

**BLACK RIVER WATER SYSTEM, INC.**  
**Harrisonburg, Louisiana**

**Financial Statements**  
**With Independent Auditor's Report**  
**As of and for the Year Ended**  
**December 31, 2021**

BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

Financial Statements  
With Independent Auditor's Report  
As of and for the Year Ended  
December 31, 2021

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*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report**

BOARD OF DIRECTORS  
BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

**Report on the Audit of the Financial Statements**

*Opinion*

I have audited the accompanying financial statements of Black River Water System, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Black River Water System, Inc., as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

I conducted my audit 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 *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Black River Water System, Inc., and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Responsibilities Of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

BOARD OF DIRECTORS  
BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana  
Independent Auditor's Report

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Black River Water System, Inc.'s, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Black River Water System, Inc.'s, internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Black River Water System, Inc.'s, ability to continue as a going concern for a reasonable period of time.



BOARD OF DIRECTORS  
BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana  
Independent Auditor's Report

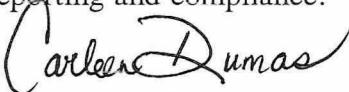
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

*Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head and Schedule of Prior Year Findings are presented for the purpose of additional analysis and are 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 Schedule of Compensation, Benefits, and Other Payments to Agency Head and the Schedule of Prior Year Findings are 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 June 23, 2022, on my consideration of Black River Water System, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 Black River Water System, Inc.'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 Black River Water System, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana

June 23, 2022

**FINANCIAL STATEMENTS**

BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

STATEMENT OF FINANCIAL POSITION  
December 31, 2021

**ASSETS**

## Current assets:

Cash	\$34,242
Investment - certificate of deposit	49,934
Accounts receivable - water sales (net of allowance for uncollectible accounts)	18,905
Total current assets	103,081

## Assets with contractual restrictions/board designations:

Cash	172,235
Due from Louisiana Department of Transportation	449,665
Total assets with contractual restrictions/board designations	621,900

Property, plant, and equipment (net of accumulated depreciation)	3,518,705
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TOTAL ASSETS	\$4,243,686
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**LIABILITIES AND NET ASSETS**

## Current liabilities:

Accounts payable	\$17,240
Contracts payable	539,951
Accrued interest payable	2,207
Current portion of loans payable	69,154
Customer deposits	18,970
Total current liabilities	647,522

## Long-term liabilities:

Loans payable	3,316,646
Utility Relocation Assistance Funding liability	30,758
Total long-term liabilities	3,347,404

Total liabilities	3,994,926
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Net assets without donor restrictions	248,760
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TOTAL LIABILITIES AND NET ASSETS	\$4,243,686
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See accompanying notes.

BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

<b>Operating Revenue:</b>	
Water sales	\$242,871
Penalties	3,345
Installation fees	1,500
Reconnect fees	6,100
Other	1,535
Total operating revenue	<u>255,351</u>
<b>Operating Expenses:</b>	
Advertising	326
Accounting and audit	6,410
Legal fees	456
Dues and subscriptions	684
Insurance	15,945
Management fee	70,400
Postage	3,209
Office supplies	389
Maintenance, repairs, and hookups	65,198
Materials and supplies	4,267
Mowing	1,824
Utilities and telephone	59,988
Chemicals	14,334
Depreciation	7,696
Other operating expenses	2,244
Total operating expenses	<u>253,370</u>
<b>Operating Income</b>	<u>1,981</u>
<b>Non-Operating Revenue (Expense):</b>	
Interest income	230
Interest expense	(20,073)
Federal grants	193,667
Total non-operating revenue (expense)	<u>173,824</u>
<b>Special Item:</b>	
Utility Relocation Assistance Funding for line relocation	450,432
Line relocation expense	(449,872)
Total special item	<u>560</u>
<b>Increase in Net Assets</b>	<u>176,365</u>
<b>Net Assets at Beginning of Year</b>	<u>72,395</u>
<b>Net Assets at End of Year</b>	<u><u>\$248,760</u></u>

See accompanying notes.



BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	<u>\$176,365</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	7,696
Increase in accounts receivable	(1,437)
Increase in accounts payable	3,422
Decrease in customer deposits	(20)
Interest income	(230)
Interest expense	20,073
Federal grants	(189,063)
Utility Relocation Assistance Funding for line relocation	(450,432)
Line relocation expense	<u>449,872</u>
Total adjustments	<u>(160,119)</u>
Net cash provided by operating activities	<u>16,246</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal on long-term debt	(3,123,701)
Interest on long-term debt	(18,424)
Proceeds from loans	3,934,945
Federal grants	189,063
Construction of capital assets	(934,561)
Line relocation expense	<u>(205)</u>
Net cash provided by financing activities	<u>47,117</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	230
Increase in investments	<u>(186)</u>
Net cash provided by investing activities	<u>44</u>

**NET INCREASE IN CASH**

63,407

**CASH AT BEGINNING OF YEAR**143,070**CASH AT END OF YEAR**\$206,477**Reconciliation of cash per statement of cash flows to cash per statement of financial position:**

Cash	\$34,242
Cash with contractual restrictions/board designations	<u>172,235</u>
Total cash	<u><u>\$206,477</u></u>

See accompanying notes.

BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

NOTES TO THE FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2021

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**A. NATURE OF ACTIVITIES**

Black River Water System, Inc., (the “water system”) is a nonprofit organization domiciled in Harrisonburg, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a six member board of directors who are members of the water system and who are elected by members of the water system. The water system provides water to members residing within the territorial boundaries of the water system and has approximately 731 members and no employees. The water system contracts with JCP Management, Inc., to operate and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Directors and members of the water system.

**B. INVESTMENT**

At December 31, 2021, the water system’s investment consisted of a short-term nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost.

**C. RECEIVABLES**

Accounts receivable consist of amounts due from members for water service provided prior to year end. Receivables are generally shown net of an allowance for uncollectible accounts. These statements contain no provision for uncollectible accounts. The water system is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole. Past due accounts are classified as inactive accounts when they are considered uncollectible by management.

**D. PROPERTY, PLANT, AND EQUIPMENT**

The original water system, major improvements to the water system, construction in progress, and land that costs \$500 or more and that is expected to have a useful life of at least 5 years is capitalized by the water system. Property, plant, and equipment is recorded at actual cost. Depreciation of all exhaustible property, plant, and equipment is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of 25 years for the water production and distribution

BLACK RIVER WATER SYSTEM, INC.  
Notes to the Financial Statements (Continued)

systems. Depreciation expense for the year ended December 31, 2021 was \$7,696.

**E. FEDERAL GRANTS**

The accounting and reporting of grants is determined by the underlying substance of the transaction. A grant may be accounted for as contribution, an exchange transaction, or a combination of the two. If it is determined to be a contribution, a grant may be considered a conditional or an unconditional grant.

The water system has adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides clarified guidance on evaluating whether grant funds should be accounted for as a contribution or an exchange transaction based on whether the grantor is receiving value in return for the resources transferred to the grantee. Grant funds are considered contributions if the grantor does not receive commensurate value in exchange for the assets transferred. ASU 2018-08 also provides guidance to determine whether grants funds that are accounted for as contributions are considered conditional or unconditional. Grant funds are considered conditional if the grantee must overcome one or more barriers before it is entitled to the funds and a right of return to the grantor exists for funds transferred. For conditional grants, revenue is recognized in the period the condition or conditions are met. For grants that are considered unconditional, revenue is recognized in the period the grant funds are received.

For the year ended December 31, 2021, the water system received a total of \$193,667 in federal grant funding. During 2018, the water system entered into a grant agreement with the United States Department of Agriculture (USDA), Rural Development that provides that USDA will provide \$495,000 in grant funds to fund a portion of the cost of the water system's improvement project. The water system recognized \$189,063 in USDA grant fund revenue during the year ended December 31, 2021. The water system also received \$4,604 in federal grants funds from the Federal Emergency Management Agency (FEMA). The federal grants are accounted for as contributions and are considered conditional because the funds must be used solely for the purposes specified in the grant agreements and are disbursed to the water system as expenses are incurred.

**F. INCOME TAX STATUS**

Black River Water System, Inc., is a non-for-profit organization that is exempt from federal income taxes under Section 501 c (12) of the Internal Revenue Code.

The water system's Form 990s, *Return of Organization Exempt from Income Tax*,



BLACK RIVER WATER SYSTEM, INC.  
Notes to the Financial Statements

for the years ended 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

**G. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. INTEREST COSTS**

The following provides disclosure on interest costs for the year ended December 31, 2021:

Total interest cost expensed	\$20,073
Total interest cost capitalized	<u>122,561</u>
Total interest costs incurred	<u>\$142,634</u>

**I. FUNCTIONAL ALLOCATION OF EXPENSES**

The water system's only activity is to provide water service to its members. All costs incurred by the water system are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

**2. DEPOSITS IN FINANCIAL INSTITUTIONS**

At December 31, 2021, the water system has cash and investment (book balances) as follows:

Checking accounts	\$206,477
Certificate of deposit	<u>49,934</u>
Total	<u>\$256,411</u>

Approximately \$14,592 of the bank balances were not covered by federal deposit insurance at December 31, 2021.



BLACK RIVER WATER SYSTEM, INC.  
Notes to the Financial Statements

**3. RECEIVABLES**

Accounts receivable consist of the following at December 31, 2021:

Water sales	\$18,905
Less - allowance for uncollectible accounts	<u>NONE</u>
Net	<u>\$18,905</u>

**4. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The water system has adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively Accounting Standards Codification ("ASC") 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The water system's revenue from contracts with customers within the scope of ASC 606 is reported as water sales, penalties, installation fees, and reconnect fees on the Statement of Activities. Water sales are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed monthly for the number of gallons of water delivered during the previous month and payment is due the following month. If payment is not received by the disconnection date, the customer's water meter is disconnected from service. If the meter is disconnected for non-payment, the amount due plus a reconnect fee must be paid before service is restored. All other fees are recognized when the customer signs the water users agreement and pays the fee. The receivable for water fees was \$17,468 at the beginning of the year and \$18,905 at the end of the year.

**5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the water system's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual restrictions/board designations within one year of the balance sheet date:

Financial assets at December 31, 2021	\$724,981
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions - debt service	(37,160)
Board designations - debt service	(44,791)
Contractual restrictions - construction	(90,284)
Contractual restrictions - line relocation	<u>(449,665)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$103,081</u>

BLACK RIVER WATER SYSTEM, INC.

Notes to the Financial Statements

**6. PROPERTY, PLANT, AND EQUIPMENT**

A summary of property, plant, and equipment at December 31, 2021 follows:

Water system and improvements	\$1,409,929
Land	9,140
Construction in progress	3,394,123
Less accumulated depreciation	<u>(1,294,487)</u>
Net	<u>\$3,518,705</u>

**7. UTILITY RELOCATION ASSISTANCE FUNDING**

On April 8, 2019, the water system entered into a Utility Relocation Assistance Funding (URAF) agreement with the Louisiana Department of Transportation and Development (DOTD) to provide funding to relocate the water system's lines that were within the limits of a road construction project. The agreement with DOTD provides that the water system is responsible for 6.37% of the estimated cost of the project and DOTD is responsible for 93.63%. Section 301(A) of Title 70 of the Louisiana Administrative Code provides that URAF funding is neither a loan nor a grant and there is no interest charged on the funds. However, the water system must eventually repay the portion of the cost it is responsible for or it will not be allowed to locate its facilities within the highway right-of-way. The total estimated cost of the project is \$657,936. Total project expenses at December 31, 2021 are \$482,850. The water system's share of the total project expenses at December 31, 2021, is \$30,758 and is reported as Utility Relocation Assistance Funding liability on the Statement of Activities. After the project is completed, DOTD will bill the water system for its share of the total cost of the project. Total line relocation expenses incurred during 2021 were \$449,872. The amount due from DOTD to pay contracts payable at December 31, 2021 is \$449,665, and the amount reported as URAF funding for line relocation is \$450,432.

**8. LOANS PAYABLE**

At December 31, 2021, there is a total of \$3,385,800 remaining on the principal balances of three loans with the United States Department of Agriculture (USDA) - Rural Development. Two of the USDA loans were used to fund the construction and acquisition of the water system's property, plant, and equipment and one became a liability of Black River Water System, Inc., when the water system merged with Larto-Mayna Water System, Inc., in 2016. All of the loans are secured by mortgages of certain properties owned by the water system that are described within the related instruments of mortgage and the pledge of revenues. USDA Loan #01 was obtained in 1992 in the amount of \$223,000; has an annual interest rate of 5.625%; and principal and interest is being repaid in monthly installments of \$1,187 through 2032. USDA Loan #04 was obtained in 1992 by Larto-Mayna Water System, Inc., in the amount of \$158,900; has an annual interest rate of 5.625%; and principal and interest is being repaid in monthly installments of \$839 through 2032.



BLACK RIVER WATER SYSTEM, INC.  
Notes to the Financial Statements

During 2018, the water system entered into a loan agreement with USDA in the amount of \$3,205,000 for a portion of the costs of constructing and acquiring improvements to the water system. As a condition of the loan, the water system was required to obtain interim financing from a commercial lender during the construction period. The water system obtained a loan from CLB, The Community Bank (CLB) on April 9, 2020, in the amount of \$3,205,000. The total principal amount of the construction loan was advanced to the water system during 2020 and 2021 as needed to pay construction costs. Outstanding principal and interest on the CLB loan was repaid on November 4, 2021, from the proceeds of USDA Loan #05 in the amount of \$3,205,000 which has an annual interest rate of 1.75% and is being repaid in monthly installments of \$9,295 through 2061.

The following is a summary of loans payable transactions for the year ended December 31, 2021:

	1992 USDA Loan #01	1992 USDA Loan #04	2021 USDA Loan#05	2020 CLB Loan	Total
Loan payable at January 1, 2021	\$120,655	\$84,623	NONE	\$2,369,278	\$2,574,556
Additions			\$3,205,000	729,945	3,934,945
Reductions	<u>(7,653)</u>	<u>(5,448)</u>	<u>(11,377)</u>	<u>(3,099,223)</u>	<u>(3,123,701)</u>
Loan payable at December 31, 2021	<u>\$113,002</u>	<u>\$79,175</u>	<u>\$3,193,623</u>	<u>NONE</u>	<u>\$3,385,800</u>

The annual requirements to amortize the loans outstanding at December 31, 2021, are as follows:

Year	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	\$66,698	\$69,154	\$135,852
2023	64,965	70,887	135,852
2024	63,172	72,680	135,852
2025	61,316	74,536	135,852
2026	59,395	76,457	135,852
2027 - 2031	265,659	413,601	679,260
2032 - 2036	215,913	360,075	575,988
2037 - 2041	183,879	373,821	557,700
2042 - 2046	150,005	407,695	557,700
2047 - 2051	113,061	444,639	557,700
2052 - 2056	72,769	484,931	557,700
2057 - 2061	28,826	537,324	566,150
Total	<u>\$1,345,658</u>	<u>\$3,385,800</u>	<u>\$4,731,458</u>

BLACK RIVER WATER SYSTEM, INC.  
Notes to the Financial Statements

**9. CONCENTRATION OF INDEBTEDNESS**

As discussed in Note 8 above, all of the water system's debt is with the United States Department of Agriculture (USDA).

**10. NET ASSETS WITH CONTRACTUAL RESTRICTIONS/  
BOARD DESIGNATIONS**

The loan agreements with the United States Department of Agriculture (USDA) - Rural Development for the loans discussed in Note 8 above, requires the water system to set aside certain amounts in reserve accounts. At December 31, 2021, a total of \$81,951 was set aside to meet these requirements.

**11. OPERATION AND MAINTENANCE AGREEMENT**

Black River Water System, Inc., entered into an agreement with JCP Management, Inc., to operate and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Directors of the water system and in accordance with the annual budget and fee schedule adopted by the water system. The agreement is for a five year period ending April 2022. During the year ended December 31, 2021, JCP Management, Inc., billed the water system a total of \$140,740 for services under the agreement. In addition, Womack and Sons Construction Group billed the water system \$415,780 in connection with line relocation project and \$182,895 in construction costs for the water system improvement project. The president of JCP Management, Inc., is one of the owners of Womack and Sons Construction Group. The amount due JCP Management, Inc., at December 31, 2021, was \$12,459 and the amount due Womack and Sons Construction Group was \$415,780.

**12. COMMITMENTS UNDER CONTRACTS**

The total budgeted cost for the water system improvement project is \$3,700,000. In addition to the \$3,205,000 in loan proceeds described in Note 8, the water system entered into a grant agreement with the United States Department of Agriculture (USDA) in the amount of \$495,000. During 2020, the water system entered into three separate construction contracts totaling \$2,618,506 in connection with the project. Those contracts were increased to \$3,011,597 during 2021 through change orders approved by USDA. In addition, the water system has a \$450,900 engineering contract for the project. As of December 31, 2021, the water system has incurred a total of \$3,394,123 in costs associated with the project that is reported as construction in progress in the accompanying financial statements.

During 2021, the water system entered into a construction contract totaling \$484,755 in connection with a line relocation project with an estimated total cost of \$657,936. The Louisiana Department of Transportation (DOTD) is responsible for 93.63% of the estimated cost of the project through Utility Relocation Assistance Funding (URAF). In addition, the water system has a \$89,260 engineering contract



BLACK RIVER WATER SYSTEM, INC.  
Notes to the Financial Statements

for the project. As of December 31, 2021, the water system has incurred a total of \$482,850 in costs associated with the project.

**13. CONTINGENCIES**

During the year ended December 31, 2021, the water system expended \$606,200 in federal loan and grant funds from USDA and \$449,872 in state URAF funding from DOTD. These expenses are subject to audit and adjustment by USDA and DOTD; therefore, to the extent that the water system has not complied with the rules and regulations governing the 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 funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**14. SUBSEQUENT EVENTS**

Black River Water System, Inc., has evaluated subsequent events through June 23, 2022, the date which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

Supplemental Information  
As of and For the Year Ended December 31, 2021

**COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits and Other Payments to Agency Head is presented in compliance with Louisiana Revised Statute 24:513 A (3).

**PRIOR YEAR FINDINGS**

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

**Schedule 1**

**BLACK RIVER WATER SYSTEM, INC.**  
Harrisonburg, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO AGENCY HEAD  
For the Year Ended December 31, 2021**

**BOARD COMPENSATION**

Agency Head - Chris Freeman - President

NONE



BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended December 31, 2021

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Status of Finding</u>
2020-001	2020	Inadequate Segregation of Accounting Duties	Resolved.
2020-002	2020	Inadequate Controls Over Accounts Receivable	Resolved.
2020-003	2020	Failure to Maintain Complete Customer Deposit Records	Resolved.
2020-004	2020	Failure to Comply with State Reporting Requirements	Resolved.
2020-005	2020	Noncompliance with Federal Procurement Standards	Unresolved - see 2021-001 in current year findings.

**Independent Auditor's Report**  
**Required by *Government Auditing Standards***

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**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 DIRECTORS  
BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, 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, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Black River Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated June 23, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Black River Water System, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Black River Water System, Inc.'s internal control. Accordingly, I do not express an opinion of the effectiveness of Black River Water System, Inc.'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.

BOARD OF DIRECTORS  
BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana  
Independent Auditor's Report  
on Internal Control Over Financial  
Reporting and on Compliance and  
Other Matters, etc.  
December 31, 2021

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. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

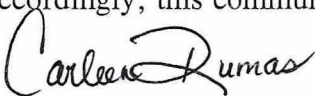
As part of obtaining reasonable assurance about whether, Black River Water System Inc.'s financial statements are free from material misstatement, I performed tests of the water system's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2021-001.

**Black River Water System, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Black River Water System, Inc.'s response to the finding identified in my audit and described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Black River Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

**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 water system'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 water system's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana  
June 23, 2022



BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana

SCHEDULE OF CURRENT YEAR FINDINGS AND  
MANAGEMENT'S PLANNED CORRECTIVE ACTION  
For the Year Ended December 31, 2021

**Section I - Summary of Auditor's Results**

**Financial Statements**

1. Type of auditor's report issued - Unmodified opinion.
2. Internal control over financial reporting:  
  
Material weakness(es) identified? - No  
Significant deficiency(ies) identified? - None reported
3. Noncompliance material to financial statements noted? - Yes

**Section II - Financial Statement Findings**

**2021-001. Noncompliance with Federal Procurement Standards**

**Criteria:** Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that non-federal entities that expend federal funds to meet the general procurement standards in 2 CFR section 200.318. These standards include having documented procurement policies which reflect state and local laws and regulations and that conform to the standards identified in 2 CFR section 200.317 through 200.327. Additionally, 2 CFR 200.318(c)(1) and the USDA letter of conditions dated September 25, 2018, requires the water system to have written standards of conduct covering conflicts of interest and governing the actions of officials involved in the selection, awarding, and administration of contracts.

**Condition:** The Board of Directors of the water system does not have documented procurement policies nor a written conflict of interest policy as required by the Uniform Guidance and the USDA letter of conditions.

**Cause:** Oversight.

**Effect:** Procurement transactions may not be in accordance with applicable federal, state, or local laws and regulations.

BLACK RIVER WATER SYSTEM, INC.  
Harrisonburg, Louisiana  
SCHEDULE OF CURRENT YEAR FINDINGS AND  
MANAGEMENT'S PLANNED CORRECTIVE ACTION  
For the Year Ended December 31, 2021

**Recommendation:** The Board of Directors of the water system should adopt procurement policies which reflect state and local laws and regulations and that conform to the standards identified in 2 CFR section 200.317 through 200.327 and a written conflict of interest policy that meets the requirements of 2 CFR section 200.318 and the USDA letter of conditions.

**Management's Response:** Management will suggest the adoption of these policies at the next board meeting held.