

**ROCKY BRANCH WATERWORKS DISTRICT**  
**FARMERVILLE, LOUISIANA**

*Component Unit Financial Statements*  
*For the Year Ended December 31, 2019*



**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF THE UNION PARISH POLICY JURY**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Rocky Branch Waterworks District  
Farmerville, Louisiana

I have audited 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, 2019, 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.

### **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 the *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 Rocky Branch Waterworks District as of December 31, 2019 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.





## **Other Matters**

### ***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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 the 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 that collectively comprise the District's basic financial statements. The supplementary information on pages 15-20 is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 29, 2020, on my consideration of the District's internal control over financial reporting and on my tests of the 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

*Maxwell CPA, LLC*

Monroe, Louisiana  
September 29, 2020

**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, 2019**

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, 2019. Please read it in conjunction with the basic financial statements.

**FINANCIAL HIGHLIGHTS**

The District has net position of \$1,055,868 at year end which represents an increase from the prior year of \$213,273.

**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 or 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 increased by \$213,273 and increased by \$20,412 the years ended December 31, 2019 and 2018, respectively.

**Statement of Net Position**

The following table reflects the condensed net assets:



**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF THE UNION PARISH POLICE JURY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current and Restricted Assets	\$ 764,734	\$ 746,645
Capital Assets	<u>1,093,457</u>	<u>219,794</u>
Total Assets	<u><u>1,858,191</u></u>	<u><u>966,439</u></u>
<u>Liabilities</u>		
Current Liabilities	69,923	29,221
Long-Term Liabilities	<u>732,400</u>	<u>94,623</u>
Total Liabilities	<u><u>802,323</u></u>	<u><u>123,844</u></u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	323,237	125,171
Unrestricted	543,969	569,414
Restricted	<u>188,662</u>	<u>148,010</u>
Total Net Position	<u><u>1,055,868</u></u>	<u><u>842,595</u></u>
<u>Total Liabilities and Net Position</u>	<u><u>\$ 1,858,191</u></u>	<u><u>\$ 966,439</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 \$1,055,868 and \$842,595 at December 31, 2019 and 2018, respectively.

Statement of Activities

The following table shows the revenues and expenses for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Charges for Service and Water Revenues	\$ 238,089	\$ 179,901
Operating Expenses	<u>208,446</u>	<u>161,196</u>
Operating Income (Loss)	29,643	18,705
Other Income (Expense)	<u>183,630</u>	<u>1,707</u>
Net Income (Loss)	213,273	20,412
<u>Net Position at Beginning of Year</u>	<u>842,595</u>	<u>822,183</u>
<u>Net Position at End of Year</u>	<u><u>\$ 1,055,868</u></u>	<u><u>\$ 842,595</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, 2019**

**Capital Assets and Debt Administration**

The District's investment in Capital assets amounted to \$323,237 and \$125,171 (net of depreciation) as of December 31, 2019 and 2018. This investment includes land, buildings and improvements, equipment, water distribution system and construction in progress.

The District recognized \$41,107 and \$34,228 in depreciation expense for the years ended December 31, 2019 and 2018. The District invested \$914,770 and \$94,623 in its water distribution system for the years ended December 31, 2019 and 2018, respectively.

**Debt**

At year end, the District had outstanding debt of \$770,400.

**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, 2019**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	350,970
Investments		222,245
Restricted Assets:		
Cash & Cash Equivalents		188,662
Receivable, Net		2,857
Total Current Assets		764,734

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation		1,088,957
Land		4,500
Total Capital Assets, Net of Accumulated Depreciation		1,093,457

TOTAL ASSETS

\$ 1,858,191

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$	3,982
Customer Meter Deposits Payable		27,941
Notes Payable - Current		38,000
Total Current Liabilities		69,923

Long-Term Liabilities

Notes Payable		732,400
		732,400

Total Liabilities

802,323

Net Position

Net Investment in Capital Assets		323,237
Restricted for Construction, Deposits, Depreciation and Contingencies		188,662
Unrestricted		543,969
Total Net Position		1,055,868

TOTAL LIABILITIES AND NET POSITION

\$ 1,858,191

The accompanying notes are an integral part of this Financial Statement.

**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, 2019**

<u>Operating Revenues</u>	
Charges for Services	\$ 238,089
 <u>Operating Expenses</u>	
Advertising	611
Bank Charges	6
Contract Labor	18,540
Depreciation	41,107
Dues	300
Fees	9,319
Insurance	6,866
Office	1,348
Payroll Tax Expenses	2,464
Per Diem	1,120
Postage	2,558
Professional Fees	3,200
Repairs and Maintenance	52,275
Salaries and Wages	33,630
Supplies	22,035
Utilities	13,067
Total Operating Expenses	<u>208,446</u>
 <u>Operating Income</u>	 29,643
 <u>Non-Operating Revenues (Expenses)</u>	
Interest Income	1,514
Grant Income - Loan Forgiveness	192,600
Interest Expense	<u>(10,484)</u>
Total Non-Operating Revenues (Expenses)	183,630
 <u>Change in Net Position</u>	 213,273
 <u>Net Position at Beginning of Year</u>	 <u>842,595</u>
 <u>NET POSITION AT END OF YEAR</u>	 <u>\$ 1,055,868</u>

The accompanying notes are an integral part of this Financial Statement.



**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF THE UNION PARISH POLICE JURY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Cash Flows From Operating Activities</u>	
Cash Received from Customers	\$ 237,490
Cash Payments to Employees for Services	(33,630)
Cash Payments to Suppliers for Goods and Services	(117,559)
Cash Payments to Others for Services, Taxes, etc.	(15,531)
Net Cash Provided by Operating Activities	<u>70,770</u>
<u>Cash Flows from Capital and Related Financial Activities</u>	
Acquisition and Construction to Water System	(914,770)
Increase (Decrease) in Refundable Deposits	2,083
Loan Proceeds	675,777
Payments for Interest on Long-Term Financing	(10,484)
Forgiveness of Debt	192,600
Net cash Used by Capital and Related Financing Activities	<u>(54,794)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned on Investments	<u>898</u>
<u>Net Increase in Cash and Cash Equivalents</u>	<u>16,874</u>
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>522,758</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u><u>\$ 539,632</u></u>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 29,643
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	41,107
Net Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(599)
Increase (Decrease) in Payables	619
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 70,770</u></u>
<u>Note:</u>	
Cash and Cash Equivalents	\$ 350,970
Restricted Cash:	
Customer Deposit Fund	20,923
Reserve Fund	30,661
Depreciation and Contingency Fund	75,184
Bond Sinking Fund	61,894
Total Cash and Cash Equivalents	<u><u>\$ 539,632</u></u>

The accompanying notes are an integral part of this Financial Statement.

**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 general 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, 2019**

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, 2019**

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 as 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.

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

**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

delayed recognition of expenditures or revenues, respectively. There are not deferred outflows or deferred inflows as of December 31, 2019.

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, 2019.

The District has cash and cash equivalents (book balances), savings, and investments in certificates of deposit totaling \$761,877 at December 31, 2019 as follows:

Cash and Cash Equivalents	\$ 350,970
Cash and Cash Equivalents - Restricted	188,662
Investments – Certificates of Deposit	<u>222,245</u>
TOTAL	<u>\$ 761,877</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, 2019, are secured as follows:

Bank Balances	\$ 762,104
FDIC Insurance	500,000
Pledged Collateral	<u>526,809</u>
Uninsured Amount	<u>\$ _____</u>

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.

**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 3 - Accounts Receivable

At December 31, 2019 the District's accounts receivable consisted of the following:

Water Sales	\$ 2,857
Less: Allowance for uncollectible accounts	<u>          -</u>
Net Receivables	<u>\$ 2,857</u>

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

	<u>2018 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019 Balance</u>
Non-Depreciable Assets:				
Land	\$4,500	-	-	\$4,500
Construction in Progress	94,623	-	(94,623)	-
Depreciable Assets:				
Software	1,562	-	-	1,562
Water System	827,025	1,009,393	-	1,836,418
Building Improvements	<u>59,983</u>	<u>          -</u>	<u>          -</u>	<u>59,983</u>
Totals at Historical Cost	<u>987,693</u>	<u>1,009,393</u>	<u>(94,623)</u>	<u>1,902,463</u>
Less Accumulated Depreciation:	<u>(767,899)</u>	<u>(41,107)</u>	<u>          -</u>	<u>(809,006)</u>
Capital Assets, Net	<u>\$219,794</u>	<u>\$968,286</u>	<u>(94,623)</u>	<u>\$1,093,457</u>

Depreciation expense was \$41,107 in 2019.

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-annually 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. Principal due on the loan is scheduled to be paid as follows:

<u>Fiscal Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2020	38,000
2021	39,000
2022	40,000
2023	41,000
2024	42,000
Thereafter	<u>570,400</u>
TOTAL	<u>\$ 770,400</u>



**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019:

Customer Deposits	\$ 20,923
Debt Sinking Fund	61,894
Debt Service Reserve Fund	30,661
Depreciation and Contingencies Fund	<u>75,184</u>
TOTAL	<u>\$ 188,662</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 - Litigation and Claims

The District was not involved in any litigation at December 31, 2019, nor is it aware of any unasserted claims.

Note 9 - Subsequent Events

Subsequent events have been evaluated through September 29, 2020, 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.

**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, 2019**

**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	\$ 240
Jill A. Hodge, Vice President	200
Jerry Farrar	240
Phillip Smith	200
Allen D Pace	240
TOTAL PER DIEM	<u>\$ 1,120</u>

**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, 2019**

**Schedule 2**

**Agency Head Name: J. C. Ainsworth, President**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - Insurance	-
Benefits - Retirement	-
Benefits - Other	-
Car Allowance	-
Vehicle Provided by Government	-
Per Diem	240
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Continuing Professional Education Fees	-
Housing	-
Unvouchered Expenses	-
Special Meals	-

The President, J. C. Ainsworth receives \$240 per diem annually, and no other benefits for the year ended December 31, 2019.

**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Schedule 3**

<u>Federal Agency Name</u>	<u>Pass Through Agency</u>	<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Identification Number</u>	<u>Federal Expenditures - Pass Through Awards</u>
Environmental Protection Agency	Louisiana Department of Health and Hospitals	Capitalization Grants for Drinking Water State Revolving Funds	66.468	Loan No. 1111013-01	\$ 868,377 *
<b><u>TOTAL</u></b>					<b><u>\$ 868,377</u></b>

**Notes to the Schedule of Expenditures of Federal Awards**

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the water system's financial statements. The water system uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. The water system's records should be consulted to determine the amounts expended from non-federal sources.

Note 2 - Loan Programs

The \$868,377 amount reported as federal expenditures is the amount of loan proceeds expended during the year December 31, 2019. The loan funds are subawards passed through the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund.

Note 3 - Federal Indirect Cost Rate

Rocky Branch Waterworks District did not elect to use the 10% de minimis federal indirect cost rate for the year ended December 31, 2019.

\* Denotes Major Federal Assistance Program



**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**SCHEDULE OF INSURANCE POLICIES IN FORCE (UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Schedule 4**

<b>Type</b>	<b>Insurance Company</b>	<b>Coverage Amount</b>	<b>Expiration of Policy</b>
General Liability	Louisiana Specialty Broker Incorporated	\$ 1,000,000	7/9/2021
Property Insurance	Louisiana Specialty Broker Incorporated	\$ 1,108,901	7/9/2021
Crime Policy	Louisiana Specialty Broker Incorporated	\$ 10,000	7/9/2021



**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  
Rocky Branch Waterworks District  
Farmerville, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rocky Branch Waterworks District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued my report thereon dated September 29, 2020.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Rocky Branch Waterworks District's internal control over financial reporting (internal control) 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 Rocky Branch Waterworks District's internal control. Accordingly, I do not express an opinion on the effectiveness of Rocky Branch Waterworks District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2019-01 that I consider to be a significant deficiency.





Board of Directors  
Rocky Branch Waterworks District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rocky Branch Waterworks District's financial statements are free from material misstatement, I performed tests of the District's 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 are required to be reported under *Government Auditing Standards*.

### **Rocky Branch Waterworks District's Response to Findings**

Rocky Branch Waterworks District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Rocky Branch Waterworks District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **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.

Maxwell CPA, LLC  
Monroe, Louisiana  
September 29, 2020





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

Board of Commissioners  
Rocky Branch Waterworks District  
Farmerville, Louisiana

**Report on Compliance for Each Major Federal Program**

I have audited Rocky Branch Waterworks District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Rocky Branch Waterworks District's major federal program for the year ended December 31, 2019. Rocky Branch Waterworks District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for Rocky Branch Waterworks District's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the water system's 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 on compliance for Rocky Branch Waterworks District's major federal program. However, my audit does not provide a legal determination of the water system's compliance.

**Opinion on Major Federal Program**

In my opinion, Rocky Branch Waterworks District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.





Board of Commissioners  
Rocky Branch Waterworks District  
Farmerville, Louisiana

### **Report on Internal Control Over Compliance**

Management of Rocky Branch Waterworks District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Rocky Branch Waterworks District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Rocky Branch Waterworks District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maxwell CPA, LLC*  
Monroe, Louisiana  
September 29, 2020



**ROCKY BRANCH WATERWORKS DISTRICT**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Section I – Summary of Auditor’s Results**

*Financial Statements:*

Type of Auditor’s Report Issued: Unmodified opinion

Internal Control Over Financial Reporting:

Material Weakness(es) identified?  Yes  No

Significant deficiency(s) identified not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards:*

Internal Control Over Major Programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(s) identified not considered to be material weakness(es)?  Yes  None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  
 Yes  No

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee?  Yes  No

*Identification of Major Programs:*

<b><u>CFDA #</u></b>	<b><u>PROGRAM TITLE</u></b>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

**ROCKY BRANCH WATERWORKS DISTRICT**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (continued)**

**Section II – Financial Statement Findings**

**2019-01     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, 2019**

**2018-1      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 2019-01.





INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Rocky Branch Waterworks District and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Rocky Branch Waterworks District, a component unit of the Union Parish Police Jury, and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. Rocky Branch Waterworks District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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 users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described 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:

***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts***, including receiving, recording, and preparing deposits
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process



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- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Comments: The District has only limited written policies and procedures on these topics.**

**Management's Response: The District is in the process of getting information needed to update its policies and procedures appropriately.**

***Board (or Finance Committee, if applicable)***

---

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

**Comments: The Board of Commissioners met every other month as required.**

- b) For those entities reporting on the governmental accounting method, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.



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**Comments: The minutes did not reference that any budget to actual comparisons were presented to the board.**

**Management's Response: The Board is presented budgets and financial statements even though it isn't referred to in the minutes as budget to actual.**

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

**Comments: No exception noted.**

#### ***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initials and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of the management/board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliations (e.g., initialed and dated, electronically logged); and
  - c) Management had documentation reflecting that is has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Comments: The bank reconciliations were available but did not include evidence of when they were prepared or that they were reviewed.**

**Management's Response: In the future management will have the bank reconciliations reviewed by someone from the board.**

#### ***Collections (excluding EFTs)***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposits sites if less than 5).

**Comments: I obtained that listing from management. There is only one deposit site.**

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5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that the job duties are properly segregated at each collection location such that:

a) Employees that are responsible for cash collections do not share cash drawers/registers.

**Comments: There is only one employee that collects cash.**

b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

**Comments: The same employee that collects the cash also prepares the deposits and does the bank reconciliations.**

c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

**Comments: The same employee that collects the cash also posts collection entries to the general ledger.**

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**Comments: The same employee that collects the cash also reconciles cash collections to the general ledger.**

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

**Comments: The District does have an insurance policy that covers theft.**

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit of multiple deposits are made on the same date.) *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day or receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

**Comments: No exceptions noted.**

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

---

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**Comments: I obtained from management the locations that process payments. There is only one location that processes payments.**

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to the employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiation a purchase request, approving a purchase, and placing and order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payments or gives the signed checks to an employee to mail who is not responsible for processing payments.

**Comments: There is only employee involved in the cash disbursement process.**

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10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction populations (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a) Observe that the disbursement matched the related original invoice/billing statement.

**Comments: No exceptions noted.**

b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Comments: No exceptions noted.**

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Comments: I obtained the list of active credit cards from management.**

12. Using the listing prepared by management, randomly select 5 cards (of all cards is less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

**Comments: No exceptions noted.**

b) Observe that finance charges and late fees were not assessed on the selected statements.

**Comments: No exceptions noted.**



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13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increase scrutiny.

**Comments: No exceptions noted.**

***Travel and Travel-Related Expense Reimbursement (excluding card transactions)***

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursements, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

**Comments: No exceptions noted.**

***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g. solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**Comments: No exceptions noted.**

***Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to the policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisor approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

**Comments: For the pay period chosen there was no timesheets provided. The District does not pay leave time.**



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18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records and agree the pay rates to the employee/officials' authorized pay rates in the employee/official's personnel files.

**Comments: This step is not applicable. There were no termination payments.**

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and worker's compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**Comments: Management has represented that all payroll taxes have been paid and filed by required deadlines.**

***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she had read the entity's ethics policy during the fiscal period.

**Comments: None of the employees have documented ethics training.**

***Debt Service***

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bond/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

**Comments: No exceptions noted.**

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22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payment so those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

**Comments: No exceptions noted.**

*Other*

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

**Comments: Management reported that no misappropriations of public funds occurred during the year ended December 31, 2019.**

24. Observe that the entity has posted on its premises and website, the notice required by the R.S. 24:523.1 concerning the reporting of the misappropriation, fraud, waste, or abuse of public funds.

**Comments: The District has not posted on its premises the notice required by R.S. 24:523.1 because management was unaware of the requirement to do so. The water system does not have a website to post the notice on.**

*Management's Response*

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We concur with the results of the procedures and are working to update our policies and procedures to improve our internal controls.

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 those C/C areas identified in the SAUPs. 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 those C/C areas identified in the SAUPs, 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 LLA as a public document.

Maxwell CPA, LLC

Monroe, Louisiana  
September 29, 2020