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CADDO SEWERAGE DISTRICT NO. 7

SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

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

Release Date MAY 24 2000

**CADDO SEWERAGE DISTRICT NO. 7**

**SHREVEPORT, LOUISIANA**

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**Independent Auditor's Report**

The Board of Commissioners  
Caddo Sewerage District No. 7  
Shreveport, Louisiana

I have audited the accompanying financial statements of Caddo Sewerage District No. 7, a component of Caddo Parish, Louisiana, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

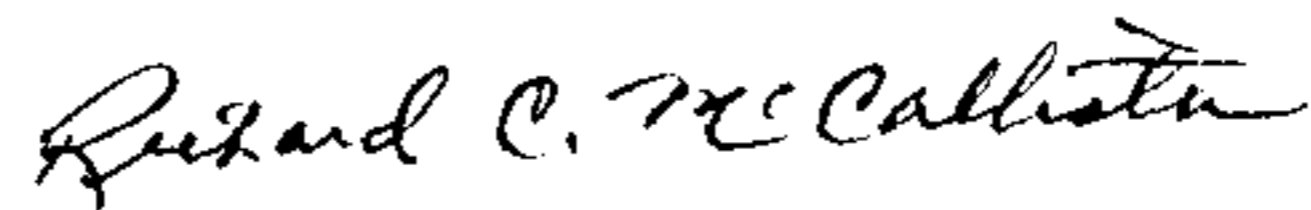
I conducted my audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As disclosed in Note 1, the financial statements present only Caddo Sewerage District No. 7 and are not intended to present fairly the financial position of Caddo Parish, State of Louisiana, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds in conformity with generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caddo Parish Sewerage District No. 7 as of December 31, 1999 and 1998, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 28, 2000 on my consideration of Caddo Sewerage District No. 7 internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not required part of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Richard C McCallister

April 28, 2000

**CADDO SEWERAGE DISTRICT NO. 7**  
**BALANCE SHEETS**  
**DECEMBER 31, 1999 AND 1998**

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
<u>Current assets</u>		
Cash - unrestricted	146,606	153,627
Accounts receivable - Note 4	50,454	49,160
Prepaid expenses	4,926	5,515
	<hr/>	<hr/>
Total current assets	201,986	208,302
<u>Restricted assets</u>		
Cash		
Revenue Sinking Fund	31,895	26,804
Reserve Sinking Fund	330,701	172,748
Depreciation and Contingency Fund	154,608	164,884
Construction Fund	842,828	71,980
Customer deposits and permits	992	3,654
Ad Valorem Tax Collections	39,610	38,366
DOTD Sinking Fund - Note 10	104,030	88,729
Certificate of Deposit - customer deposits	68,332	64,100
Accounts receivable - Ad valorem - Note 2	58,172	55,053
	<hr/>	<hr/>
Total restricted assets	1,631,168	686,318
<u>Property, plant and equipment, at cost</u>		
Machinery and equipment	28,125	28,125
Sewer system	4,822,210	4,697,025
Land	37,500	37,500
Construction in progress	72,041	15,000
	<hr/>	<hr/>
	4,959,876	4,777,650
Less: accumulated depreciation	1,547,647	1,394,817
	<hr/>	<hr/>
Total property, plant and equipment	3,412,229	3,382,833
<u>Other assets</u>		
Deferred finance charge	128,432	78,538
	<hr/>	<hr/>
Total assets	5,373,815	4,355,991

The accompanying notes are an integral part of these financial statements.

**LIABILITIES & FUND EQUITY**

	<u>1999</u>	<u>1998</u>
<u>Current liabilities (payable from current assets)</u>		
Accounts payable	6,763	15,610
Total	6,763	15,610
<u>Current liabilities (payable from restricted assets)</u>		
Accounts payable - construction	12,855	
Accrued interest - revenue bonds	31,039	23,194
Revenue bonds payable	53,855	42,729
Customer deposits and permits held	69,314	67,754
Accrued interest - general obligation bonds	9,056	9,435
General obligation bonds payable	24,000	25,000
Deduction from taxes - assessor	1,665	1,581
Total	201,784	169,693
Total current liabilities	208,547	185,303
<u>Long- term liabilities</u>		
Revenue bonds payable - Note 6	3,245,257	2,278,590
General obligation bonds payable - Note 6	503,000	527,000
Loans payable - Louisiana DOTD - Note 7	134,892	134,892
Total long-term liabilities	3,883,149	2,940,482
Total liabilities	4,091,696	3,125,785
<u>Fund equity</u>		
Contributed capital		
Federal EPA contribution	32,033	33,635
Louisiana grant	661,300	686,568
Total contributed capital	693,333	720,203
<u>Retained earnings</u>		
Reserved for general obligation bond retirement	63,061	58,984
Reserved for revenue bond debt service	277,702	133,629
Reserved for revenue bond debt service contingency	154,608	164,884
Unreserved retained earnings	93,415	152,506
Total retained earnings	588,786	510,003
Total fund equity	1,282,119	1,230,206
Total liabilities and equity	5,373,815	4,355,991

**CADDO SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF REVENUE, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<u>Operating revenues</u>		
Fees and charges for services	535,399	535,462
<u>Operating expenses</u>		
Personal services	70,069	67,300
Advertising, dues and subscriptions	1,214	952
Printing	763	1,017
Utilities	19,050	19,449
Communications	6,822	6,787
Rentals paid	5,760	5,360
Maintenance of property and equipment	83,149	78,016
Professional services	14,976	16,801
Insurance and surety bonds	13,415	15,107
Office expenses	4,600	4,315
Travel	5,904	5,890
Bad debts	119	1,692
Depreciation	152,830	148,613
Total operating expenses	378,671	371,299
<u>Operating income</u>	156,728	164,163
<u>Non-operating revenue (expense)</u>		
Interest income	33,962	29,186
Ad valorem taxes	57,122	54,747
Tax assessor charges	( 1,664)	( 1,581)
Interest and fiscal charges	( 194,235)	( 187,013)
Total non-operating revenue (expense)	( 104,815)	( 104,661)
Net income	51,913	59,502
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	26,870	26,870
Increase in retained earnings	78,783	86,372
Retained earnings - beginning	510,003	423,631
Retained earnings - ending	588,786	510,003

The accompanying notes are an integral part of these financial statements.

**CADDO SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF CASH FLOW**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<u>Cash flows from operating activities</u>		
Cash received from customers	533,986	533,964
Cash payments to suppliers for goods and services	( 164,737)	( 148,083)
Cash payments for personal services	( 69,243)	( 66,372)
	300,006	319,509
<u>Cash flows from non-capital financing activities</u>		
Deposits received from customers	1,560	603
	1,560	603
<u>Cash flows from capital and related financing activities</u>		
Proceeds from bond issue	1,700,000	
Proceeds from ad valorem tax collections	52,423	67,349
Acquisition and construction of capital assets	( 169,371)	( 40,738)
Principal paid on revenue bonds	( 722,207)	( 45,918)
Interest paid on revenue bonds	( 149,037)	( 150,007)
Principal paid on general obligation bonds	( 25,000)	( 73,000)
Interest paid on general obligation bonds	( 32,957)	( 35,923)
Bond refunding costs paid	( 54,669)	( 4,920)
	599,182	( 283,157)
<u>Cash flows from investing activities</u>		
Interest on investments	33,962	29,186
	934,710	66,141
Net increase (decrease) in cash and cash equivalents	934,710	66,141
Cash and cash equivalents at beginning of year	784,892	718,751
Cash and cash equivalents at end of year - Note 3	1,719,602	784,892

The accompanying notes are an integral part of these financial statements.



**CADDO SEWERAGE DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**INTRODUCTION**

1. Caddo Sewerage District No. 7 was created by the Caddo Parish Commission and is a subdivision thereof. This report includes all funds controlled by Caddo Sewerage District No. 7. The District is considered a component unit of the Caddo Parish Commission, and will be included in the Commission's financial report for 1999.
2. The District was formed to construct and operate a sewerage collection and treatment system North of Shreveport, Louisiana.
3. Its five board members are appointed by the Caddo Parish Commission and are compensated \$60 each per meeting attended.
4. The District is located North of Shreveport, Louisiana.
5. The District serves approximately 1,500 customers.
6. The District employs two full-time and three part-time employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Caddo Sewerage District No. 7 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

The District is a component of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

### **C. FUND ACCOUNTING**

The Caddo Sewerage District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

### **D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

#### **Revenues**

Fees and charges for services are billed at the end of the month earned and are due by the 20<sup>th</sup> of the following month. This revenue is recorded as income in the month earned.

An ad valorem tax is levied in October each year for the fiscal year and becomes delinquent after December of the same year. Taxes are collected by the Caddo Parish Sheriff's office and forwarded to the District after removal of tax assessor charges. The revenue is recorded in the year levied.

#### **Expenses**

Operating expenses are recorded when incurred. Interest expense is accrued at the end of each period and included as expense.

### **E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. The District considers time deposits and those investments with maturities of 90 days or less as cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### **F. PREPAID ITEMS**

Items paid in the current year benefiting future periods are set up as assets.

**G. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, other funds set aside for specific purposes are also classified as restricted.

**H. FIXED ASSETS**

Fixed assets of the District are included on the balance sheet of the fund at cost. Interest costs incurred during construction are not capitalized.

**I. DEFERRED FINANCE CHARGES**

In conjunction with refunding bond issues, refinancing costs were incurred. These costs are amortized on a straight-line basis over the term of the new bond issues. Included in interest expense for the years ended December 31, 1999 and 1998, amortization of these costs were \$4,775 and \$4,324, respectively.

**J. COMPENSATED ABSENCES**

The District has adopted a leave policy only as to vacation. The policy provides for accumulation and vesting of leave; however, no provision is made for accumulation and vesting of leave due to its small amount.

**K. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**L. FUND EQUITY**

**Contributed Capital**

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. The depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

**Reserves**

Reserves represent those portions of fund equity legally segregated for a specific future use.

## 2. LEVIED TAXES

An ad valorem tax is levied in October each year for the fiscal year and becomes delinquent after December of the same year. Taxes are collected by the Caddo Parish Sheriff's office and forwarded to the District after removal of tax assessor charges. Ad Valorem tax revenue is recognized when levied.

	<u>1999</u>	<u>1998</u>
Assessed valuation within District - net	3,971,136	4,034,040
Millage	<u>14.00</u>	<u>14.00</u>
Taxes levied	55,596	56,477
Less: Estimate of uncollectibles	<u>( 1,424)</u>	<u>( 1,424)</u>
Accounts receivable -- ad valorem	<u>54,172</u>	<u>55,053</u>

Ad Valorem taxes are assessed to retire the general obligation bonds of the District. The District has \$97,782 in net current assets at December 31, 1999 to cover \$49,875 in 2000 maturing principal and interest. Based on the current property valuation within the District, subsequent millage requirements should approximate thirteen.

## 3. CASH AND CASH EQUIVALENTS

At December 31, 1999, the District has cash and cash equivalents (book balances) totaling \$1,719,602 as follows:

Interest bearing demand deposits	1,651,120
Time deposits	68,332
Other	<u>150</u>
Total	<u>1,719,602</u>

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash deposits at Bank One, Louisiana are collateralized as follows at December 31, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Fair market value of securities pledged	1,470,194	210,682
Current FDIC coverage	<u>100,000</u>	<u>100,000</u>
Total collateral	1,570,194	310,682
Collected cash balances	<u>1,580,330</u>	<u>786,695</u>
Collateralization (shortage) excess	<u>( 10,136)</u>	<u>( 476,013)</u>

The remaining balance of \$10,136 is not secured by the pledge of securities and is a violation of state law.

Cash deposits at The Trust Company of Louisiana totaling \$145,182 are fully collateralized by investment in U S Treasury obligations.

#### 4. RECEIVABLES

Accounts receivable customers at December 31, 1999 and 1998 consists of the following:

	<u>1999</u>	<u>1998</u>
Accounts receivable - customers	52,854	51,560
Allowance for bad debts	<u>( 2,400)</u>	<u>( 2,400)</u>
Total accounts receivable	<u>50,454</u>	<u>49,160</u>

Provision is made for an estimate of uncollectible accounts with approved write-offs charged against that provision.

**5. PENSION PLAN**

The District has adopted a SIMPLE plan to benefit its employees. The plan calls for matching contributions up to 3% of gross pay in each calendar year to the SIMPLE IRA accounts of all eligible employees. Eligible employees includes those that received at least \$300 in any previous year and expect to receive \$300 during any specific year. The total payroll for the year ended December 31, 1999 of \$67,300 was covered by the plan. Contributions of \$1,887 were paid to the plan.

**6. LONG-TERM LIABILITIES**

Changes in long-term debt

The following is a summary of bond transactions of the District for the years ending December 31, 1999 and 1998:

	<u>General Obligation</u>		<u>Revenue</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Bonds payable - beginning of year	552,000	625,000	2,321,319	2,367,237
New bond issue			1,700,000	
Less bonds retired	<u>25,000</u>	<u>73,000</u>	<u>722,207</u>	<u>45,918</u>
Bonds payable - end of year	527,000	552,000	3,299,112	2,321,319
Less portion classified as current	<u>24,000</u>	<u>25,000</u>	<u>53,855</u>	<u>42,729</u>
Long-term portion	<u>503,000</u>	<u>527,000</u>	<u>3,245,257</u>	<u>2,278,590</u>

Bonds payable at December 31, 1999 and 1998 are comprised of the following individual issues:

	<u>1999</u>	<u>1998</u>
General obligation bonds serviced through Ad valorem tax collections:		
\$365,000 1983 bonds due in annual installments of principal and interest of approximately \$21,000 through 2023; interest at 5%	290,000	295,000
\$257,000 1998 refunding bonds due in annual installments of principal and interest of approximately \$33,300 through 2008; interest at 5%	<u>237,000</u>	<u>257,000</u>
Total general obligation bonds	<u>527,000</u>	<u>552,000</u>
Revenue bonds		
\$520,000 1983 sewer revenue bonds due in annual installments of principal and interest of approximately \$30,000; through 2023; interest at 5%	421,000	430,000
\$1,315,000 1989 sewer revenue bonds due in annual installments of principal and interest of \$95,651 through 2028; interest at rates below:		
1989 6 ½%	917,485	928,205
1989A 7 3/8%	260,627	263,114
\$815,000 1991 sewer revenue refunding bonds due in annual installments of principal and interest of approximately \$70,000 through 2016; average interest at 7.1 %	0	700,000
\$1,700,000 1999 sewer revenue and refunding bonds due in annual installments of principal and interest of \$136,000; average interest at 5.5%	<u>1,700,000</u>	
Total revenue bonds	<u>3,299,112</u>	<u>2,321,319</u>

April 1, 1998, the District issued \$257,000 of general obligation sewer refunding bonds. The proceeds were used to redeem \$305,000 of 1988 general obligation bonds. The cost of the issuance approximated \$6,000; however, the present value of the net savings was estimated to be \$39,000. An additional principal payment in the amount of \$50,000 was drawn from the Ad Valorem tax cash account in the refunding.

On November 1, 1999 the District issued \$1,700,000 in Sewer Revenue Bonds for refunding the 1991 Revenue Bonds and expansion of the system facilities. The cost of the issuance approximated \$55,000, however, after considering the net present values of the issues, a net savings resulted. The 1991 bonds are considered extinguished by the placement of \$695,000 in trust to cover \$680,000 in maturing bonds.

The annual requirements to amortize all bond debt outstanding at December 31, 1999, including interest payments of \$3,852,790 are as follows:

<u>Year ending December 31</u>	<u>Obligation</u>	<u>Revenue</u>	<u>Total</u>
2000	49,875	256,934	306,809
2001	52,575	255,164	307,739
2002	51,175	259,364	310,539
2003	53,675	257,254	310,929
2004	56,100	261,091	317,191
2005-2028	539,825	5,585,870	6,125,695
Total	803,225	6,875,677	7,678,902

#### **Rate covenant-debt service charge**

In accordance with the District's bond resolution authorizing the issuance of its refunding bonds, the District, through its Board of Commissioners, covenants to fix, establish and maintain such rates and collect such fees, rents or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, and will always provide revenues in each year sufficient to pay the reasonable and necessary expenses of operating and maintaining the system in each year, the principal and interest maturing on the Bonds and the Parity Bonds in each year, all reserves or sinking funds or other payments required for such year by the Bond Resolution, and all other obligations or indebtedness payable out of the revenues of the system for such year, and which will provide revenues in each year after paying all reasonable and necessary expenses of operating and maintaining the system in such year, at least equal to 125% of the largest amount of principal and interest maturing in any future fiscal year on the Bonds and any Parity Bonds.



***Flow of funds; restrictions on use-sewer revenue***

Under the terms of the bond indentures on outstanding Sewer Revenue Bonds, all income revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Revenue is first deposited in Sewer Revenue Fund and shall first provide for the payment of the reasonable and necessary expenses of operating and maintaining the system.

Each month, there will be set aside into a fund called the "Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/12 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirements in any one maturity year. This fund reached its maximum required amount during 1999.

Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund and as to which there would otherwise be default.

Funds will also be set aside into a Depreciation and Contingency Fund an amount equal to 5% of the principal and interest payments required during each fiscal year. Money in the Fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance in operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

## 7. LOANS PAYABLE – DOTD

The Louisiana Department of Transportation and Development (DOTD) has loaned the District \$134,892 pursuant to Act 319 of the Louisiana Legislature. The funds were used to relocate sewerage lines. The Act does not have any stated repayment terms or interest rates. DOTD can demand repayment when the District permits any additions in a state maintained highway right-of-way. A separate fund called "DOTD Sinking Fund" was started during 1991 for eventual repayment of this loan if necessary. The District plans to fully fund the liability. At December 31, 1999, the account balance was \$104,030.

## 8. STATEMENT OF CASH FLOWS

Reconciliation of operating income to net cash provided by operating activities:

	<u>1999</u>	<u>1998</u>
Operating income	156,728	164,163
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation	152,830	148,613
Loss on sale		114
Change in assets and liabilities:		
Accounts receivable	( 1,294)	194
Prepaid expenses	589	
Accounts payable	<u>( 8,847)</u>	<u>6,425</u>
Net cash provided by operating activities	<u>300,006</u>	<u>319,509</u>

## 9. RISK MANAGEMENT

Risks of loss are covered through the acquisition of commercial insurance. The District has incurred only small claims in the past for damages that were substantially covered by insurance.

Schedules of insurance coverage in effect at December 31, 1999 and 1998 are as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>	<u>Effective Dates</u>	<u>Effective Dates</u>
Scottsdale Ins.	Commercial Liability	600,000	7-99 / 7-00	7-98 / 7-99
State Farm	Fidelity Bond	500,000	4-99 / 4-00	4-98 / 4-99
Lloyds of London	Commercial Property	386,600	4-99 / 4-00	4-98 / 4-99
LA Work Comp	Workmens Comp	Statutory	2-99 / 2-00	2-98 / 2-99

## 10. LITIGATION AND CLAIMS

In the event the District permits with the DOTD for any subsequent construction, loans totaling \$134,892 at December 31, 1997 become payable on demand by the DOTD. Funds set aside in the DOTD sinking fund in the amount totaling \$104,030 through December 31, 1999, have been provided for this contingency.

The District received its water discharge permit from the Louisiana Department of Environmental Quality (DEQ) effective June 24, 1994. The permit set effluent discharge limitations which the current system is unable to meet without modifications. A project was required to be completed no later than June 25, 1999. The project's estimated cost is \$725,000. The Board has requested additional time to complete the project. Funding and final construction plans have not been completed. If additional time is not granted, the DEQ could impose substantial financial penalties on the District.

**CADDO SEWERAGE DISTRICT NO. 7  
RESTRICTED ACCOUNTS RECEIPTS AND DISBURSEMENTS  
DECEMBER 31, 1999 AND 1998**

	<u>Revenue Sinking</u>	<u>Reserve Sinking</u>	<u>Depr &amp; Conting</u>	<u>Ad Valorem</u>	<u>Construct</u>	<u>DOTD</u>
Cash - January 1, 1999	26,804	172,748	164,884	38,366	71,980	88,729
Cash receipts:						
Bonds payable	1,968	139,643			825,712	
Transfer from operating account	198,240	9,912	9,912		24,000	
Tax collections				52,421		11,000
Interest on investments	783	8,398	7,462	1,327	5,742	4,301
Total cash receipts	200,991	157,953	17,374	53,748	855,454	15,301
Total cash available	227,795	330,701	182,258	92,114	927,434	104,030
Cash disbursements:						
Principal and interest	194,891			52,372		
Contractors, equipment and professionals			27,650		83,791	
Administrative	1,009			132	815	
Total cash disbursements	195,900		27,650	52,504	84,606	
Cash - December 31, 1999	31,895	330,701	154,608	39,610	842,828	104,030
Amounts required to be on deposit	34,393	267,394	154,519			
	<u>Revenue Sinking</u>	<u>Reserve Sinking</u>	<u>Depr &amp; Conting</u>	<u>Ad Valorem</u>	<u>Construct</u>	<u>DOTD</u>
Cash - January 1, 1998	20,351	155,157	147,649	82,777	47,721	72,865
Cash receipts:						
Transfer from operating account	202,054	9,912	9,912		24,000	12,000
Tax collections				67,596		
Interest on investments	1,011	7,679	7,323	1,762	2,864	3,864
Total cash receipts	203,065	17,591	17,235	69,358	26,864	15,864
Total cash available	223,416	172,748	164,884	152,135	74,585	88,729
Cash disbursements:						
Principal and interest	196,112			107,996		
Contractors, equipment and professionals				4,344	2,605	
Administrative	500			1,429		
Total cash disbursements	196,612			113,769	2,605	
Cash - December 31, 1998	26,804	172,748	164,884	38,366	71,980	88,729
Amounts required to be on deposit	23,868	154,760	164,445			

**CADDO SEWERAGE DISTRICT NO. 7  
SUPPLEMENTAL INFORMATION SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**COMPENSATION PAID BOARD MEMBERS**

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**PRIOR AUDIT FINDINGS**

The follow-up and corrective action taken on all prior audit findings is presented in the summary schedule of prior audit findings (Schedule 2).

**CURRENT AUDIT FINDINGS**

The corrective action plan for current year audit findings is presented in Schedule 3.

**CADDO SEWERAGE DISTRICT NO. 7**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 1998**

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**REPORTABLE CONDITIONS**

**1. Security for deposits**

*Condition:* The District deposits are not fully collateralized by the bank.

*Criteria:* Local depositing authorities shall require security for 100% of its deposits.

*Effect:* Places funds at risk in violation of state law.

*Cause:* Banking institutions erroneously dropped accounts that were to be covered.

*Current Status:* Bank was contacted to correct situation and did so with the exception of one account leaving a small uncollateralized balance.

*Recommendation:* Secretary/Treasurer should analyze the fair market value of new securities being pledged before releasing currently pledged securities and compare that amount with collected bank deposits.

**U. S. DEPARTMENT OF AGRICULTURE**

1998 -- Farmers Home Administration Loan Sewer Construction 10.760

**2. Segregation of duties**

*Condition:* Due to the District being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are for all practical purposes missing in the system.

*Recommendation:* None.

*Current Status:* Same.

**CADDO SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 1999**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Caddo Sewerage District No. 7.
2. Two reportable conditions relating to the audit of the financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. One condition is reported as material non-compliance; one condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Caddo Sewerage District No. 7 were disclosed during the audit.
4. One reportable condition relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award program for Caddo Sewerage District No. 7 expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for Caddo Sewerage District No. 7 are reported in Part C of this schedule.
7. The programs tested as major programs include U. S. Department of Agriculture Loan Sewer Construction 10.760.
8. The threshold for distinguishing Types A and B programs was \$1,889,112.
9. Caddo Sewerage District No. 7 was not determined to be a low risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**REPORTABLE CONDITIONS**

1. Security for deposits

*Condition:* The District deposits are not fully collateralized by the bank.

*Criteria:* Local depositing authorities shall require security for 100% of its deposits.

*Effect:* Places funds at risk in violation of state law.

*Cause:* Banking institutions erroneously dropped accounts that were to be covered.

*Recommendation:* Secretary/Treasurer should analyze the fair marked value of new securities being pledged before releasing currently pledged securities and compare that amount with collected bank deposits.

2. Segregation of duties

*Condition:* Due do the District being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are for all practical purposes, are missing in the system.

*Criteria:* When practical, personnel should have appropriate segregation of duties.

*Effect:* Accounting controls over accounts receivable, collections, and general ledger accounting are compromised

*Recommendation:* There is no recommendation at this time.



**CADDO SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements Expenditures</u>
U.S. Department of Agriculture Farmers Home Administration Loan Sewer Construction	10.760	N/A	0

Note to schedule

The U.S. Department of Agriculture is the registered owner of the following bond issues stated at the principal balances at December 31, 1999:

1983 General Obligation Bonds	290,000
1983 Sewer Revenue Bonds`	421,000
1989 Sewer Revenue Bonds	917,485
1989A Sewer Revenue bonds	<u>260,627</u>
Total bonds	<u>1,889,112</u>

Richard C. McCallister  
Certified Public Accountant

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Member  
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Certified Public Accountants

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

The Board of Directors  
Caddo Sewerage District No. 7  
Shreveport, Louisiana

I have audited the financial statements of Caddo Sewerage District No. 7, Shreveport, Louisiana, a component unit of Caddo Parish, Louisiana, as of and for the years ended December 31, 1999 and 1998 and have issued my report thereon dated April 28, 2000. I have conducted my audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Compliance

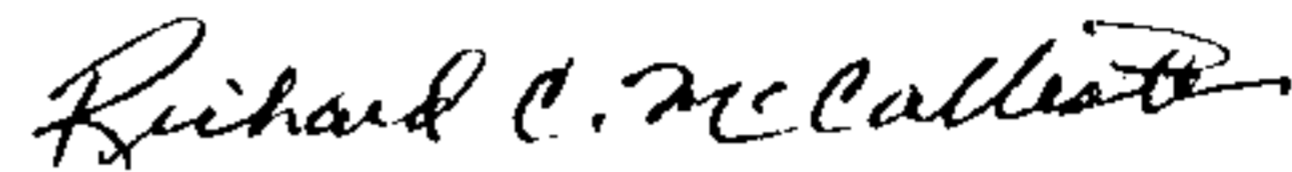
As part of obtaining reasonable assurance about whether Caddo Sewerage District No. 7 financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item B-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Caddo Sewerage District No. 7 internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one

or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure over financial reporting and its operation that I consider to be a material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.



Richard C McCallister  
Shreveport, Louisiana  
April 28, 2000

Richard C. McCallister  
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Caddo Sewerage District No. 7  
Shreveport, LA

Compliance

I have audited the compliance of Caddo Sewerage District No. 7, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that is applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. Caddo Sewerage District No. 7 major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Caddo Sewerage District No. 7 management. My responsibility is to express an opinion on Caddo Sewerage District No. 7 compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caddo Sewerage District No. 7 compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion; my audit does not provide a legal determination on Caddo Sewerage District No. 7 compliance with those requirements.

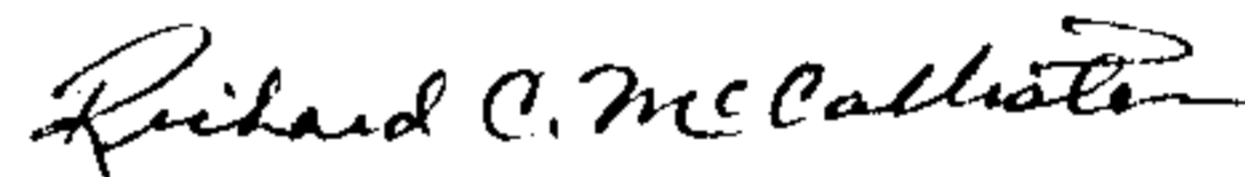
In my opinion, Caddo Sewerage District No. 7 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

Internal Control over Compliance

The management of Caddo Sewerage District No. 7 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Caddo Sewerage District No. 7 internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be a material weakness. However, I noted other matters involving the internal control over compliance and its operation that I have reported in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Richard C McCallister  
Shreveport, LA  
April 28, 2000

**CADDO SEWERAGE DISTRICT NO. 7  
P O BOX 7606  
SHREVEPORT, LA 71137**

April 28, 2000

**CORRECTIVE ACTION PLAN**

Legislative Auditor  
State of Louisiana  
Baton Rouge, Louisiana

Farmers Home Administration  
Coushatta, Louisiana

Caddo Sewerage District No. 7 respectfully submits the following corrective action plan for the year ended December 31, 1999.

Name and address of accounting firm:

Richard C. McCallister, CPA  
P O Box 44046  
Shreveport, LA 71134

Audit period:

December 31, 1999

The findings from the December 31, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

**B. FINDINGS -- FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITION**

**1. Security for deposits**

The District's deposits are not fully collateralized by the bank.

*Action taken:* Bank has been immediately notified to correct this error and collateralize all deposits. Secretary/Treasurer will review all new pledges with balances before releasing current pledges.

2. Segregation of duties

Due do the District being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are for all practical purposes are missing in the system.

*Action Taken:* No action is being taken at this time

**C. FINDINGS – FEDERAL AWARD PROGRAMS AUDITS**

U. S. DEPARTMENT OF AGRICULTURE CFDA No. 10.760

1. Loan Sewer Construction Account year ended December 31, 1999.

*Reportable Conditions:* See B.1.

Very truly yours,

CADDO SEWERAGE DISTRICT NO. 7

By: Jo Ann Witkowski