

**KELLY WATER DISTRICT
Kelly, Louisiana**

Annual Financial Statements

**As of and for the Year Ended
October 31, 2021**

KELLY WATER DISTRICT
Kelly, Louisiana

Annual Financial Statements

As of and for the Year Ended October 31, 2021

C O N T E N T S

	Statement	Page No.
Accountant's Compilation Report		2
Basic Financial Statements:		
Enterprise Fund Financial Statements:		
Statement of Net Position	A	4
Statement of Revenue, Expenses, and Changes in Net Position	B	5
Statement of Cash Flows	C	6
Notes to the Financial Statements		7
	Schedule	Page No.
Supplemental Information Schedule:		
Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Commissioners	1	14
Current Year Findings and Corrective Action Plan		15

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Accountant's Compilation Report

BOARD OF COMMISSIONERS
KELLY WATER DISTRICT
Kelly, Louisiana

Management is responsible for the accompanying financial statements of the business-type activities of Kelly Water District (the "District"), a component unit of Caldwell Parish Police Jury, as of and for the year ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to agency head and board of commissioners is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. The information was subject to my compilation engagement, but I have not audited or reviewed the supplementary information, and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Carleen Dumas

Calhoun, Louisiana
February 2, 2022

BASIC FINANCIAL STATEMENTS

KELLY WATER DISTRICT
Kelly, Louisiana

STATEMENT OF NET POSITION
October 31, 2021

ASSETS

Current assets:

Cash	\$277,908
Investments	439,837
Receivables	<u>13,634</u>
Total current assets	<u>731,379</u>

Noncurrent assets:

Property, plant and equipment (net of accumulated depreciation)	<u>162,845</u>
Total assets	<u>894,224</u>

LIABILITIES

Current liabilities:

Accounts payable	8,592
Payroll taxes payable	142
Customer deposits	<u>34,229</u>
Total current liabilities	<u>42,963</u>

NET POSITION

Net investment in capital assets	162,845
Unrestricted	<u>688,416</u>
Total net position	<u><u>\$851,261</u></u>

See accompanying notes and accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana

STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended October 31, 2021

OPERATING REVENUE	
Water sales	\$113,943
Connection and reconnect fees	4,580
Total operating revenue	<u>118,523</u>
OPERATING EXPENSES	
Office expense	14,114
Repairs and maintenance	60,872
Utilities	9,641
Insurance	7,113
Salaries	53,537
Payroll taxes	6,501
Depreciation	15,976
Safe drinking water fee	5,985
Supplies	425
Other operating expenses	1,641
Total operating expenses	<u>175,805</u>
OPERATING INCOME (Loss)	<u>(57,282)</u>
NON-OPERATING REVENUE	
Interest earned on deposits	7,394
Insurance reimbursement	200
Property taxes	45,116
Total non-operating revenue	<u>52,710</u>
CHANGE IN NET POSITION	(4,572)
NET POSITION - BEGINNING	<u>855,833</u>
NET POSITION - ENDING	<u><u>\$851,261</u></u>

See accompanying notes and accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$119,176
Customer deposit receipts, net	1,700
Payments to suppliers	(102,801)
Payments to employees	(53,537)
Net cash used by operating activities	<u>(35,462)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property tax receipts	45,116
Insurance reimbursement	200
Net cash provided by non-capital financing activities	<u>45,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(40,854)
Interest earnings on bank deposits	7,394
Increase in investments	(7,272)
Net cash used by investing activities	<u>(40,732)</u>
NET DECREASE IN CASH	(30,878)
CASH AT BEGINNING OF YEAR	<u>308,786</u>
CASH AT END OF YEAR	<u><u>\$277,908</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating Loss	<u>(\$57,282)</u>
Adjustments:	
Depreciation	15,976
Decrease in accounts receivable	653
Increase in customer deposits	1,700
Increase in amount due from IRS	(1,142)
Increase in amount due from La Department of Revenue	(193)
Increase in accounts and taxes payable	4,826
Total adjustments	<u>21,820</u>
Net cash used by operating activities	<u><u>(\$35,462)</u></u>

See accompanying notes and accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana

Notes to the Financial Statements
As of and for the Year Ended October 31, 2021

INTRODUCTION

Kelly Water District (the "District") was created by the Caldwell Parish Police Jury in 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the District. The District is governed by a five member board appointed by the police jury who serve for indefinite terms of office without the benefit of compensation. The District serves approximately 441 customers and has two employees.

GASB Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, 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 Kelly Water District is considered a component unit of the Caldwell Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- (1) Management's discussion and analysis (MD&A)
- (2) Statement of net position
- (3) Statement of revenue, expenses, and changes in net position
- (4) Statement of cash flows
- (5) Notes to the financial statements
- (6) RSI other than MD&A, if applicable

The Kelly Water District is a special-purpose government engaged only in business-type activities.

See accountant's compilation report.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Enterprise funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenue of Kelly Water District are water sales, connection and reconnection fees, and other miscellaneous operating revenue. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

C. Deposits and Investments

Cash includes amounts in interest-bearing demand deposits. State law limits the District's credit risk by restricting the District's investments to collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At October 31, 2021, the District's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

D. Receivables

Amounts due from customers for water service provided prior to year end and overpayments of payroll taxes are reported as receivables. Receivables for water sales are shown net of an allowance for uncollectible amounts. The allowance is an estimate based on the amount of receivables that are not expected to be collected. Past due accounts are written off when they are considered uncollectible by management.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The District is authorized to levy a maximum tax of 10 mills annually on property within the boundaries of the District for maintenance and operation of the District. On December 10, 2016, the voters in the District approved a renewal of the 10

See accountant's compilation report.

KELLY WATER DISTRICT
Notes to the Financial Statements

mills property tax. The tax will be levied beginning with the year 2018 and ending with the year 2027.

E. Capital Assets

Capital assets, which include the original water system and major improvements, buildings, and equipment are reported in the enterprise fund financial statements. All of the District's capital assets are capitalized at historical cost except for donated capital assets which are recorded at fair market value on the date of donation. The Kelly Water District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water system and improvements	25 years
Buildings	25 years
Equipment	5-10 years

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At October 31, 2021, the District has cash and investments (book balances) as follows:

Interest bearing checking account	\$2,187
Interest bearing savings accounts	275,721
Investments - certificates of deposit	<u>439,837</u>
Total	<u>\$717,745</u>

See accountant's compilation report.

KELLY WATER DISTRICT
Notes to the Financial Statements

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. At October 31, 2021, Kelly Water District has \$717,759 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$535,000 of pledged securities held in the name of Kelly Water District by unaffiliated banks that are mutually acceptable to both parties.

3. RECEIVABLES

At October 31, 2021, the District has net receivables of \$13,634, as follows:

Water sales	\$12,052
Allowance for uncollectible accounts	(1,327)
Overpayment of payroll taxes	<u>2,909</u>
Net receivables	<u>\$13,634</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended October 31, 2021, is as follows:

	Balance at November 1, 2020	Increases	Decreases	Balance at October 31, 2021
Capital assets being depreciated:				
Water system and improvements	\$758,362			\$758,362
Buildings	23,363			23,363
Equipment	41,376	\$40,854		82,230
Total capital assets being depreciated	<u>823,101</u>	<u>40,854</u>	<u>NONE</u>	<u>863,955</u>
Less accumulated depreciation for:				
Water system and improvements	629,323	14,020		643,343
Buildings	14,435	935		15,370
Equipment	41,376	1,021		42,397

See accountant's compilation report.

KELLY WATER DISTRICT
Notes to the Financial Statements

	Balance at November 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance at October 31, <u>2021</u>
Total accumulated depreciation	<u>\$685,134</u>	<u>\$15,976</u>	<u>NONE</u>	<u>\$701,110</u>
Total assets being depreciated, net	<u>\$137,967</u>	<u>\$24,878</u>	<u>NONE</u>	<u>\$162,845</u>

Depreciation expense of \$15,976 for the year ended October 31, 2021 was reported in the enterprise fund statement of revenue, expenses, and changes in net position.

5. 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 coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

6. SUBSEQUENT EVENTS

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. There were no significant adverse effects from COVID-19 on the District's financial position during the year ended October 31, 2021. Although not expected, the District's future cash flows could be affected by an economic slowdown that results from measures taken to contain the spread of the virus. The District has determined that the potential impact of COVID-19 is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended October 31, 2021, have not been adjusted to reflect this potential impact. The duration and impact of the COVID-19 pandemic remains unclear at this time.

Kelly Water District has evaluated subsequent events through February 2, 2022, the date which the financial statements were available to be issued.

See accountant's compilation report.

SUPPLEMENTAL INFORMATION SCHEDULE

See accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Year Ended October 31, 2021

**SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
AND BOARD OF COMMISSIONERS**

The Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Commissioners is presented in compliance with Louisiana Revised Statute 24:513 A (3) and House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The board of commissioners serve without benefit of compensation.

See accountant's compilation report.

KELLY WATER DISTRICT
Kelly, LouisianaSCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD AND
BOARD OF COMMISSIONERS

For the Year Ended October 31, 2021

BOARD COMPENSATION

Agency Head - Bill Bridwell - President	NONE
Hazel Preston-Davis	NONE
Eddie Dunn	NONE
Tim Clark	NONE
Eddie Westbrooks	<u>NONE</u>
Total	<u><u>NONE</u></u>

See accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended October 31, 2021

**2021-001. Payroll Withholding Taxes and Sales Tax Were
Not Remitted in Accordance with Federal and State Law**

Criteria: The Internal Revenue Service requires that employers who are under a monthly deposit schedule, deposit payroll taxes on salaries paid during a month by the 15th day of the following month. The Louisiana Department of Revenue requires that employers who withhold less than \$500 per month in state withholding tax from the combined wages of all employees, pay these taxes on a quarterly basis. The Louisiana Department of Revenue also requires that state sales tax payments be made before the 20th day of the month following the close of the calendar quarter of the reporting period.

Condition: The following instances of noncompliance were noted for the year ended October 31, 2021:

- 1) The federal payroll taxes for March 2021 were overpaid by \$1,142.
- 2) The federal payroll taxes for April 2021 were paid in October 2021.
- 3) The federal payroll taxes for May 2021 were paid in September 2021.
- 4) The federal payroll taxes for June 2021 were paid in September 2021.
- 5) The federal payroll taxes for July 2021 were paid in October 2021.
- 6) Penalties and interest in the amount of \$2,285 were paid to the Internal Revenue Service in July 2021 that resulted from noncompliance with requirements in prior years.
- 7) The state payroll taxes for the quarter ended December 2020 were paid in March 2021 and May 2021, resulting in overpayment of \$441.
- 8) The state payroll taxes for the quarter ended January 2021 were paid twice in May 2021, resulting in overpayment of \$442.
- 9) The state payroll taxes for the quarter ended September 2021 were paid in September 2021 and October 2021, resulting in overpayment of \$425.
- 10) State sales taxes for the quarters ended June 2020, September 2020, December 2020, and March 2021 were paid in May 2021.

Cause: The Secretary of the District had attempted to set up electronic payments of state and federal payroll taxes through Quickbooks. Several payments were denied because of system failures due to incorrect setup procedures and poor internet connections.

KELLY WATER DISTRICT
Kelly, Louisiana
CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended October 31, 2021

Effect: The failure to pay payroll and sales tax in accordance with applicable laws and regulations resulted in the assessment of penalties and interest and the payment of incorrect amounts.

Recommendation: Federal and state payroll and sales taxes must be paid in accordance with the laws and regulations imposed by the Internal Revenue Service and the Louisiana Department of Revenue.

Management's Response: Corrections have been made to the setup of electronic payments of state and federal payroll taxes through Quickbooks. The payroll taxes for the months of August, September, and October 2021 were made timely. Sales tax will be paid in accordance with state law for all future periods.