

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

Financial Statements
With Independent Auditor's Report

As of and for the Year Ended
December 31, 2023

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

Financial Statements
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December 31, 2023

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

Independent Auditor's Report

BOARD OF DIRECTORS
GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

Opinion

I have audited the accompanying financial statements of Goodwill Water System, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 referred to above present fairly, in all material respects, the financial position of Goodwill Water System, Inc., as of December 31, 2023, 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 Goodwill 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
GOODWILL WATER SYSTEM, INC.
Oak Grove, 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 Goodwill 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 Goodwill 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 Goodwill Water System, Inc.'s, ability to continue as a going concern for a reasonable period of time.

BOARD OF DIRECTORS
GOODWILL WATER SYSTEM, INC.
Oak Grove, 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 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 Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 August 29, 2024, on my consideration of Goodwill 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 Goodwill 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 Goodwill Water System, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
August 29, 2024

FINANCIAL STATEMENTS

Statement A

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS

Current assets:

Cash	\$189,711
Accounts receivable (net of allowance for credit losses)	<u>17,732</u>
Total current assets	207,443
Investments - certificates of deposit	122,495
Property, plant, and equipment (net of accumulated depreciation)	<u>610,641</u>
TOTAL ASSETS	<u><u>\$940,579</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$5,570
Payroll taxes payable	2,593
Accrued interest payable	116
Current portion of loan payable	39,339
Customer deposits	<u>63,300</u>
Total current liabilities	110,918
Long-term liabilities - loan payable	<u>159,441</u>
Total liabilities	270,359
Net assets without donor restrictions	<u>670,220</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$940,579</u></u>
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See accompanying notes and independent auditor's report.

Statement B**GOODWILL WATER SYSTEM, INC.**
Oak Grove, Louisiana**STATEMENT OF ACTIVITIES**
For the Year Ended December 31, 2023

Operating Revenue:	
Water sales	\$297,063
Installation fees	1,125
Total operating revenue	<u>298,188</u>
Operating Expenses:	
Salaries	94,310
Payroll taxes	7,342
Accounting fees	1,040
Advertising	414
Postage	3,883
Utilities	18,074
Insurance	12,456
Repairs and maintenance	119,406
Safe drinking water fee	9,000
Sales tax	311
Office supplies	3,300
Travel expense	18,594
Depreciation	84,516
Fees	375
Bad debt expense	592
Other operating expenses	1,922
Total operating expenses	<u>375,535</u>
Operating Income (Loss)	<u>(77,347)</u>
Non-Operating Revenue (Expenses):	
Interest income	1,282
Federal grant	94,500
Interest expense	(19,427)
Total non-operating revenue (expenses)	<u>76,355</u>
Decrease in Net Assets	(992)
Net Assets at Beginning of Year (Restated)	<u>671,212</u>
Net Assets at End of Year	<u><u>\$670,220</u></u>

See accompanying notes and independent auditor's report.

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	(\$992)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	84,516
Bad debt expense	592
Decrease in accounts receivable	2,554
Increase in accounts and taxes payable	4,102
Increase in customer deposits	1,800
Interest income	(1,282)
Federal grant	(94,500)
Interest expense	19,427
Total adjustments	17,209
Net cash provided by operating activities	16,217

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(22,428)
Interest and fees on long-term debt	(20,283)
Net cash used by financing activities	(42,711)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	(1,316)
Federal grant	94,500
Net cash provided by investing activities	93,184

NET INCREASE IN CASH

66,690

CASH AT BEGINNING OF YEAR

123,021

CASH AT END OF YEAR

\$189,711

See accompanying notes and independent auditor's report.

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Goodwill Water System, Inc., is a nonprofit organization domiciled in Oak Grove, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. In 1970, the West Carroll Parish Police Jury, in accordance with Louisiana Revised Statute 33:4361, granted Goodwill Water System, Inc., a franchise to provide water to members residing within the territorial boundaries of the water system, which are defined by the aforementioned franchise. The water system has approximately 632 members and three employees.

B. INVESTMENTS

At December 31, 2023, the water system's investments consisted of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

C. RECEIVABLES

Accounts receivable consists of amounts due from members for water service provided prior to year end. Receivables are reported at the net amount expected to be collected by using an allowance for credit losses. On January 1, 2023, the water system adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard changed the water system's method of recognizing bad debt expense from the incurred loss method to the current expected loss method. ASC 326 requires that the estimate of credit losses on trade receivables be based not only on historical experience but also on current conditions and reasonable forecasts of future events. In accordance with ASC 326, the water system's estimate of the allowance for credit losses is based on accounts with balances in excess of \$200 at December 31, 2023 that were not paid during January 2024. Customers with accounts past due 60 days or more are disconnected for nonpayment.

GOODWILL WATER SYSTEM, INC.
Notes to the Financial Statements

D. FEDERAL GRANT FUNDS

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 FASB 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, 2023, the water system received \$94,500 in American Rescue Plan Act of 2021 (“ARPA”) funding as a sub-recipient passed through the West Carroll Parish Police Jury (the “Police Jury”). The ARPA funding is accounted for as a contribution and is considered conditional because the agreement with the Police Jury provides that the funding must be used for eligible expenses. Contributions that are considered conditional are reported as increases in net assets without donor restrictions if the restrictions are met in the same accounting period in which the contributions are received.

E. PROPERTY, PLANT, AND EQUIPMENT

Major improvements to the water system, buildings, and equipment with an item cost of \$1,000 or more and that are expected to have a useful life of at least five years are 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 estimated useful lives of 10 to 40 years for the water production and distribution systems, 25 years for buildings, 20 years for fencing and 5 to 10 years for equipment. Depreciation expense for the year ended December 31, 2023 was \$84,516.

GOODWILL WATER SYSTEM, INC.
Notes to the Financial Statements

F. INCOME TAX STATUS

The water system is a nonprofit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

The water system's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2020, 2021, and 2022 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, 2023:

Total interest cost expensed	\$19,427
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$19,427</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, 2023, the water system has cash and investments (book balances) as follows:

Petty cash	\$100
Checking accounts	185,133
Savings accounts	4,478
Certificates of deposit	<u>122,495</u>

GOODWILL WATER SYSTEM, INC.
Notes to the Financial Statements

Total	<u>\$312,206</u>
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Cash and investments (bank balances) at December 31, 2023, were fully secured by federal deposit insurance.

3. RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Receivables at December 31, 2023 consist of the following:

Water sales	\$21,780
Less - allowance for credit losses	<u>(4,048)</u>
Net	<u>\$17,732</u>

The water system's estimate of the allowance for credit losses at December 31, 2023 is as follows:

Allowance for credit losses at January 1, 2023	
after the adoption of ASU 2016-13	\$3,456
Current period provision for expected credit losses	<u>592</u>
Allowance for credit losses at December 31, 2023	<u>\$4,048</u>

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system 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 and installation 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. The receivable for water fees was \$24,334 at the beginning of the year and \$21,780 at the end of the year. Installation fees are recognized when the customer signs the water users agreement and pays the fee.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system's financial assets as of December 31, 2023, reduced by amounts not available for general use because of contractual restrictions or board designations within one year of the balance sheet date:

GOODWILL WATER SYSTEM, INC.

Notes to the Financial Statements

Financial assets at December 31, 2023	\$329,938
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions/board designations	<u>NONE</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$329,938</u>

6. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment at December 31, 2023 follows:

Land	\$38,500
Building and fence	70,905
Production and distribution system	2,897,623
Equipment	<u>107,162</u>
	3,114,190
Less accumulated depreciation	<u>(2,503,549)</u>
Net	<u>\$610,641</u>

7. LOAN PAYABLE

On July 27, 2023, the water system signed a promissory note to Regions Bank for \$214,483 to refinance the principal balance remaining on a maturing loan from Regions Bank dated February 28, 2018. The 2023 loan has an annual interest rate of 5.25% and is being repaid in 60 monthly payments of \$4,080 through July 27, 2028. The loan is secured by a security interest in water system funds on deposit with Regions Bank.

The following is a summary of loan payable transactions for the year ended December 31, 2023:

	Regions Bank Loan
Loan payable at January 1, 2023	<u>\$221,208</u>
Reductions	<u>(22,428)</u>
Loan payable at December 31, 2023	<u>\$198,780</u>

The annual requirements to amortize the loan outstanding at December 31, 2023, are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$39,339	\$9,625	\$48,964
2025	41,486	7,478	48,964

GOODWILL WATER SYSTEM, INC.
Notes to the Financial Statements

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$43,748	\$5,216	\$48,964
2027	46,135	2,829	48,964
2028	28,072	496	28,568
Totals	<u>\$198,780</u>	<u>\$25,644</u>	<u>\$224,424</u>

8. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 7 above, all of the water system's debt is with Regions Bank. The collateral for this debt is described in Note 7.

9. RESTATEMENT OF BEGINNING NET ASSETS

As discussed in Note 1C, the water system adopted FASB ASU 2016-13 on January 1, 2023, which became effective for nonprofit organizations for fiscal years beginning after December 15, 2022. The water system is required to apply the new standard through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Net assets at the beginning of the year were restated as follows:

Net assets at December 31, 2022, as previously reported	\$674,668
Adjustment to allowance for credit losses due to adoption of new accounting principle	<u>(3,456)</u>
Net assets at January 1, 2023, restated	<u>\$671,212</u>

10. CONTINGENCIES

As discussed in Note 1D, during the year ended December 31, 2023, the water system received \$94,500 in ARPA grant funding through the West Carroll Parish Police Jury. Grant expenses are subject to audit and adjustment by grantor agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the grant 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 grant funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

11. SUBSEQUENT EVENTS

The water system has evaluated subsequent events through August 29, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

SUPPLEMENTAL INFORMATION
As of and For the Year Ended December 31, 2023

**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).

Schedule 1

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2023

Agency Head - Charles Townsend - President

NONE

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 and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**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
GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

I have audited, 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, the financial statements of Goodwill Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 August 29, 2024.

Report on Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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

BOARD OF DIRECTORS
GOODWILL WATER SYSTEM, INC.
Independent Auditor's Report on
Internal Control Over Financial
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December 31, 2023

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. I consider the deficiency described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2023-001 to be a material weakness.

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. I consider the deficiency described in the accompanying of Schedule of Current Year Findings and Management's Planned Corrective Action as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodwill Water System, Inc.'s financial statements are free from material misstatement, I performed tests of Goodwill Water System, Inc.'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 the *Louisiana Governmental Audit Guide* and which is described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2023-003.

Goodwill Water System, Inc.'s Response to Findings

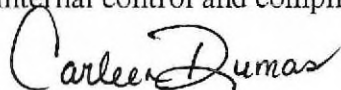
Government Auditing Standards requires the auditor to perform limited procedures on Goodwill Water System, Inc.'s response to the findings identified in my audit and described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Goodwill Water System, Inc.'s response was not subjected to the other 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 Goodwill Water System Inc.'s internal control or on compliance. This report is an integral part of an audit performed

BOARD OF DIRECTORS
GOODWILL WATER SYSTEM, INC.
Independent Auditor's Report on
Internal Control Over Financial
Reporting and on Compliance
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in accordance with *Government Auditing Standards* in considering Goodwill Water System, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana
August 29, 2024

GOODWILL WATER SYSTEM, INC.
Oak Grove, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2023

Section I - Summary of Auditor's Reports

Financial Statements

1. Type of auditor's report issued - Unmodified.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified - Yes
3. Noncompliance material to financial statements noted? - Yes

Section II - Financial Statement Findings

2023-001. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The duties of billing, collecting, posting, and depositing customer payments and making adjustments to customers accounts are performed by one individual.

Cause: Limited number of employees due to the small size of the water system.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None.

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the water system and its limited revenues.

GOODWILL WATER SYSTEM, INC.
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2023

**2023-002. Need to Improve Controls over Maintaining and
Approving Financial Records and Documents**

Criteria: Proper internal controls require that accounting records and documents be maintained in a manner that allows for the preparation of accurate financial reports and that those accounting records, documents, and financial reports be reviewed and approved by those charged with governance in a timely manner.

Condition: The following deficiencies in internal control were noted:

Federal grant funds in the amount of \$94,500 and a \$5,348 loan payment refund were incorrectly posted as water sales in the general ledger. Customer payment reports generated from the billing software that support water sales were \$8,024 less than the amount deposited and recorded as water sales in the general ledger.

Salaries totaling \$19,637 were incorrectly posted to the general ledger as payroll liabilities and supplies expense.

7 out of 25 disbursements selected in my test of expenses were not supported by an original itemized invoice.

4 out of 16 invoices examined in my test of expenses were not initialed by the Board President as required by the water system's internal control procedures.

The Board of Directors held only one monthly meeting during 2023. The Board of Directors did not review and approve financial reports in a timely manner.

Cause: The individual responsible for maintaining the accounting records had serious health issues during 2023 and was hospitalized several times during the year. This situation contributed to the condition of the accounting records.

Effect: Errors in the accounting records were not detected in a timely manner.

Recommendation: All bank deposits of water sales should be supported by a customer payment report that agrees to the amount deposited. Bank deposits for other receipts such as grant funds should be posted to the proper income accounts in the general ledger maintained in Quickbooks. Salaries should be posted to "Payroll Expenses" in the general ledger maintained in Quickbooks and reconciled to the amount reported as salaries on the quarterly Form 941s.

GOODWILL WATER SYSTEM, INC.
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2023

All disbursements should be supported by original itemized invoices and not by monthly statement only. All invoices should be reviewed and initialed by the Board President as evidence of his review. The Board of Directors should meet at least on a quarterly basis and review and approve quarterly profit and loss reports generated from Quickbooks.

Management's Planned

Corrective Action: The water system will implement all of the recommendations during the current and upcoming fiscal years.

2023-003. Failure to Submit Annual Financial Statements to Louisiana Legislative Auditor within Six Months of the Close of the Fiscal Year

Criteria: Louisiana Revised Statute 24:513 requires non-profit organizations that receive and expend local or state assistance in any fiscal year to submit its financial statements to the Louisiana Legislative Auditor (LLA) within six months of the close of its fiscal year.

Condition: During the year ended December 31, 2023, the water system received and expended \$94,500 in federal grant funds that were passed through the West Carroll Parish Police Jury.

Cause: The water system contracted with a certified public accountant to have its financial statements audited for the year ended December 31, 2023. Due to the accountant's workload, the audit could not be completed and submitted to the LLA before June 30, 2024.

Effect: Non-compliance with Louisiana Revised Statute 24:513.

Recommendation: None.

Management's Planned

Corrective Action: None.