

ROCKY BRANCH WATERWORKS DISTRICT
FARMERVILLE, LOUISIANA

Component Unit Financial Statements
For the Year Ended December 31, 2020



ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICY JURY
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Commissioners
Rocky Branch Waterworks District
Farmerville, Louisiana

I have reviewed the accompanying component unit financial statements of Rocky Branch Waterworks District (the District), a component unit of the Union Parish Police Jury, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's component unit financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a required part of the component unit financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the component unit financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. I have not audited or reviewed the required supplementary information and I do not express an opinion, a conclusion, nor provide any assurance on it.

Other Information

The accompanying schedules of compensation paid to board members and compensation, reimbursements, benefits, and other payments to agency head on pages 16 and 17, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the supplementary information and, accordingly, do not express an opinion on such information.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report date September 8, 2021, on the results of our agreed-upon procedures.

Maxwell CPA, LLC
Monroe, Louisiana
September 8, 2021

**REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Our discussion and analysis of Rocky Branch Waterworks District (the District), provides an overview of the District's activities for the year ended December 31, 2020. Please read it in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

The District has net position of \$1,053,553 at year end which represents a decrease from the prior year of \$2,315.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information about the activities of the District as a whole.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The District operates as an enterprise fund, presenting its financial statements using the accrual basis of accounting, which is similar to the accounting used by most private-sector entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) measure the District's financial position. Increases or decreases in the District's net position are an indicator of whether its financial position is improving or not.

The *Statement of Net Position* includes all of the District's assets and liabilities, with the difference between them reported as net assets. Net assets are reported in three categories: Invested in Capital Assets, Restricted for Debt Service, and Unrestricted. The increases and decreases in net assets are an indicator of whether the District's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the year, as well as whether it recovered its cost through fees and other revenues. All of the current year revenues and expenses are recorded when the underlying economic transaction has taken place.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and presents material disclosures as required by generally accepted accounting principles.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position decreased by \$2,315 and increased by \$213,273 during the years ended December 31, 2020 and 2019, respectively. The increase in 2019 was mainly due to grants received to make improvements to the water system.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement of Net Position

The following table reflects the condensed net assets:

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current and Restricted Assets	\$ 808,293	\$ 764,734
Capital Assets	<u>1,018,854</u>	<u>1,093,457</u>
Total Assets	<u><u>1,827,147</u></u>	<u><u>1,858,191</u></u>
<u>Liabilities</u>		
Current Liabilities	67,694	69,923
Long-Term Liabilities	<u>705,900</u>	<u>732,400</u>
Total Liabilities	<u><u>773,594</u></u>	<u><u>802,323</u></u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	280,454	323,237
Unrestricted	593,969	543,969
Restricted	<u>179,130</u>	<u>188,662</u>
Total Net Position	<u><u>1,053,553</u></u>	<u><u>1,055,868</u></u>
<u>Total Liabilities and Net Position</u>	<u><u>\$ 1,827,147</u></u>	<u><u>\$ 1,858,191</u></u>

Net position (assets less liabilities) may serve over time as a useful indicator of financial position. The District's assets exceeded liabilities by \$1,053,553 and \$1,055,868 at December 31, 2020 and 2019, respectively.

Statement of Activities

The following table shows the revenues and expenses for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Charges for Service and Water Revenues	\$ 241,616	\$ 238,089
Operating Expenses	<u>226,600</u>	<u>208,446</u>
Operating Income (Loss)	15,016	29,643
Other Income (Expense)	<u>(17,331)</u>	<u>183,630</u>
Net Income (Loss)	(2,315)	213,273
<u>Net Position at Beginning of Year</u>	<u>1,055,868</u>	<u>842,595</u>
<u>Net Position at End of Year</u>	<u><u>\$ 1,053,553</u></u>	<u><u>\$ 1,055,868</u></u>

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Capital Assets and Debt Administration

The District's investment in Capital assets amounted to \$1,018,854 and \$1,093,457 (net of depreciation) as of December 31, 2020 and 2019. This investment includes land, buildings and improvements, equipment and water distribution system.

The District recognized \$74,603 and \$41,107 in depreciation expense for the years ended December 31, 2020 and 2019. The District invested \$0 and \$914,770 in its water distribution system for the years ended December 31, 2020 and 2019, respectively.

Debt

At year end, the District had outstanding debt of \$738,400.

Economic Factors and Future Rates

The District's revenues are derived mainly from water and connection fees. The District is not aware of any significant increases or decreases in those revenue sources or associated expenditures but in light of the current economic volatility, the District must continue to monitor its limited resources to fit the needs of the citizens of Union Parish and be aware of other funding opportunities that may present themselves.

Request for Information

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District's office, 705 Hodge Road, Farmerville, LA 71241.

COMPONENT UNIT FINANCIAL STATEMENTS

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 404,322
Investments	222,864
Restricted Assets:	
Cash & Cash Equivalents	179,130
Receivable, Net	1,977
Total Current Assets	<u>808,293</u>

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation	1,014,354
Land	4,500
Total Capital Assets, Net of Accumulated Depreciation	<u>1,018,854</u>

<u>TOTAL ASSETS</u>	<u>\$ 1,827,147</u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 5,413
Customer Meter Deposits Payable	29,781
Notes Payable - Current	32,500
Total Current Liabilities	<u>67,694</u>

Long-Term Liabilities

Notes Payable	<u>705,900</u>
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<u>Total Liabilities</u>	773,594
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Net Position

Net Investment in Capital Assets	280,454
Restricted for Construction, Deposits, Depreciation and Contingencies	179,130
Unrestricted	593,969
Total Net Position	<u>1,053,553</u>

<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 1,827,147</u>
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See independent accountant's review report and notes to financial statements.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Operating Revenues</u>	
Charges for Services	\$ 241,616
<u>Operating Expenses</u>	
Advertising	200
Contract Labor	19,385
Depreciation	74,603
Dues	430
Fees	6,673
Insurance	7,000
Office	1,766
Payroll Tax Expenses	2,508
Per Diem	560
Postage	2,299
Professional Fees	8,500
Repairs and Maintenance	33,033
Salaries and Wages	38,475
Supplies	15,547
Utilities	14,321
Mowing	1,300
Total Operating Expenses	<u>226,600</u>
<u>Operating Income</u>	15,016
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	1,129
Interest Expense	<u>(18,460)</u>
Total Non-Operating Revenues (Expenses)	(17,331)
<u>Change in Net Position</u>	(2,315)
<u>Net Position at Beginning of Year</u>	<u>1,055,868</u>
<u>NET POSITION AT END OF YEAR</u>	<u><u>\$ 1,053,553</u></u>

See independent accountant's review report and notes to financial statements.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities

Cash Received from Customers	\$ 242,496
Cash Payments to Employees for Services	(38,475)
Cash Payments to Suppliers for Goods and Services	(95,262)
Cash Payments to Others for Services, Taxes, etc.	(16,829)
Net Cash Provided by Operating Activities	<u>91,930</u>

Cash Flows from Capital and Related Financing Activities

Increase (Decrease) in Refundable Deposits	1,840
Principal Paid on Long-Term Financing	(32,000)
Payments for Interest on Long-Term Financing	(18,460)
Net cash Used by Capital and Related Financing Activities	<u>(48,620)</u>

Cash Flows from Investing Activities

Interest on Deposits	<u>510</u>
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Net Increase in Cash and Cash Equivalents 43,820

Cash and Cash Equivalents at Beginning of Year 539,632

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 583,452

Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating Income	\$ 15,016
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	74,603
Net Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	880
Increase (Decrease) in Payables	1,431
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 91,930</u></u>

Note:

Cash and Cash Equivalents	\$ 404,322
Restricted Cash:	
Customer Deposit Fund	22,556
Reserve Fund	30,693
Depreciation and Contingency Fund	75,262
Bond Sinking Fund	50,619
Total Cash and Cash Equivalents	<u><u>\$ 583,452</u></u>

See independent accountant's review report and notes to financial statements.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Introduction

Rocky Branch Waterworks District (the District), was created by the Union Parish Policy Jury, as authorized by Louisiana Revised Statute 33:3811. The District is governed by a five-member board of commissioners who are residents of and own real estate in the District. The board is appointed by the police jury and is compensated for its responsibility of providing water service to users within the boundaries of the District. The District serves approximately 400 residential and 50 commercial customers. The District has two employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the District is considered a component unit of the Union Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

Note 1 - Summary of Significant Accounting Policies

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) statements and interpretations.

The District is a special purpose government engaged only in business type activities. All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities available to the District for the purpose of providing services to the public, are measured on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of Union Parish. Operating expenses for enterprise funds include the costs 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

B. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

C. Investments

Investments are limited by Louisiana R.S. 33:2955 and the District's investment policy. If the original maturities of investment exceed ninety days, they are classified as investments; however, if the original maturities are ninety days or less, they are classified as cash equivalents.

D. Accounts Receivable

Receivables for water sales are shown net of an allowance for uncollectible accounts. The allowance is an estimate based on the number of receivables that are past due and historical collection rates.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist primarily of prepaid insurance premiums.

F. Restricted Assets

Certain assets are restricted to set aside funds for customer deposit accounts, construction, depreciation, and contingencies.

G. Capital Assets

Capital Assets of the District are defined as assets with an initial cost of more than \$1,000, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donations. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Description</u>	<u>Estimated Lives</u>
Equipment and Furniture	5-15 Years
Furniture and Fixtures	10-15 Years
Water System	20-40 Years

Expenditures for repairs and maintenance are expensed as incurred; significant betterments are capitalized.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

G. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

The District does not have formal vacation, sick leave, and retirement plan policies.

I. Long-Term Obligations

Long-term liabilities are recognized within the Enterprise Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Net Position

GASB Statement No. 34 required classification of net assets into three separate components. GASB Statement No. 63 revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure at net position, rather than net assets. GASB No. 63 requires the following components of net position:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, GASB required a government to delay the recognition of decreases in net position as expenditures or increases in net position as revenues until a further period. In these circumstances, deferred outflows of resources or deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively. There are no deferred outflows or deferred inflows as of December 31, 2020.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk – deposits. The custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure there is no exposure to this risk is to require the financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Accordingly, the District had no custodial credit risk related to its deposits at December 31, 2020.

The District has cash and cash equivalents (book balances), savings, and investments in certificates of deposit totaling \$806,316 at December 31, 2020 as follows:

Cash and Cash Equivalents	\$ 404,322
Cash and Cash Equivalents - Restricted	179,130
Investments – Certificates of Deposit	<u>222,864</u>
TOTAL	<u>\$ 806,316</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 accepted to both parties. Cash and cash equivalents (bank balances) at December 31, 2020, are secured as follows:

Bank Balances	\$ 806,316
FDIC Insurance	500,000
Pledged Collateral	<u>526,809</u>
Uninsured Amount	<u>\$ -</u>

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 2 - Cash and Cash Equivalents (continued)

The accounts are managed by the District's fiscal agent and consist of securities issued or guaranteed by the U.S. Government. Investments are in accordance with LRS 33:2955 (A)(1)(e) and are not required to be covered by the pledge of securities owned by the fiscal agent bank.

Note 3 - Accounts Receivable

At December 31, 2020 the District's accounts receivable consisted of the following:

Water Sales	\$ 1,977
Less: Allowance for uncollectible accounts	-
Net Receivables	<u>\$ 1,977</u>

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2020 is as follows:

	<u>January 1,</u> <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2020</u>
Non-Depreciable Assets:				
Land	\$4,500	-	-	\$4,500
Depreciable Assets:				
Software	1,562	-	-	1,562
Water System	1,836,418	-	-	1,836,418
Building Improvements	<u>59,983</u>	<u>-</u>	<u>-</u>	<u>59,983</u>
Totals at Historical Cost	1,902,463	-	-	1,902,463
Less Accumulated Depreciation:	<u>(809,006)</u>	<u>(74,603)</u>	<u>-</u>	<u>(883,609)</u>
Capital Assets, Net	<u>\$1,093,457</u>	<u>\$(74,603)</u>	<u>-</u>	<u>\$1,018,854</u>

Depreciation expense was \$74,603 in 2020.

Note 5 - Notes Payable

In 2018 the District entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) for the purpose of improving the water system. The District was approved to spend up to \$963,000 for these improvements. LDH gave principal forgiveness of \$192,600 so the amount of principal repayment will be \$770,400. The note bears interest at 1.95%, payable in semi-annual payments each year. The District also pays a .50% administrative fee to LDH on the outstanding principal amount of the note, payable on each interest payment date. The balance of the loan was \$738,400 on December 31, 2020. Principal due on the loan is scheduled to be paid as follows:

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Notes Payable (continued)

<u>Fiscal Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2021	32,500
2022	33,000
2023	34,000
2024	35,000
2025	36,000
Thereafter	<u>567,900</u>
TOTAL	<u>\$ 738,400</u>

Note 6 - Restricted Assets and Loan Agreement Reserve Requirements

The loan agreement with Louisiana Department of Health (DWRLF) requires that the water system establish and maintain a debt sinking fund, debt service reserve fund and a depreciation and contingencies fund.

Restricted assets consisted of the following at December 31, 2020:

Customer Deposits	\$ 22,556
Debt Sinking Fund	50,619
Debt Service Reserve Fund	30,693
Depreciation and Contingencies Fund	<u>75,262</u>
TOTAL	<u>\$ 179,130</u>

Note 7 - Contingencies

During the year ended December 31, 2019, the water system expended \$868,377 in federal loan funds from the Environmental Protection Agency passed through the Louisiana Department of Health, Office of Public Health. These expenditures are subject to audit and adjustment by federal and state agencies; therefore, to the extent that the water system had not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 8 - Risk Management

The District purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from the prior year.

Note 9 - Litigation and Claims

The District was not involved in any litigation at December 31, 2020, nor is it aware of any unasserted claims.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 10 - Subsequent Events

Subsequent events have been evaluated through September 8, 2021, which is the day the financial statements were available to be issued, and it has been determined that no significant events have occurred for disclosure.

The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and whether those closings will cause a larger economic recession. As a result, the related financial impact on the District and the duration cannot be estimated at this time.

SUPPLEMENTAL INFORMATION

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 1

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

J.C. Ainsworth, President	\$ 80
Jill A. Hodge, Vice President	120
Jerry Farrar	120
Phillip Smith	120
Allen D Pace	120
TOTAL PER DIEM	<u>\$ 560</u>

See independent accountant's review report.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF THE UNION PARISH POLICE JURY
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 2

Agency Head Name: J. C. Ainsworth, President

<u>Purpose</u>	<u>Amount</u>
Per Diem	\$ 80

See independent accountant's review report.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-01 Inadequate Segregation of Accounting Duties

Criteria:

Duties should be distributed among employees.

Condition:

Inadequate segregation of duties.

Cause:

The district has only one person for handling the duties of the office personnel. Office duties are a part-time job.

Potential Effect:

Internal control is weakened by the limited staff.

Recommendation:

Establish guidelines for the Board of Directors on a rotating basis to closely monitor reports for billings, payments, and credits issued by the water system. Furthermore, bank statements and bank reconciliations should be reviewed by the board each month.

Management's Response and Corrective Action Plan:

The water system has an accounting workload that can be easily managed by one person. It is not economically feasible to correct this deficiency based on the size of the water system. However, the board will begin reviewing and monitoring reports, bank statements and bank reconciliations as suggested.

ROCKY BRANCH WATERWORKS DISTRICT
A COMPONENT UNIT OF UNION PARISH POLICE JURY
SUMMARY STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-1 Inadequate Segregation of Accounting Duties

Condition Found:

Inadequate segregation of duties.

Effect:

Internal control is weakened by the limited staff.

Recommendation to Prevent Future Occurrences:

Hire more employees and redistribute duties.

Current Status:

The Finding was repeated as finding 2020-01.



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Rocky Branch Waterworks District
Farmerville, Louisiana

I have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the Rocky Branch Waterworks District (the District) and the Louisiana Legislative Auditor, on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2020, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The District is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Public Bid Law

1. Obtain documentation for all expenditures made during the year for material and supplies exceeding \$30,000, and public works exceeding \$250,000. Compare the documentation for these expenditures to Louisiana Revised Statute (R.S.) 39:1551-39:1755 (the state procurement code) or R.S.38:2211-2296 (the public bid law), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

The District had no expenditures for materials and supplies exceeding \$30,000 and no expenditures exceeding \$250,000 for public works.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by RS 42:1101-1124 (the ethics law).

Management provided me with the requested information.



3. Obtain a list of all employees paid during the fiscal year.

Management provided me with the requested information.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

None of the employees included on the list of employees provided by management in agreed-upon procedure #3 appeared on the list provided by management in agreed-upon procedure #2 as immediate family members.

5. Obtain a list of all disbursements made during the year; and a list of outside business interest of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

Management provided the requested information. None of the businesses of board members, employees, and board members' and employees' immediate families appeared as vendors on the list of disbursements.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original budget. There were no amendments in 2020.

7. Trace documentation for the adoption of the budget and approval of any amendments to the minutes book, and report whether there are any exceptions.

I traced adoption of the original budget to the minutes.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

I compared the revenues and expenditures of the final budget to actual revenues and expenditures. Revenues did not fail to meet budgeted revenues by 5% or more and expenditures for the year did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

9. Obtain the list of all disbursements made during the year. Randomly select six disbursements and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation, and:

- a. Report whether the six disbursements agree to the amount and payee in the supporting documentation.**

I examined supporting documentation for each of the selected disbursements and found that payment was for the proper amount and made to the correct payee with the exception of two invoices. These two disbursements did not have an invoice to support the payments.

- b. Report whether the six disbursements were coded to the correct fund and general ledger account.**

All of the disbursements were properly coded in the general ledger with the exception of the two that did not have invoices to support the payments.

- c. Report whether the six disbursements were approved in accordance with management's policies and procedures.**

The disbursements were approved by the Board of Commissioners by their acceptance of the treasurer's report presented at each meeting.

Meetings

- 10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law); and report whether there are any exceptions.**

Management represented that the District is only required to post a notice of each meeting and the accompanying agenda at the meeting site. Although management has asserted that such documents were properly posted, no evidence was provided to support management's assertion other than copies of the notices and agendas.

Debt

- 11. Obtain bank deposit slips for the fiscal year and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.**

I scanned copies of all bank deposit slips for the fiscal year and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

- 12. Obtain the list of payroll disbursements and meeting minutes of the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advances, or gifts.**

Rocky Branch Waterworks District
Farmerville, Louisiana
September 8, 2021

I scanned payroll disbursements and read the council meeting minutes of the District's board for the fiscal year. I found no payments or approval for payments to employees that would constitute bonuses, advances, or gifts.

State Audit Law

- 13. Report whether the agency provided for a timely report in accordance with R.S. 24:513.**

The District's report was submitted by the due date of September 30, 2021.

- 14. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).**

N/A

Prior-Year Comments

- 15. Obtain and report management's representation as to whether any prior-year suggestions, exceptions, recommendations, and/or comments have been resolved.**

The prior year financial statements included a finding for inadequate segregation of accounting duties listed as finding 2019-1. That finding was repeated in this year's schedule of findings as 2020-01.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's compliance with the foregoing matters. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the District's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Maxwell CPA, LLC
Monroe, Louisiana
September 8, 2021

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

9-1-21 (Date Transmitted)

Maxwell CPA, LLC
8649 Hwy 165 N, Ste 2
Monroe, LA 71203

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of December 31, 2019 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes ☒ No ☐ N/A ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes ☒ No ☐ N/A ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes ☒ No ☐ N/A ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes ☒ No ☐ N/A ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐ N/A ☐

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes ☒ No ☐ N/A ☐

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes ☒ No ☐ N/A ☐

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes ☐ No ☐ N/A ☒

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes ☒ No ☐ N/A ☐

We have complied with R.S. 24:515.2 regarding reporting of pre- and post- adjudication court costs, fines and fees assessed or imposed; the amounts collected; the amounts outstanding; the amounts retained; the amounts disbursed, and the amounts received from disbursements.

Yes ☒ No ☐ N/A ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes ☒ No ☐ N/A ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes ☒ No ☐ N/A ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes ☒ No ☐ N/A ☐

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes ☒ No ☐ N/A ☐

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes ☒ No ☐ N/A ☐

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes ☒ No ☐ N/A ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes ☒ No ☐ N/A ☐

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes ☒ No ☐ N/A ☐

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes ☒ No ☐ N/A ☐

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes ☒ No ☐ N/A ☐

The previous responses have been made to the best of our belief and knowledge.

Philip Smith Chairman 9-1-21 Date
B. Hodge Treasurer 9-1-21 Date