

CADDO PARISH SEWERAGE DISTRICT NO. 7

SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2020

Marsha O. Millican  
A Professional Accounting Corporation  
Shreveport, Louisiana

CADDO PARISH SEWERAGE DISTRICT NO. 7

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# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

To the Board of Commissioners  
Caddo Parish Sewerage District No. 7  
Shreveport, Louisiana

## Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities and the major fund of Caddo Parish Sewerage District No. 7 (the District), a component unit of the Caddo Parish Commission, as of and for the years ending December 31, 2020 and 2019, which collectively comprise the District's basic financial statements and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

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, 2020 and 2019, and the changes in the financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-6 be presented to supplement the basic financial statements. Such information is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my reported dated June 15, 2021 on my consideration of Caddo Parish Sewerage District No. 7's internal control over financial reporting and on my 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 my 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. 7's internal control over financial reporting and compliance.

*Marsha O. Milligan*

Certified Public Accountant

June 3, 2021

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**P. O. BOX 7606**  
**SHREVEPORT, LOUISIANA 71137-7606**

**Management's Discussion and Analysis**

Our discussion and analysis of the Caddo Parish Sewerage District No. 7's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

The District's net position increased by \$182,993 or 8%.

The District's total revenues were \$905,915 in 2020 compared to \$918,015 in 2019.

During the year ended December 31, 2020, the District had total operating expenses, excluding depreciation of \$420,948 compared to \$448,974 in 2019.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts; management's discussion and analysis, the basic financial statements, and required supplemental information. The statement of net position provides long-term and short-term information about the District's financial status. The statements of revenue, expenses, and changes in net assets and statements of cash flows provide historical data on the District's business-like activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Caddo Parish Sewerage District No. 7 is a component unit of the Parish of Caddo, Louisiana because the Parish must approve all officials appointed to the District's Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District.

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Position**

The following table summarizes the financial status of the District:

	2020	2019
Current and other assets	\$ 1,053,782	\$ 842,085
Capital assets	2,167,471	2,225,924
Total assets	3,221,253	3,068,009
Deferred outflows	53,607	70,943
Long-term debt outstanding	621,131	864,696
Other liabilities	128,787	128,024
Total liabilities	749,918	992,720
Investment in capital assets	1,546,340	1,361,229
Restricted	848,714	725,401
Unrestricted	129,888	255,319
Total net position	<u>\$ 2,524,942</u>	<u>\$ 2,341,949</u>

Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating. The above changes reflect no substantial change in the District's financial position.

### Changes in Net Position

The following table summarizes the change in the District's net position:

	2020	2019
Revenues		
Fees and charges for service	\$ 905,724	\$ 912,800
Interest income	191	5,215
Total revenues	<u>905,915</u>	<u>918,015</u>
Expenses		
Sewer operations	420,948	448,974
Depreciation	245,289	274,705
Interest Expense	56,685	64,713
Total expenses	<u>722,922</u>	<u>788,392</u>
Change in net assets	<u>\$ 182,993</u>	<u>\$ 129,623</u>

**CADDO SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

**LIABILITIES:**

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b><u>Current Liabilities (Payable from current assets)</u></b>		
Accounts Payable	3,944	8,901
Total	<u>3,944</u>	<u>8,901</u>
<b><u>Current Liabilities (Payable from restricted assets)</u></b>		
Certificates of indebtedness payable	-	63,000
DOTD note payable	18,065	18,065
Customer deposits and permits held	119,019	113,684
Revenue bonds payable	167,500	162,500
Accrued interest payable	5,824	5,439
Total	<u>310,408</u>	<u>362,688</u>
Total current liabilities	<u>314,352</u>	<u>371,589</u>
<b><u>Noncurrent liabilities</u></b>		
Revenue bonds payable - Note 7	417,500	585,000
Certificates of indebtedness - Note 7	-	-
DOTD note payable - Note 7	18,066	36,131
Total long-term liabilities	<u>435,566</u>	<u>621,131</u>
Total liabilities	<u>749,918</u>	<u>992,720</u>

**DEFERRED INFLOWS OF RESOURCES:**

-

-

**NET POSITION:**

Invested in capital assets, net of related debt	1,546,340	1,361,229
Restricted		
Capital outlay	54,545	56,491
Debt retirement	794,169	668,910
Unrestricted	<u>129,888</u>	<u>255,319</u>
Total net position	<u><u>\$ 2,524,942</u></u>	<u><u>\$ 2,341,949</u></u>

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



## CAPITAL ASSETS

At the end of 2020, the District has invested \$2,167,471 in capital assets, including land, sewer lines, treatment facilities, a vehicle and equipment. The amount represents a decrease of \$58,453 over last year.

### (Net of Depreciation)

	2020	2019
Land	\$ 37,500	\$ 37,500
Sewer system	7,879,987	7,693,151
Machinery and equipment	316,315	316,315
Accumulated depreciation	(6,066,331)	(5,821,042)
Total	<u>\$ 2,167,471</u>	<u>\$ 2,225,924</u>

System net additions totaled \$186,836 and depreciation was \$245,289 for 2020.

System net additions totaled \$89,237 for 2019. Depreciation was \$274,705 for 2019.

## LONG-TERM DEBT

At year end the District had debt as shown in the following table:

### Outstanding Bonds Payable

	2020	2019
Loans payable - DEQ	\$ 36,131	\$ 54,196
Certificates of indebtedness	115,000	188,000
Revenue bonds	470,000	622,500
	<u>\$ 621,131</u>	<u>\$ 864,696</u>

This financial report is designed to provide the constituents and taxpayers with a general overview of the finances for the funds maintained by the Caddo Sewerage District No. 7 and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's office at 4859 North Market, Suite 4, Shreveport, Louisiana 71107.

**CADDO SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

**ASSETS:**

	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and cash equivalents	113,361	\$ 53,779
Accounts receivable - Note 4	72,570	74,916
Prepaid expenses	<u>19,137</u>	<u>18,165</u>
Total current assets	<u>205,068</u>	<u>146,860</u>
 Noncurrent Assets		
Restricted cash and cash equivalents		
Revenue sinking fund	271,285	275,152
Reserve sinking fund	344,824	340,454
Depreciation and contingency fund	57,313	56,302
Construction fund	54,545	56,491
Customer deposits and permits	120,747	162,543
Capital assets - Note 5	<u>2,167,471</u>	<u>2,225,924</u>
Total other assets	<u>3,016,185</u>	<u>3,116,866</u>
Total assets	<u>3,221,253</u>	<u>3,263,726</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>	 <u>53,607</u>	 <u>70,943</u>

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

**CADD O SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF REVENUE, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>OPERATING REVENUES</u></b>		
Fees and charges for services	\$ 905,724	\$ 912,800
<b><u>OPERATING EXPENSES</u></b>		
Personal services	189,881	189,139
Advertising, dues and subscriptions	450	760
Utilities	47,782	48,025
Communications	3,532	4,433
Rentals paid	9,000	9,000
Maintenance of property and equipment	109,074	129,772
Professional services	18,850	12,414
Insurance and surety bonds	25,042	21,870
Office expenses	8,707	11,745
Postage and delivery	7,283	5,525
Travel and education	-	12,642
Bad debts	1,347	3,649
Depreciation	245,289	274,705
Total operating expenses	<u>666,237</u>	<u>723,679</u>
Operating Income	<u>239,487</u>	<u>189,121</u>
<b><u>NON-OPERATING INCOME (EXPENSE)</u></b>		
Interest income	191	5,215
Interest and fiscal charges	<u>(56,685)</u>	<u>(64,713)</u>
Total non-operating revenue (expense)	<u>(56,494)</u>	<u>(59,498)</u>
Change in net position	182,993	129,623
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>2,341,949</u>	<u>2,212,326</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 2,524,942</u></u>	<u><u>\$ 2,341,949</u></u>

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

**CADDO SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from customers	\$ 908,070	\$ 918,698
Cash payments to suppliers for goods and services	<u>(426,877)</u>	<u>(453,778)</u>
Net cash provided by operating activities - Note 8	<u>481,193</u>	<u>464,920</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Deposits received from customers	<u>5,335</u>	<u>3,190</u>
Net cash from non-capital financing activities	<u>5,335</u>	<u>3,190</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal paid on debt	(243,565)	(259,630)
Acquisition and construction of capital assets	(186,836)	(89,238)
Interest paid on debt	<u>(38,965)</u>	<u>(39,745)</u>
Net cash used for capital and related financing activities	<u>(469,366)</u>	<u>(388,613)</u>
<u>Cash Flows from Investing Activities</u>		
Interest income	<u>191</u>	<u>5,215</u>
Net increase (decrease) in cash and cash equivalents	<u>17,353</u>	<u>84,712</u>
Cash and cash equivalents at beginning of year, (including restricted amounts of (\$842,085))	<u>944,722</u>	<u>860,010</u>
Cash and cash equivalents at end of year, (including restricted amounts of (\$673,422))	<u><u>\$ 962,075</u></u>	<u><u>\$ 944,722</u></u>

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

**CADDO SEWERAGE DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**INTRODUCTION**

1. Caddo Parish Sewerage District No. 7 (the District) was created by the Caddo Parish Commission and is a subdivision thereof. This report includes all funds controlled by Caddo Parish Sewerage District No. 7. The District is considered a component unit of the Caddo Parish Commission, and is included in the Commission's report.
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 compensated \$60 each per meeting attended.
4. The District is located north of Shreveport, Louisiana.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of Caddo Parish 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. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 14:514 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA Industry Audit Guide, *Audits of State and Local Governmental Units*.

**B. REPORTING ENTITY**

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification section 2100, Caddo Parish Sewerage District No. 7 includes all funds that are within the oversight responsibility. The District is a component unit 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 provide 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**

Caddo Parish Sewerage District No. 7 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets, 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 are 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 are included on the statement of net assets. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned; and expenses are recognized at the time liabilities are incurred.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services or goods in connection with principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District's reporting on enterprise fund activities is based on FASB Statements and interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

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 20th of the following month. This revenue is recorded as income in the month earned.

#### **Expenses**

Operating expenses are record 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 benefitting 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. The District uses restricted resources to fund appropriations before using unrestricted resources.

## **H. CAPITAL 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. Constructed systems are being depreciated on a straight-line basis for 35 years. Existing systems purchased in 1985 for \$149,950 are being depreciated on a straight-line basis for 25 years. The District capitalizes all capital assets that are \$1,000 or greater.

## **I. DEFERRED FINANCE CHARGES**

In conjunction with refunding 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, 2020 and 2019 amortization of these costs were \$17,336 each year.

## **J. COMPENSATED ABSENCES**

The District has adopted a leave policy as to vacation pay. The policy provides full-time employees to accumulate earned vacation. Employees must use their earned time or it is lost at the anniversary of their hire date. Earned vacation may be paid in cash upon termination of the employee. The policy also provides full-time employees sick/personal leave. Unused sick leave accumulates and may be carried forward indefinitely. The District does not pay for unused sick leave upon termination.

## **K. LONG-TERM LIABILITIES**

Long-term liabilities are reported in the statement of net position.

## **L. 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.

## **M. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any borrowing used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use of 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.

## **N. BAD DEBTS**

An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.



## 2. CASH AND CASH EQUIVALENTS

At December 31, 2020 and 2019 the District had cash and cash equivalents (book balances) as follows:

	<u>2020</u>	<u>2019</u>
Non interest bearing demand deposits	\$ 233,882	\$ 290,959
Interest bearing demand deposits	727,968	653,538
Petty cash	<u>225</u>	<u>225</u>
Total	<u>\$ 962,075</u>	<u>\$ 944,722</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 are collateralized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Fair market value of securities pledged (GASB Category 3)	\$ 426,000	\$ 426,000
Current FDIC coverage	<u>750,006</u>	<u>678,554</u>
Total collateral	1,176,006	1,104,554
Collected cash balances (Bank balances)	<u>965,862</u>	<u>950,671</u>
Collateralization (shortage) excess	<u>\$ 210,144</u>	<u>\$ 153,883</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

### 3. RECEIVABLES

Accounts receivable at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable - customers	\$ 94,381	\$ 95,380
Allowance for bad debts	<u>(21,811)</u>	<u>(20,464)</u>
Total accounts receivable	<u>\$ 72,570</u>	<u>\$ 74,916</u>

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

### 4. PENSION PLAN

The District has adopted a SIMPLE plan to benefit its employees. The plan calls for matching contributions up to 6% of gross pay in each calendar year to the SIMPLE IRA accounts of all eligible employees. Eligible employees include those that have worked for the District for six months. Covered wages were \$139,250 and \$136,700 for the years ended December 31, 2020 and 2019, respectively. Contributions to the plan were \$8,355 and \$8,202 for the years ended December 31, 2020 and 2019, respectively.

### 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in insurance coverage from the past year.

## 6. CAPITAL ASSETS

The following is a summary of capital assets:

	1/1/2020 Beginning of Year	Additions	Transfers/ Retirements	12/31/2020 End of Year
Capital assets, non-depreciable				
Land	\$ 37,500	\$ -	\$ -	\$ 37,500
Construction in progress	-	-	-	-
Total capital assets, non-depreciable	37,500	-	-	37,500
Capital assets, depreciable				
Machinery and equipment	316,315	-	-	316,315
Sewer system	7,693,151	186,836	-	7,879,987
Total	8,009,466	186,836	-	8,196,302
Accumulated depreciation	5,821,042	245,289	-	6,066,331
Total capital assets being depreciated net	2,188,424	(58,453)	-	2,129,971
Total capital assets	<u>\$ 2,225,924</u>	<u>\$ (58,453)</u>	<u>\$ -</u>	<u>\$ 2,167,471</u>

## 7. 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, 2020 and 2019:

	Revenue Bonds	
	2020	2019
Bonds payable - beginning of year	\$ 810,500	\$ 1,034,000
Less bonds retired	225,500	223,500
Refunding issue	-	-
Bonds payable - end of year	585,000	810,500

Notes and bonds payable at December 31, 2020 and 2019 are comprised of the following individual issues:

	2020	2019
Loans Payable - DOTD		
The Louisiana Department of Transportation and Development (DOTD) has advanced the District \$247,843 used to relocate sewerage lines. The loan does not have any stated repayment terms or interest rates. The relocation project was complete at December 31, 2012.	\$ 36,131	\$ 54,196

#### Revenue Bonds:

\$300,000 certificates of indebtedness, series 2015, due in annual installments of principal and interest of approximately \$64,682; average interest at 4.43%.	-	63,000
\$1,150,000 2002 sewer revenue refunding bonds due in annual installments of principal of \$57,500 plus interest totaling \$51,508 for 2006 and reducing thereafter; interest at 5.3%.	115,000	125,000
\$1,455,000 2009 sewer revenue refunding bonds due in annual installments of principal and interest of approximately \$133,000; average interest at 4.5%.	470,000	622,500
Total revenue bonds	585,000	810,500
Total all	\$ 621,131	\$ 864,696

In accordance with R.S. 39:562 the District is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At December 31, 2020, the statutory limit is approximately \$5,200,000, and outstanding bonded debt totals \$585,000.

The annual requirements to amortize all bond debt outstanding at December 31, 2020 are as follows:

Year ending December 31	Principal	Interest
2021	\$ 185,566	\$ 28,198
2022	190,565	20,090
2023	120,000	11,638
2024	125,000	5,937
	<u>\$ 621,131</u>	<u>\$ 65,863</u>

#### **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 reserve or sinking funds or other payments required for each 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 12% of the largest amount of principal and interest maturing in any future fiscal year on the Bonds and any Parity Bonds.

For the year ended December 31, 2020 and 2019 the District's coverage exceeded required amounts.

#### **Flow of funds; restrictions on use-sewer revenues**

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 be set aside into a "Sewer Reserve Fund" an amount equal to 55% 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 in 1999.

Such amounts may be used only for the payment of the 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 in 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 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.

#### **Certificates of Indebtedness - Series 2015**

On November 4, 2015, the District issued \$300,000 Series 2015 Certificates of Indebtedness. The Certificates are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary and usual charges in each of the fiscal years during which the Certificates are outstanding.

Each month, beginning with the month after the Certificates of Indebtedness were issued, on or before the 20th of the month, a sum equal to the principal and interest accruing for the Certificates for such calendar months shall be deposited into a "Certificates of Indebtedness, Series 2015 Sinking Fund" for payment of principal and interest on the Certificates. The certificates of indebtedness were paid in full as of December 31, 2020.

## 8. STATEMENT OF CASH FLOWS

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

	<u>2020</u>	<u>2019</u>
Operating income	\$ 239,487	\$ 189,121
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	245,289	274,705
		-
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	2,346	5,898
Increase in prepaid expenses	(972)	(361)
Increase (Decrease) in accounts payable	<u>(4,957)</u>	<u>(4,443)</u>
	<u>\$ 481,193</u>	<u>\$ 464,920</u>

## 9. SUBSEQUENT EVENTS

On March 13, 2020, a national emergency was declared related to COVID-16 virus. As of the date of this report, the pandemic is ongoing. Future potential impacts may include disruptions or restrictions of employees' ability to work. The future effects of this issue are unknown.

**CADD O PARISH SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF COMPENSATION PAID TO COMMISSIONERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Jo Ann Witkowski	\$ 720	\$ 840
Calvin Millender	720	840
Bob Bass	660	600
Kenny Fedd	720	840
Kerry Liles	<u>600</u>	<u>600</u>
Total	<u>\$ 3,420</u>	<u>\$ 3,720</u>



**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF COMPENSATION, REIMBURSEMENTS AND OTHER**  
**PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Agency Head, Chairwoman, Jo Ann Witkowski		
Per Diem	<u>\$ 720</u>	<u>\$ 900</u>
Reimbursements	<u>\$ -</u>	<u>\$ -</u>

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

**CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**FINDING 2019-#1**

The segregation of duties is inadequate to provide effective internal control.

**STATUS:** Unresolved.



# Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited, in accordance with the 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 governmental activities of Caddo Parish Sewerage District No. 7 as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 3, 2021.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Caddo Sewerage District No. 7's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected 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.

My consideration of 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding #2020-1, that I consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo Parish Sewerage District No. 7's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statutes, it is issued by the Legislative Auditor as a public document.



Certified Public Accountant

June 3, 2021

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

**SCHEDULE OF FINDINGS**

**YEAR ENDED DECEMBER 31, 2020**

**Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One significant deficiency in internal control over financial reporting, which is a material weakness, was disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

**Finding # 2020-1**

**Criteria:**

Effective internal control requires the segregation of duties.

**Condition:**

Employees perform interrelated duties.

**Cause:**

The condition is due to economic and space limitations.

**Effect:**

Unknown.

**Recommendation:**

Whether or not it would be cost effective to correct a condition is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all conditions reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the condition described above is cost effective or practical, and, accordingly, do not believe that any corrective action is necessary.

**Management's Response and Corrective Action Plan:**

We agree with the finding. We will segregate duties as allowed by space and economic limitations.