

**TANNEHILL
WATER SYSTEM, INC.**

FINANCIAL REPORT
DECEMBER 31, 2020

SHANNA JONES, CPA
WINNFIELD, LOUISIANA

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LOUISIANA

FINANCIAL REPORT
DECEMBER 31, 2020

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Shanna Jones, CPA

*795 Big Creek Rd
Winnfield, LA 71483
792-8544*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tannehill Water System, Inc.
P.O. Box 1029
Winnfield, LA 71483

Report on the Financial Statements

I have audited the accompanying financial statements of Tannehill Water System, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. 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 Tannehill Water System, Inc. as of December 31, 2020, 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.


Other Matters

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Act 462 of 2015, which amends Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer supplement 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 March 26, 2021, on my consideration of Tannehill 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 the Tannehill 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 Tannehill Water System, Inc.'s internal control over financial reporting and compliance.



Shanna Jones, CPA
Winnfield, Louisiana
March 26, 2021

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$	77,672
Accounts Receivable, Net		10,616
Prepaid Expense		<u>8,206</u>
Total Current Assets		96,494

Non-Current Assets:

Restricted Cash		20,969
Capital Assets (Net)		<u>1,336,814</u>
Total Non-Current Assets		<u>1,357,783</u>

Total Assets	\$	<u><u>1,454,277</u></u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$	11,028
Payroll & Related Liabilities		6,726
Current portion—Note payable		<u>16,000</u>
Total Current Liabilities		33,754

Non-Current Liabilities:

Retainage Payable—FP&C		10,850
Retainage Payable—EPA/LDH		32,732
FP&C Line of Credit		255,350
Long Term Debt, net of current portions		<u>1,006,524</u>
Total Current Liabilities		<u>1,305,456</u>
Total Liabilities		<u>1,339,210</u>

NET ASSETS:

Without Donor Restrictions		115,067
With Donor Restrictions		<u>-</u>
Total Net Assets		<u>115,067</u>

Total Liabilities and Net Assets	\$	<u><u>1,454,277</u></u>
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See accompanying notes and independent accountant's compilation report.

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets:			
REVENUES:			
Water Sales	\$ 325,639		\$ 325,639
Other Related Fees	10,698		10,698
Interest Earned	<u>46</u>		<u>46</u>
Total Revenues	336,383	-	336,383
EXPENSES:			
Program:			
Program Services	253,637		253,637
Supporting:			
Management & General	<u>132,577</u>		<u>132,577</u>
Total Expenses	386,214	-	386,214
Change in Net Assets	(49,831)	-	(49,831)
Net Assets January 1, 2020—restated	<u>164,898</u>	<u>-</u>	<u>164,898</u>
Net Assets December 31, 2020	<u>\$ 115,067</u>	<u>\$ -</u>	<u>\$ 115,067</u>

See accompanying notes and independent accountant's compilation report.

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Without Donor Restrictions:

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Water</u>	<u>Management & General</u>	<u>Total</u>
Advertising—Legal		\$ 1,106	\$ 1,106
Accounting		3,000	3,000
Automobile Expense	\$ 6,000	600	6,600
Contract Labor	69,668	61,696	131,364
Depreciation	60,619	-	60,619
Dues & Subscriptions	-	14,400	14,400
Insurance	-	10,675	10,675
Interest	2,597	-	2,597
Meeting Expenses	-	550	550
Office Supplies	-	7,978	7,978
Payroll	24,369	22,034	46,403
Postage		888	888
Repairs & Maintenance	48,546	-	48,546
System Supplies	13,209	-	13,209
Taxes & Licenses	1,721	1,624	3,345
Telephone & Internet	-	8,026	8,026
Utilities	<u>26,908</u>	<u>-</u>	<u>26,908</u>
 Total Expenses	 <u>\$ 253,637</u>	 <u>\$ 132,577</u>	 <u>\$ 386,214</u>

See accompanying notes and independent accountant's compilation report.

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (49,831)
Adjustments to Reconcile Changes in Net Assets to	
Net Cash Provided by/(Used In) Operating Activities:	
Depreciation	60,619
Changes in Assets & Liabilities:	
(Increase)/Decrease in Accounts Receivable, Net	(2,376)
(Increase)/Decrease in Prepaid Expense	(3,346)
Increase/(Decrease) in Accounts Payable	(46,867)
Increase/(Decrease) in Payroll Related Payable	<u>144</u>
Net Cash Provided by/(Used In) Operating Activities	<u>(41,657)</u>
Cash Flows from Investing Activities:	
(Increase)/Decrease in Construction in Progress	<u>(533,598)</u>
Net Cash Provided by/(Used In) Investing Activities	<u>(533,598)</u>
Cash Flows from Financing Activities:	
Proceeds from Loans	533,598
Repayments	<u>(14,000)</u>
Net Cash Provided By/(Used In) Financing Activities	<u>519,598</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(55,657)
Cash & Cash Equivalents—Beginning of Year	<u>154,298</u>
Cash & Cash Equivalents—End of Year	<u>\$ 98,641</u>
Cash & Cash Equivalents—Beginning of Year	
Unrestricted Cash	\$ 91,872
Restricted Cash	<u>62,426</u>
Total Cash & Cash Equivalents—Beginning of Year	<u>\$ 154,298</u>
Cash & Cash Equivalents—End of Year	
Unrestricted Cash	\$ 77,672
Restricted Cash	<u>20,969</u>
Total Cash & Cash Equivalents—End of Year	<u>\$ 98,641</u>

See accompanying notes and independent accountant's compilation report.

NOTES TO FINANCIAL STATEMENTS

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1—INTRODUCTION

The Tannehill Water System, Inc. was formed as a non-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-209, of the Louisiana Revised Statutes in 1977. The Corporation was formed for the mutual benefit of its members to construct, maintain, and operate a private water system providing a supply of water to its membership. Persons who are owners or part owners, or have a substantial possessory interest in property desired to be served by the corporation's water system, shall be admitted as members. The voting power and property rights and interest of each member whose fees are fully paid and who is in good standing shall be equal and each member shall be entitled to one vote only regardless of the number of membership certificates held.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Tannehill Water System, Inc. conform to generally accepted accounting principles as applicable to nonprofit organizations. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*.

Basis of Presentation

The Tannehill Water System, Inc. has adopted the provisions of FASB Accounting Standards Codification 958-205. Under the new Accounting Standards Update 2016-14, the Tannehill Water System, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Tannehill Water System, Inc. is required to present a statement of cash flows.

Measurement Focus and Basis of Accounting

The Tannehill Water System, Inc. uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related liability is incurred. Both revenues and expenditures are limited to being received within 60 days of fiscal year end for accrual. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Assets Liabilities and Equity

Cash and Cash Equivalents—The Water System's cash and cash equivalents are considered to be cash in demand deposits, interest bearing deposits and time deposits of less than 90 days as applicable.

Restricted Cash and Cash Equivalents—The Water System has cash in demand deposits and interest bearing deposits that is restricted by grants and by the loan promisor.

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Equity Classifications— Under FASB Accounting Standards Update 2016-14, financial position is classified as net assets and displayed in two components as applicable. The components are as follows:

Net Assets with Donor Restrictions — The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions — The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net assets as of December 31, 2019 of \$205,998 were restated by a reduction of \$41,100 in monies classified as grant revenues in 2019. In 2020 it was determined FP&C has a cooperative endeavor agreement with the water system in which these and additional monies are currently a line of credit backed by the 2018 state general obligation bonds. If the water system meets certain requirements, at the end of the project these funds are eligible for forgiveness and reclassing at closing to grants. If the water system defaults on agreement obligations, they are liable. Therefore, the beginning Net Assets is now restated as \$164,898.

As of December 31, 2020, the Water System had no funds in Net Assets with Donor Restrictions. All \$115,067 of Net Assets were made up Net Assets without Donor Restrictions.

Capital Assets—The Tannehill Water System, Inc. has depreciable fixed assets that are depreciated over the estimated useful life of the related asset. Depreciation is computed on the straight-line basis. The assets estimated useful lives are as follows:

Furniture, computers, office equipment	5-10 years
Major Water Dist. Sys. Repairs/Equipment materially ext. life	8-20 years
Water Well	20 years
Water Distribution System	50 years

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. When plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved, and any gain or loss is included in activities.

Leases—There were no leases in effect during the year ended December 31, 2020.

Compensated Absences—There are no full-time employees, therefore no entry is made to record compensated absences.

Budget—The Tannehill Water System, Inc. is not required to adopt a budget, except for specific grant usage. Accordingly, no budget comparisons have been presented.

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes—The Tannehill Water System, Inc. is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

NOTE 3—CASH AND CASH EQUIVALENTS

Under state law, the Water System may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

As of December 31, 2020, the carrying amount of the Tannehill Water System Inc.’s cash and cash equivalents totaled \$98,641. 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 banks. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agents. These securities are held in the name of the pledging fiscal agent banks in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2020, the Water System bank balances totaled \$102,133; the Water System was fully insured by FDIC at fiscal year-end.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2020, consisted of \$13,102 due from water customers. The Water System services approximately 640 residential and commercial customers. As of December 31, 2020, \$2,486 of accounts were considered uncollectible and therefore a provision for these uncollectible accounts was made at this time.

NOTE 5—CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2020 are as follows:

	Balance			Balance
	<u>01/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/20</u>
Capital Assets:				
NonDepreciable				
Land	\$ 22,390	\$ -	\$ -	\$ 22,390
Construction in Progress	<u>83,740</u>	<u>577,180</u>	<u>-</u>	<u>660,920</u>
Subtotal of Non-Depreciable Assets	106,130	577,180	-	683,310

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

	<u>Balance</u> <u>01/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/20</u>
Capital Assets:				
Depreciable				
Equipment & Furniture	529,255	-	-	529,255
Water Distribution System/Wells	<u>1,298,809</u>	<u>-</u>	<u>-</u>	<u>1,298,809</u>
Subtotal of Depreciable Assets	1,828,064	-	-	1,828,064
Subtotal of Assets	1,934,194	577,180	-	2,511,374
Less: Accumulated Depreciation				
Equipment & Furniture	304,448	34,023	-	338,471
Water Distribution System/Wells	<u>809,493</u>	<u>26,596</u>	<u>-</u>	<u>836,089</u>
Subtotal of Accum. Depreciation	1,113,941	60,619	-	1,174,560
Net Capital Assets	<u>\$ 820,253</u>			<u>\$1,336,814</u>

In Construction in Progress are system improvements that must coincide. They include a storage tank funded through DWRL (LDH loan) and a well funded through FP&C's state forgivable line of credit. See Notes 6 & 7. Construction in Progress details are as follows:

	LDH Loan (See Note 6)	LA FP&C LOC (See Note 8)	Total
12/31/19 Balance	\$ 42,640	\$ 41,100	\$ 83,740
Additions	<u>352,080</u>	<u>225,100</u>	<u>577,180</u>
12/31/20 Balance	394,720	266,200	660,920

Depreciation expense for the year ended December 31, 2020 totaled \$60,619.

NOTE 6—NOTES PAYABLE

The Tannehill Water System, Inc. had the following notes payable:

<u>Lender</u>	<u>Original</u> <u>Amount</u>	<u>Balance Due</u> <u>12/31/20</u>	<u>Current due</u> <u>2021</u>	<u>Interest</u> <u>Rate</u>
LA Dept. of Health	\$ 400,000*	\$ 347,988	\$ 16,000	1.95% (plus .5% SRF Admn Fee)
State of Louisiana	49,725	49,725	-	0%
State of Louisiana	624,811	<u>624,811</u>	<u>-</u>	0%
Total Notes Payable		\$ 1,022,524	\$ 16,000	

The LA Dept. of Health note payable is approximately 20-year term note secured by water system assets maturing in September of 2039. *This loan has proceeds provided to the company in installments as requisitioned by the company for the project rather than providing the full \$400,000

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

approved in the beginning of the loan. The loan has started being repaid to LDH before the project is complete. Of the estimated \$25,408 amount payable on this loan for the coming year, approximately \$16,000 is principal with the remaining portion interest and administrative fees. The state passes this money from (EPA) federal monies associated with CFDA 66.468, Capitalization Grants for Drinking Water Revolving Fund.

LDH Loan Balance 01/01/20	\$	42,640
Proceeds		319,348
Repayments of Principal		<u>(14,000)</u>
Balance of LDH Loan 12/31/20		<u>\$ 347,988</u>
Interest Payments	\$	2,597

The State of Louisiana notes payable are for relocations related to Highway 167 that were billed to the Water System for the work done by the state in 1985 \$49,725 and 2009 \$624,811. These amounts are reflected as long-term payables, as the State has notified the water system not to begin making payments until they either forgive the loans or require payments to be made.

NOTE 7—LINE OF CREDIT, FORGIVABLE

The Tannehill Water System received \$214,250 in line of credit funds from the Louisiana Facility Planning and Control (FP&C) during the current fiscal year for water system improvement including a well. Retainage on this work was recorded at \$10,850. At the end of March 2021, the well contractor and engineer submitted their bills for work performed from May 5, 2020 through March 9, 2021. The engineer indicated the project will be recorded as substantially complete as of December 31, 2020; however, FP&C stated that as of the date of this report they have not received the request for payment. As the system’s policy is to record non-federal payables received within 60 days of fiscal year end, neither the additional payables of \$404,815 nor the related \$24,480 in retainage were recorded as payable and an increase in line of credit funds. The sum of the funds received in 2019 of \$41,100, the previously mentioned 2020 funds and the remaining funds expended in 2021 are eligible for forgiveness. The forgiveness is dependent on the water system meeting certain obligations listed in the cooperative endeavor agreement with FP&C. If the Water System meets these obligations as of closing the project, the total is eligible for forgiveness and will be reclassified to revenues at that time.

NOTE 8—RESERVES/RESTRICTIONS

Under FASB ASU 2016-14 only net assets restricted by donors is grouped as restricted in equity; however, some cash was required to be reserved/restricted by the loan. These monies are released from restriction when the loan is repaid or the cash is used for approved purchases. As of the fiscal year ended December 31, 2020, \$12,500 in cash was restricted through the life of the loan for the Debt Service Reserve Fund and for Debt Service Fund approximately \$8,469 was restricted for semi-annual payment of the EPA/LDHH Safe Drinking Water Revolving Loan.

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9—DONATED SERVICES, MATERIALS, AND FACILITIES

The Tannehill Water System, Inc. received no donated services or materials in the operation of the system in the current fiscal year. The water system does not use any donated facilities.

NOTE 10—LITIGATION

The Tannehill Water System, Inc. was not involved in any litigation as of December 31, 2020.

NOTE 11—RELATED PARTY DISCLOSURES

The water system has a member listed as an officer paid for bookkeeping services. For half of the fiscal year, the secretary, Linda Bamburg, was paid as an employee and received a W-2 in the amount of \$6,878. For the other half of the year, she was contract labor and received a 1099NEC for \$9,360.

NOTE 12—COMPENSATION OF BOARD DIRECTORS

The members of the Board of Directors of the Tannehill Water System receive the free usage of water for their services.

NOTE 13—OTHER DISCLOSURES

Management has evaluated events through March 26, 2021, the date which the financial statements were available for issue. There were no items noted to be reported as subsequent events, other than construction on the water system improvements related to the LDH loan and LA FP&C line of credit were not yet finalized.

OTHER
SUPPLEMENTARY INFORMATION

TANNEHILL WATER SYSTEM, INC.
WINNFIELD, LA
SCHEDULE OF COMPENSATION
FOR THE YEAR ENDED DECEMBER 31, 2020

In accordance with Act 462 of 2015 which amends Act 706 of the 2014 Legislative Session, payments to Agency Head or Chief Executive Officer must be disclosed. Included in the Disclosure Requirements are any reimbursements of travel or per diem, payments of salary, or payments to retirement or health insurance, providing of a vehicle, etc. for the Agency Head. The Agency Head of the Tannehill Water System, Inc. would be its Board Members which for the fiscal year ended December 31, 2020 were: Jacque Derr—President, Bert Wilson—Vice President, and Members at Large: Tammy Griffin and Barbara Austin.

For a non-profit entity only payments made from public funds are required to be included. Public funds are defined as those made from the State or Federal entities. As no payments were noted to be made with public funds no disclosure is required.

See independent accountant's compilation report.

Shanna Jones, CPA

*795 Big Creek Rd
Winnfield, LA 71483
792-8544*

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*

To the Board of Directors of
Tannehill Water System, Inc.
P.O. Box 1029
Winnfield, LA 71483

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, the financial statements of Tannehill Water System, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated March 26, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Tannehill 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 Tannehill Water System, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Tannehill 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.

My consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 as item 2020-01 that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tannehill Water System, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one 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 findings as item 2020-01.

Tannehill Water System, Inc.'s Response to Findings

Tannehill Water System, Inc.'s response to the findings identified in my audit is described in the accompanying schedule of findings. Tannehill Water System, Inc. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Shanna Jones, CPA
Winnfield, Louisiana
March 26, 2021

TANNEHILL WATER SYSTEM, INC.
SCHEDULE OF AUDIT FINDINGS & RESPONSES
YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of the Tannehill Water System, Inc.
2. There was one significant deficiency noted during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of the Tannehill Water System, Inc., was disclosed during the audit.

B. FINANCIAL STATEMENTS AUDIT

Significant Deficiency

2020-01 ADJUSTMENTS TO EXPENDITURES

Criteria

Generally accepted accounting principles require that program costs include all costs incurred as of the year end reported in the expenditures of federal awards.

Condition

Expenditures in the financial statements did not include costs totaling \$43,582 because the current year's retainage payables on the construction contracts had not been recorded. An audit adjustment was made to reclassify the amount increasing payables and federal \$32,732 and state \$10,850 expenditures of constructions in progress for the year.

Cause

The cause of the condition is unknown.

Effect

The Water System's statement of financial position was misstated by this amount.

Questioned Costs

I did not identify any questioned costs.

Perspective

Total expenditures of the projects expended during the audit year were \$394,720 federal and \$266,200 state.

First Year

2019

Recommendation

I recommend that the Water System ensure that procedures are implemented to ensure that all project costs and payments are captured in the accounting records in the correct period.

Views of Responsible Officials

The retainage expenditures were inadvertently omitted. We will more closely monitor accounting to ensure proper timing.