

**Caddo Parish Sewerage District No. 2**  
**Caddo Parish, Louisiana**  
**Financial Statements With Auditors' Report**  
**As of and For the Year Ended June 30, 2019**

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, 2019, 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, 2019, 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 18, 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  
December 18, 2019

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Statement of Net Position  
June 30, 2019

	Business - Type Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 32,893
Restricted cash - customer deposits	21,165
Investments - certificates of deposit	250,000
Accounts receivable - sewerage fees	20,737
Prepaid expenses	8,334
Total current assets	333,129
Capital assets:	
Land	59,452
Other capital assets, net of accumulated depreciation	189,557
Other assets	2,340
Total assets	584,478
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	4,472
Customer desopits	21,165
Total current liabilities	25,637
<b>NET POSITION</b>	
Net investment in capital assets	249,009
Unrestricted	309,832
Total net position	\$ 558,841

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, 2019

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Functions / Programs:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Business-Type Activities</u>
<b>Business-Type Activities</b>			
Sewerage services	\$ 244,689	\$ 205,089	\$ (39,600)
<b>Total business-type activities</b>	<u>244,689</u>	<u>205,089</u>	<u>(39,600)</u>
General revenues:			
Ad valorem taxes			92,119
Interest income			289
State revenue sharing			1,867
Other			5,589
Total general revenues			<u>99,864</u>
Change in net position			60,264
Net position - beginning			498,577
Net position - ending			<u>\$ 558,841</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, 2019

	<u>Enterprise Fund</u>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 32,893
Restricted cash - customer deposits	21,165
Investments - certificates of deposit	250,000
Accounts receivable	20,737
Prepaid expenses	8,334
<b>Total current assets</b>	<b>333,129</b>
<b>Noncurrent assets:</b>	
<b>Capital assets:</b>	
Land	59,452
Plant and equipment	2,376,549
Less: accumulated depreciation	(2,186,992)
Other assets	2,340
<b>Total noncurrent assets</b>	<b>251,349</b>
<b>Total assets</b>	<b>584,478</b>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	4,472
Customer deposits	21,165
<b>Total current liabilities</b>	<b>25,637</b>
<b>Net position</b>	
Net investment in capital assets	249,009
Unrestricted	309,832
<b>Total net position</b>	<b>\$ 558,841</b>

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, 2019

	Enterprise Fund
Operating revenues:	
Charges for service -	
Sewerage fees	\$ 205,089
Total operating revenues	205,089
Operating expenses:	
Salaries and payroll taxes	34,462
Accounting and auditing	11,936
Board of supervisor's fees	2,460
Contract labor - operator fees	27,600
Insurance	12,262
Maintenance and repairs	62,096
Miscellaneous expenses	3,459
Computer support and maintenance	8,699
Office expense	28,470
Utilities	28,055
Depreciation	25,190
Total operating expenses	244,689
Operating income (loss)	(39,600)
Non-operating revenues (expenses):	
Ad valorem taxes	92,119
State revenue sharing	1,867
Interest income	289
Other	5,589
Net non-operating revenues (expenses)	99,864
Change in net position	60,264
Net position - beginning of year	498,577
Net position - end of year	\$ 558,841

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, 2019

	Enterprise Fund
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 202,744
Cash payments to suppliers for goods and services	(193,324)
Cash payments to employees for services	(32,744)
Net cash (used in) operating activities	(23,324)
<b>Cash Flows From Noncapital Financing Activities</b>	
Ad Valorem taxes	92,119
State revenue sharing	1,867
Other	5,589
Net cash provided by noncapital financing activities	99,575
<b>Cash Flow From Investing Activities</b>	
Interest income	289
Purchase of investments - certificates of deposit	(100,000)
Net cash (used in) investing activities	(99,711)
<b>Net decrease in cash and cash equivalents</b>	(23,460)
<b>Cash, Beginning of year</b>	77,518
<b>Cash, End of year</b>	\$ 54,058
<b>Cash is reflected on the statement of net position as follows:</b>	
Cash and cash equivalents	\$ 32,893
Restricted cash - customer deposits	21,165
	\$ 54,058
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided</b>	
By/(Used In) Operating Activities	
Operating income (loss)	\$ (39,600)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	25,190
Accounts receivable	(2,345)
Prepaid expenses	(309)
Accounts payable	(7,120)
Meter Deposits	860
Net cash flows from operating activities	\$ (23,324)

See accompanying notes to the basic financial statements.

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Notes to Financial Statements  
June 30, 2019

**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, 2019  
(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, 2019  
(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, 2019  
(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, 2019  
(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, 2019  
 (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	16.37	16.37	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, 2019, the District had cash, cash equivalents and investments (book balances), totaling \$304,058 as detailed below.

The District had cash and cash equivalents at June 30, 2019 (book balances) totaling \$54,058, of which \$21,165 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, 2019 consisted of certificates of deposit totaling \$250,000. 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, 2019, the District's bank balances totaled \$305,073 which did not exceed the FDIC insured limits.

(Continued)

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance at</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2019</u>
<b>Business-Type Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 59,452	\$ -	\$ -	\$ 59,452
<b>Capital assets, being depreciated:</b>				
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>
<b>Less accumulated depreciation:</b>				
Sewerage collection system	(930,571)	(18,325)		(948,896)
Buildings and improvements	(46,715)	(3,601)		(50,316)
Office	(15,974)			(15,974)
Treatment and disposal plant	(1,168,542)	(3,264)		(1,171,806)
Total accumulated depreciation	<u>(2,161,802)</u>	<u>(25,190)</u>		<u>(2,186,992)</u>
Total capital assets, being depreciated, net	<u>214,747</u>	<u>(25,190)</u>		<u>189,557</u>
Business-Type activities capital assets, net	<u>\$ 274,199</u>	<u>\$ (25,190)</u>	<u>\$ -</u>	<u>\$ 249,009</u>

Depreciation expense for the year ended June 30, 2019 was \$25,190 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, 2019  
(Continued)

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2019 consisted of the following:

Accounts payable	\$ 2,188
Payroll liabilities	<u>2,284</u>
	<u>\$ 4,472</u>

(6) Subsequent Events

Subsequent events have been evaluated through December 18, 2019, 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) Investigation

On March 15, 2019, the office manager at the District was arrested and charged with felony theft. This matter was handled by the Caddo Parish Sheriff's Office. The investigation into this matter was concluded during the year ended June 30, 2019 and restitution was made to the District.

(9) Litigation and Claims

At June 30, 2019, 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, 2019

	<u>AMOUNT</u>
LaSonia Haley	\$ 660
Sharon Seale	180
Diann Adams	720
Steve Barras	720
Joey Corsentino	<u>180</u>
Total	<u>\$ 2,460</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, 2019

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

<b>PURPOSE</b>	<b>AMOUNT</b>
Board of Supervisors fees	\$ 720

# 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, 2019, 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 18, 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 2019-01, that we consider to be a material weakness.

## **Compliance and Other Matters**

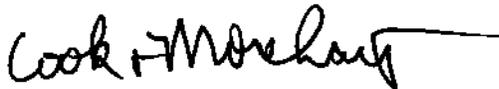
As part of obtaining reasonable assurance about whether Caddo Parish Sewerage District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Year Audit Findings as item 2019-02.

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

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  
December 18, 2019

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Summary Schedule of Prior Audit Findings  
June 30, 2019

There were four findings in the audit for the year ended June 30, 2018, as follows:

<b>Reference No:</b>	<b>2018-01 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, 2019.
<b>Reference No:</b>	<b>2018-02 Open Meetings Law</b>
Criteria:	Louisiana Revised Statute 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.
Current Status:	Repeat finding for the year ended June 30, 2019.

(Continued)

Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana  
Summary Schedule of Prior Audit Findings  
June 30, 2019  
(Continued)

**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.

**Current Status:** Finding not repeated for the year ended June 30, 2019.

**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 2019.
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  
Caddo Parish, Louisiana  
Schedule of Current Year Audit Findings  
Schedule For Louisiana Legislative Auditor  
June 30, 2019

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

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

**Reference No: 2019-01 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: 2019-02 Open Meetings Law**

**Criteria:** Louisiana Revised Statute 42:20 requires public bodies to keep written minutes of all open meetings.

**Condition:** The District held an open board meetings 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.