation expense for the year ended June 30, 2020 was \$24,845 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, 2020  
(Continued)

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2020 consisted of the following:

Accounts payable	\$ 2,631
Payroll liabilities	<u>4,012</u>
	<u>\$ 6,643</u>

(6) Subsequent Events

Subsequent events have been evaluated through December 30, 2020, the date the financial statements were available to be issued.

(7) 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.

(8) Uncertainty

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

(9) Litigation and Claims

At June 30, 2020, the District is involved in a lawsuit. In the opinion of legal counsel for the District, the outcome of the lawsuit is not presently determinable.

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, 2020

	<u>AMOUNT</u>
LaSonia Haley	\$ 780
Kenneth Mitchell	720
Diann Adams	780
Steve Barras	<u>360</u>
Total	<u>\$ 2,640</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, 2020

**Agency Head: Steve Barras, Board Chairman**

<b>PURPOSE</b>	<b>AMOUNT</b>
Board of Supervisors fees	\$ 360

# COOK & MOREHART

*Certified Public Accountants*

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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, 2020, 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 December 30, 2020.

### **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) as a basis for designing 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompany Schedule of Current Year Audit Findings, and listed as 2020-01, that we consider to be a material weakness.

### **Compliance and Other Matters**

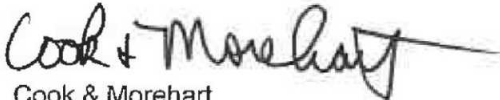
As part of obtaining reasonable assurance about whether Caddo Parish Sewerage District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

Caddo Parish Sewerage District No. 2's response to the finding 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  
December 30, 2020

Caddo Parish Sewerage District No 2  
Caddo Parish, Louisiana  
Summary Schedule of Prior Audit Findings  
June 30, 2020

There were two findings in the audit for the year ended June 30, 2019, as follows:

<b>Reference No:</b>	<b>2019-01 Material Weakness – Controls Over Revenue Collections</b>
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.
Current Status:	Repeat finding for the year ended June 30, 2020.
<b>Reference No:</b>	<b>2019-02 Open Meetings Law</b>
Criteria:	Louisiana Revised Statue 42:20 requires public bodies to keep written minutes of all open meetings.
Condition:	The District held an open board meeting on March 12, 2019 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.
Current Status:	Finding not repeated for the year ended June 30, 2020.

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Schedule of Current Year Audit Findings  
Schedule For Louisiana Legislative Auditor  
June 30, 2020

**Current Year Audit Findings and Corrective Action Plan**

There is one finding in the current audit for the year ended June 30, 2020, as follows:

<b>Reference No:</b>	<b>2020-01 Material Weakness – Controls Over Revenue Collections</b>
<b>Criteria:</b>	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.
<b>Condition:</b>	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.
<b>Cause:</b>	Due to the small size of the District and available resources, there is a lack of segregation of duties.
<b>Effect:</b>	Due to lack of segregation of duties, errors or irregularities could occur and not be detected.
<b>Recommendation:</b>	The District should consider implementing controls whereby the duties concerning collection of the sewerage fees and other revenues can be properly segregated.
<b>Corrective Action Planned:</b>	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.