

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
ANNUAL FINANCIAL REPORT
AUGUST 31, 2022

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report | 1-3 |
| Statement of Financial Position | 4 |
| Statement of Activities | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-16 |
| <u>RELATED REPORTS</u> | |
| 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 <u>Government Auditing Standards</u> | 17-18 |
| Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance | 19-21 |
| Schedule of Expenditures of Federal Awards | 22 |
| Notes to the Schedule of Expenditures of Federal Awards | 23 |
| Schedule of Findings and Questioned Costs | 24-25 |
| Schedule of Prior Year Findings | 26 |
| <u>SUPPLEMENTARY INFORMATION</u> | |
| Schedule of Insurance in Force - Unaudited | 27 |
| Independent Accountant's Report on Applying Agreed-upon Procedures | 28-31 |
| Management's Response to Statewide Agreed-upon Procedures Exceptions | 32 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
 Henderson Nina Water System, Inc.
 Henderson, Louisiana

Opinion

We have audited the accompanying financial statements of Henderson Nina Water System, Inc. (a nonprofit organization), which comprises the statement of financial position as of August 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Henderson Nina Water System, Inc. as of August 31, 2022, 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 of Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Henderson Nina Water System, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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 the Water System'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 Responsibility for the Audit of the Financial Statements

Our 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 our 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.

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To the Board of Directors of
Henderson Nina Water System, Inc.
Page 2

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

- 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 the Water System'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water System's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 22 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 our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of insurance in force on page 27 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 schedule of insurance in force has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2023, on our consideration of Henderson Nina Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 Water System's internal control over financial reporting or on compliance. That report is an integral part of

To the Board of Directors of
Henderson Nina Water System, Inc.
Page 3

an audit performed in accordance with Government Auditing Standards in considering Henderson Nina Water System, Inc.'s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated January 16, 2023 on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

John L. Dowling & Company

Opelousas, Louisiana
January 16, 2023

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

| <u>ASSETS</u> | <u>2022</u> |
|---|-----------------------------|
| Cash - unrestricted | \$ 440,990 |
| Due from Restricted Cash | 22,518 |
| Accounts receivable, net of allowance for doubtful accounts | 162,634 |
| Other Receivables | 2,637 |
| Prepaid insurance | 4,108 |
| Supplies inventory | 29,757 |
| Restricted assets | |
| Cash - garbage and sewer deposits | 67,515 |
| Cash - Butte La Rose water deposits | 2,392 |
| Cash - USDA | 1,000 |
| Cash - Cobank reserve | 31,000 |
| Due to Unrestricted Cash | (22,518) |
| Investments | 242,771 |
| Property and equipment (net) | <u>3,150,854</u> |
| <u>Total assets</u> | <u><u>4,135,658</u></u> |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 26,694 |
| Other accrued liabilities | 54,887 |
| Retainage payable | 80,627 |
| Construction payable | 1,221,211 |
| Customer meter deposits | 84,493 |
| Restricted payables | |
| Restricted deposits - garbage and sewer | 43,540 |
| Restricted deposits - Butte La Rose water deposits | 3,849 |
| Notes payable | |
| Cobank | 811,649 |
| LDHH | <u>408,668</u> |
| <u>Total liabilities</u> | <u><u>2,735,618</u></u> |
| <u>NET ASSETS</u> | |
| Without donor restrictions | <u>1,400,040</u> |
| <u>Total net assets</u> | <u><u>1,400,040</u></u> |
| <u>Total liabilities and net assets</u> | <u><u>4,135,658</u></u> |

The accompanying notes are an intergral part of these statements.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

| | Without Donor Restrictions | | |
|--|-------------------------------|------------------|----------------|
| | 2022 | | |
| <u>REVENUES AND OTHER SUPPORT</u> | | | |
| Water sales | \$ | 758,346 | |
| Sewer income | | 38,386 | |
| Connection and reconnect charges | | 21,250 | |
| Late fees | | 21,256 | |
| Membership fees | | 970 | |
| Miscellaneous income | | 15,476 | |
| Interest income | | 3,179 | |
| LDHH loan forgiveness | | 663,845 | |
| Dividend income | | 3,910 | |
| <u>Total revenues and other support</u> | | 1,526,618 | |
| <u>EXPENSES</u> | | | |
| | Management & General | Program Services | Total Expenses |
| Salaries | \$ 30,371 | \$ 225,259 | \$ 255,630 |
| Payroll taxes | 2,567 | 17,178 | 19,745 |
| Board fees | 12,300 | - | 12,300 |
| Utilities | 2,865 | 54,438 | 57,303 |
| Insurance | 2,423 | 46,032 | 48,455 |
| Professional fees | 9,620 | - | 9,620 |
| Communications | 178 | 3,376 | 3,554 |
| Office supplies | 254 | 1,439 | 1,693 |
| Travel and entertainment | 6,495 | - | 6,495 |
| Telephone | 132 | 2,513 | 2,645 |
| Retirement expense | 648 | 4,335 | 4,983 |
| Depreciation expense | 657 | 65,057 | 65,714 |
| Auto & gas | - | 13,856 | 13,856 |
| Chemicals | - | 45,034 | 45,034 |
| Miscellaneous expenses | - | 9,085 | 9,085 |
| Postage & printing | - | 14,935 | 14,935 |
| Repairs and maintenance | - | 29,319 | 29,319 |
| Casual Labor | - | 3,515 | 3,515 |
| Certification and training | - | 390 | 390 |
| Water supplies | - | 20,154 | 20,154 |
| Bad debt expense | - | 3,943 | 3,943 |
| Consulting | - | 24,490 | 24,490 |
| Interest expense | - | 27,378 | 27,378 |
| <u>Total expenses</u> | 68,510 | 611,726 | 680,236 |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</u> | | | 846,382 |
| <u>OTHER INCREASES (DECREASES)</u> | | | |
| Unrealized gain/(loss) on investments | | | (25,697) |
| <u>Total other increases (decreases)</u> | | | (25,697) |
| Change in net assets | | | 820,685 |
| <u>NET ASSETS</u> , beginning of year, as restated | | | 579,355 |
| <u>NET ASSETS</u> , end of year | | | 1,400,040 |

The accompanying notes are an integral part of these statements.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>2022</u> |
|--|--------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Cash received from customers | \$ 835,796 |
| Interest earned on investments | 3,179 |
| Cash paid to suppliers | 980,154 |
| Cash paid to employees | (255,630) |
| Interest paid on loans | (27,379) |
| <u>Net cash provided by operating activities</u> | <u>1,536,120</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | |
| Proceeds from loans | 1,072,513 |
| Principal payments on loans | (31,548) |
| <u>Net cash used by capital and related financing activities</u> | <u>1,040,965</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Purchase and construction of fixed assets | (2,366,440) |
| Proceeds from redemption of investments | 7,135 |
| Purchase of investments | (21,039) |
| <u>Net cash provided (used) by investing activities</u> | <u>(2,380,344)</u> |
| <u>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</u> | 196,741 |
| <u>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</u> | <u>346,156</u> |
| <u>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</u> | <u>542,897</u> |
| <u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | |
| Change in net assets | \$ 820,685 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 65,713 |
| Unrealized (gain)/loss on investments | 25,697 |
| LDHH loan forgiveness | (663,845) |
| Changes in assets and liabilities | |
| (Increase) decrease in accounts receivable | (24,229) |
| (Increase) decrease in other receivable | 1 |
| (Increase) decrease in prepaid insurance | 296 |
| (Increase) decrease in supplies inventory | (3,145) |
| Increase (decrease) in accounts payable | 16,500 |
| Increase (decrease) in other accrued liabilities | (3,821) |
| Increase (decrease) in retainage payable | 80,627 |
| Increase (decrease) in construction payable | 1,221,211 |
| Increase (decrease) in meter deposits | (520) |
| Increase (decrease) in tenant deposits | 950 |
| <u>Net cash provided by operating activities</u> | <u>1,536,120</u> |
| <u>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITY</u> | |
| Forgiveness of LDHH loan | \$ 663,845 |

The accompanying notes are an integral part of these statements.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Henderson Nina Water System, Inc. is a nonprofit organization providing water for the Town of Henderson and the surrounding area. The water system is governed by a board of directors composed of five members elected by the members of the water system.

The water system is exempt from federal income tax as an organization described in Section 501(c)(12) of the Internal Revenue Code, and the water system is classified as a private foundation by the Internal Revenue Service.

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Henderson Nina Water System, Inc. is a nonprofit organization which is accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

B. Investments

Investments consist of certificates of deposits, municipal bonds, corporate bonds, unit trusts, and mutual funds purchased through a broker. All investments have readily determinable fair values and are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

C. Allowance for Doubtful Accounts

Through the establishment of an allowance account, uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. After an account is 365 days old, the system manager will consider, on an account-by-account basis, if the receivable should be charged off. The allowance for uncollectible for customers' utility receivables at August 31, 2022 was \$6,595.

D. Property, Plant and Equipment

Fixed assets purchased are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each asset. The water distribution system is depreciated over a fifty (50) year period. Average lives for office furniture and equipment are estimated to be five (5) to seven (7) years. Average lives for buildings are estimated to be fifteen (15) to forty (40) years. Maintenance and repairs are charged to operations when incurred.

Interest during construction is expensed. Henderson Nina Water System, Inc. follows a policy of capitalizing all assets in excess of \$500.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Income Taxes

Henderson Nina Water System, Inc. is a nonprofit organization exempt from income taxes under the Internal Revenue Code Section 501(c)(12) and similar provisions of the State Code. Therefore, no provisions for income taxes have been made. Henderson Nina Water System, Inc. is required to file a Form 990 with the Internal Revenue Service annually. The years open to examination by the Internal Revenue Service are fiscal years after August 31, 2018.

F. Statement of Cash Flows

For the purposes of reporting the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents including restricted cash.

G. Compensated Absences

The water system allows one day of vacation for each month worked, not to exceed ten (10) days during the first year of hire; ten days of vacation are granted per year to employees who have been employed greater than one year, with increased days after four years of service. Vacation normally is taken in the year accrued, however up to three days may be carried over if not taken. Accrued vacation is payable at termination of employment. One day of sick leave is granted for each month worked in the first year of hire; twelve (12) days are granted per year to employees who have been employed greater than one year. Sick leave may not be carried over and is not payable at termination of employment; it is recorded as an expense of the period in which paid.

H. Liquidity and Availability of Financial Assets

The following represents the Water System's financial assets as of the balance sheet date. There are no donor-imposed restrictions.

| | 2022 |
|--|------------|
| Financial assets at year-end | \$ 950,939 |
| Less those unavailable for general expenditures within one year - donor imposed restrictions | - |
| Financial assets available to meet cash needs for general expenditure within one year | 950,939 |

As part of the Water System's liquidity management, it invests excess cash in certificates of deposits, municipal bonds, corporate bonds, unit trusts, and mutual funds through a broker.

I. Inventory

Items such as water supplies, that are on hand at August 31, 2022 are recorded as inventory. Inventory is recorded at cost based on the specific identification method.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, payroll taxes, board fees, utilities, insurance, professional fees, communications, office supplies, travel and entertainment, telephone, retirement, and depreciation, which are allocated on the basis of estimates of time and effort.

K. 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.

NOTE (2) - CASH

The bank balances of cash were \$514,627 and the carrying amounts of cash were \$542,897, respectively. Of the cash bank balance at August 31, 2022, \$251,030 was covered by federal deposit insurance and \$263,597 was not insured.

Deposits: The bank balance for the years ended August 31, 2022 was as follows:

| | |
|---------------------------|------------------|
| | <u>2022</u> |
| <u>FM Bank</u> | |
| Bank Balance | \$ 513,597 |
| Federal deposit insurance | <u>(250,000)</u> |
| <u>Total not insured</u> | <u>263,597</u> |
| | |
| <u>Edward Jones</u> | |
| Bank Balance | \$ 1,030 |
| Federal deposit insurance | <u>(1,030)</u> |
| <u>Total not insured</u> | <u>-</u> |

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE

Henderson Nina Water System, Inc.'s accounts receivable consists of uncollected billed and unbilled water sales. Accounts receivable aging schedule at August 31, 2022, is as follows:

| Days | 2022 |
|---------------------------------|-----------|
| Unbilled receivables | \$ 59,440 |
| 0-30 | 103,802 |
| 31-60 | 1,836 |
| 61-90 | 3,326 |
| | 168,404 |
| Allowance for doubtful accounts | (6,595) |
| NSF checks accounts receivable | 825 |
| | 162,634 |
| <u>Totals</u> | 162,634 |

The following is a user classification of members for the year ended August 31, 2022:

| | 2022 |
|-------------------|-------|
| Residential users | 1,451 |
| Commercial users | 157 |
| | 1,608 |
| <u>Total</u> | 1,608 |

The rates for Henderson Nina Water System, Inc. for the year ended August 31, 2022, are as follows:

Residential rates:

\$18.00 per month for the first 2,000 gallons (minimum charge)

\$3.50 per 1,000 gallons or part thereof

Commercial rates:

\$18.00 per month for the first 2,000 gallons (minimum charge)

\$3.50 per 1,000 gallons for the next 18,000 gallons

NOTE (4) - RESTRICTED ASSETS

As part of the loan agreements, Cobank requires that \$31,000 be set aside in a restricted account. These funds may be used to pay monthly note payments if sufficient funds are not otherwise available but must be replenished whenever possible. The reserve is maintained in a checking account which is fully insured by the Federal Deposit Insurance Corporation.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (4) - RESTRICTED ASSETS – Continued

Restricted assets for notes payable and customer deposits at August 31, 2022 consist of:

| | <u>Required by Cobank</u> <u>Note # 122993t01</u> | <u>Actual On</u> <u>Reserve</u> |
|---------------------------------------|--|------------------------------------|
| Reserve | \$ 31,000 | \$ 31,000 |
| <u>Total Cobank restricted assets</u> | <u>31,000</u> | 31,000 |
| USDA | | 1,000 |
| Customer deposits | | <u>47,389</u> |
| <u>Total restricted assets</u> | | <u>79,389</u> |

NOTE (5) - PROPERTY, PLANT AND EQUIPMENT

A summary of property and equipment of Henderson Nina Water System, Inc. at August 31, 2022, is as follows:

| <u>Description</u> | <u>2022</u> |
|--|---------------------|
| Total depreciable assets (Water distribution system, furniture and equipment) | \$ 2,251,041 |
| Accumulated depreciation | <u>(1,540,345)</u> |
| Net | 710,696 |
| Construction in progress | 2,393,058 |
| Land (at cost) | <u>47,100</u> |
| <u>Total</u> | <u>3,150,854</u> |
| Depreciation | <u>\$ 65,714</u> |
| <u>Changes during the year</u> | |
| Asset additions | <u>\$ 2,366,440</u> |

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (6) - LONG-TERM DEBT

The following is a summary of long-term debt at August 31, 2022:

Henderson Nina Water System, Inc was awarded a Safe Drinking Water Revolving Loan from the Louisiana Department of Health, Office of Public Health for up to \$8,512,000 of which \$4,000,000 is forgivable at the time of each loan draw approval. The interim loan interest rate is 2.45% and the funding source of the loan is Federal funds. The outstanding principal amount at August 31, 2022 is \$408,668. The forgiven loan amount for the year ending August 31, 2022 is \$663,845.

Cobank single advance term promissory note

Note dated January 20, 2021, in the original amount of \$861,198 due in 240 monthly installments with an interest rate of 3.25% due on January 20, 2041. The promissory note is secured by a pledge of revenues from the sale of water and a mortgage on the real estate and personal property owned.

\$ 811,649

Total Cobank

811,649

Changes in Long-term Debt

| | <u>2022</u> |
|-------------------------------------|-----------------|
| Long-term Debt at September 1, 2021 | \$ 843,197 |
| Debt retired | <u>(31,548)</u> |
| Long-term debt at August 31, 2022 | <u>811,649</u> |

Long-term debt obligations mature as follows:

| | |
|--------------|----------------|
| 2023 | \$ 32,603 |
| 2024 | 33,624 |
| 2025 | 34,819 |
| 2026 | 35,983 |
| 2027 | 37,187 |
| 2028-2032 | 205,344 |
| 2033-2037 | 242,418 |
| 2038-2041 | <u>189,671</u> |
| <u>Total</u> | <u>811,649</u> |

The Henderson Nina Water System, Inc. was in compliance with all significant limitations and restrictions in the loan agreement at August 31, 2022.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (7) – RETIREMENT PLAN

In January 2005 the Water System implemented a simple IRA retirement plan which is a defined contribution plan. This plan provides eligibility to employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. All contributions made under this plan are fully vested and non-forfeitable. Each eligible employee is allowed to make an election (salary reduction election), on a tax-deferred basis, to have his or her compensation reduced for each pay period, subject to Internal Revenue Service limits. The salary reduction election can be made or modified during a 60-day period immediately preceding January 1 of the year of election. The Water System will contribute 2% of the employee's salary for the year. Water system contributions for the year ending August 31, 2022 was \$4,983.

NOTE (8) - AGREEMENT WITH THE TOWN OF HENDERSON AND ST. MARTIN PARISH GOVERNMENT

Several years ago, the Henderson Nina Water System and the Town of Henderson entered into an agreement where the water system bills and collects for the Town garbage and sewer fees. Once collected by the water system, the amounts collected for garbage and sewer fees are remitted to the Town, less a fee of \$.60 per customer.

NOTE (9) – FAIR VALUE MEASUREMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is determined based upon amounts reported on the broker statement.

The water system utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis. The water system has no assets or liabilities recorded at fair value on a nonrecurring basis.

The water system uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following is a description of the valuation methodology used for assets recorded at fair value.

Investments Securities

Investments are valued at quoted market prices on the broker statement.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (9) – FAIR VALUE MEASUREMENTS – Continued

| | <u>Fair Value Measurements at Reporting Date Using</u> | | | |
|-------------------------------------|--|---|--|--|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Observable Inputs (Level 3)</u> |
| August 31, 2022 | | | | |
| Assets valued on a recurring basis: | | | | |
| Investment securities: | | | | |
| Certificates of deposits | \$ 12,941 | \$ - | \$ 12,941 | \$ - |
| Municipal bonds | 14,422 | - | 14,422 | - |
| Corporate bonds | 51,578 | - | 51,578 | - |
| Government and agency securities | 4,984 | - | 4,984 | - |
| Mutual funds | <u>158,846</u> | <u>-</u> | <u>158,846</u> | <u>-</u> |
| <u>Total recurring</u> | <u>242,771</u> | <u>-</u> | <u>242,771</u> | <u>-</u> |

NOTE (10) – REVENUE FROM CONTRACTS WITH CUSTOMERS

On September 1, 2021, the Water System adopted FASB ASC 606 Revenue from Contracts with Customers which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The Water System's revenue is recognized as performance obligations are satisfied, which is on a monthly basis as billed. Customers are billed monthly on the last day of the month for the water delivered during the month and payments are due by the 10th of the following month. The receivable for water fees was \$138,405 at the beginning of the August 31, 2022, fiscal year.

The standard resulted in no significant changes in the way Henderson Nina Water System, Inc. recognizes revenue, and therefore no changes to the previously issued audited financial statements were required.

NOTE (11) – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 16, 2023, which is the date the financial statements were available to be issued. As of January 16, 2023, there were no subsequent events noted.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (12) – COMPENSATION PAID TO BOARD OF DIRECTORS

| | <u>Term Expires</u> | <u>2022</u> |
|------------------------------------|-------------------------|---------------|
| Anthony Robin, President | 2025 | \$ 2,650 |
| Gillray Patin, Vice President | 2024 | 2,200 |
| Wade Domingue, Secretary/Treasurer | 2023 | 2,200 |
| Perry Serrette, Director | 2025 | 3,050 |
| Terry Melancon, Director | 2023 | 2,200 |
| | | <hr/> |
| <u>Total compensation paid</u> | | <u>12,300</u> |

NOTE (13) – SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

Agency Head Name: Anthony Robin, President of the Board

| <u>Purpose</u> | <u>Amount</u> |
|--|---------------|
| Salary | \$0 |
| Benefits-insurance | 0 |
| Benefits-retirement | 0 |
| Benefits | 0 |
| Car allowance | 0 |
| Vehicle provided by government | 0 |
| Per diem | 2,650 |
| Reimbursements | 0 |
| Travel | 0 |
| Registration fees | 0 |
| Conference travel | 0 |
| Continuing professional education fees | 0 |
| Housing | 0 |
| Unvouchered expenses - Telephone allowance | 0 |
| Special meals | 0 |

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE (14) – UNCERTANTIES

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease (“Covid-19”) as a pandemic. This matter may negatively impact the results of Henderson Nina Water System’s operations and financial position, but the related financial impact cannot be reasonably estimated at this time.

NOTE (15) – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record construction cost in the construction in progress account that were expensed in the prior year.

| Net Assets as Previously Reported | Prior Period Adjustment | Net Assets as Restated |
|--------------------------------------|----------------------------|---------------------------|
| \$ 468,520 | \$ 110,835 | \$ 579,355 |

The effect on the prior year’s Statement of Activities was an understatement of Net Assets of \$110,835.

RELATED REPORTS

James L. Nicholson, Jr., CPA
Michael A. Roy, CPA
Lisa Trouille Manuel, CPA
Dana D. Quebedeaux, CPA



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Van L. Auld, CPA
Molly Fontenot Duplechain, CPA

17
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Chizal S. Fontenot, CPA - 1955-2012
Russell J. Stelly, CPA - 1942 - 2019
Harold Dupre, CPA - 1931-2019

Retired
Dwight Ledoux, CPA - 1998
Joel Lanclos, Jr., CPA - 2003
G. Kenneth Pavy, II, CPA - 2020

**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
Henderson Nina Water System, Inc.
Henderson, Louisiana

We 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, the financial statements of Henderson Nina Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, 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 our report thereon dated January 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson Nina 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henderson Nina Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Water System'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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson Nina Water System, Inc.'s financial statements are free from material misstatement, we 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under Government Auditing Standards.

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Phone: 337-984-9717
Fax: 337-984-5544

The Board of Directors of
Henderson Nina Water System, Inc.
Page 2

Henderson Nina Water System, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Henderson Nina Water System, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Henderson Nina Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Opelousas, Louisiana
January 16, 2023

James L. Nicholson, Jr., CPA
 Michael A. Roy, CPA
 Lisa Trouille Manuel, CPA
 Dana D. Quebedeaux, CPA



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

To the Board of Directors of
 Henderson Nina Water System, Inc.
 Henderson, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Henderson Nina Water System, Inc's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Henderson Nina Water System's major federal programs for the year ended August 31, 2022. Henderson Nina Water System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Henderson Nina Water System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Henderson Nina Water System, Inc and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Henderson Nina Water System, Inc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Henderson Nina Water System, Inc's federal programs.

Auditor's Responsibilities for the Audit Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Henderson Nina Water System, Inc's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Henderson Nina Water System, Inc's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Henderson Nina Water System, Inc's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Henderson Nina Water System, Inc's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Henderson Nina Water System, Inc's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The Board of Directors of
Henderson Nina Water System, Inc.
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

John L. Dowling & Company

Opelousas, Louisiana
January 16, 2023

HENDERSON NINA WATER SYSTEM, INC
HENDERSON, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

| Federal Grantor/Program or Cluster Title | Assistance Listing Number | Pass-through Grantor and Number | Federal Expenditures(\$) |
|--|------------------------------|--|-----------------------------|
| Drinking Water State Revolving Fund Cluster-Cluster | | | |
| United States Environmental Protection Agency | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | LOUISIANA DEPARTMENT OF HEALTH, LA1099006-01 | \$ 598,938 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | LOUISIANA DEPARTMENT OF HEALTH, LA1099006-02 | <u>1,591,322</u> |
| Total Capitalization Grants for Drinking Water State Revolving Funds | | | <u>2,190,260</u> |
| Total United States Environmental Protection Agency | | | <u>2,190,260</u> |
| Total Drinking Water State Revolving Fund Cluster-Cluster | | | <u>2,190,260</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,190,260</u> |

See independent auditor's report.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

NOTE (1) – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity for Henderson Nina Water System under programs of the federal government for the year ended August 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Henderson Nina Water System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Henderson Nina Water System.

NOTE (2) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE (3) – INDIRECT COST RATE

Henderson Nina Water System has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE (4) – DEBT OUTSTANDING

Henderson Nina Water System has the following loan outstanding as of August 31, 2022:

| Assistance Listing Number | Program Name | Interest Rate | Outstanding Balance |
|---------------------------------|---|------------------|------------------------|
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | 2.25% | \$ 408,668 |
| | | | <u>408,668</u> |

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2022

I. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Henderson Nina Water System, Inc. as of and for the year ended August 31, 2022
2. One significant deficiency and no material weaknesses were disclosed during the audit of the financial statements reported in the 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.
3. No instances of noncompliance material to the financial statements of Henderson Nina Water System, Inc., were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Henderson Nina Water System expresses an unmodified opinion on the major federal program.
6. The audit disclosed no findings required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance.
7. The following program was considered to be a major program:

United States Environmental Protection Agency – Capitalization Grants for Drinking Water State Revolving Funds, Assistance listing number 66.468
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.
10. No management letter was issued for Henderson Nina Water System, Inc.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-1 Inadequate segregation of duties

Condition: Due to the small number of employees, Henderson Nina Water System does not have adequate segregation of functions within the water billing system. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion.

Criteria: Henderson Nina Water System should have adequate segregation of duties over accounting functions.

Cause: There is a small number of employees at Henderson Nina Water System performing the daily operating activities.

Effect: Water billing system functions are not segregated, and it is important that you are aware of this condition because errors or fraud could occur and not be detected.

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
AUGUST 31, 2022

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2022-1 Inadequate segregation of duties (Continued)

Recommendation: A system of internal control procedures should be established in order to mitigate the problem of having such a small number of employees performing the daily operating activities.

Management's Response: Due to the size of the entity it is difficult to fully segregate duties. The board oversees the employee job performances and feels that the employees handling accounting functions are trustworthy.

Contact Person: Anthony Robin, President

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

Section I – Internal Control and Compliance Material to the Financial Statements

None

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

None

SUPPLEMENTARY INFORMATION

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
AUGUST 31, 2022

| INSURER | TYPE OF COVERAGE | COVERAGE | LIMITS | CO-INSURANCE | EFFECTIVE DATE | |
|---------------------------|--------------------------|--|--|---|----------------|----------|
| | | | | | FROM | TO |
| American Alternative Ins. | Property | Blanket Limit of Insurance Business Loss of Income & Extra Expense | \$595,460 \$250,000 per occurrence | \$1,000 deductible | 10/21/21 | 10/21/22 |
| American Alternative Ins. | General Liability | General Aggregate Operations Aggregate Personal & Advertising Injury Damages to Premises Medical Damage Each Occurrence | \$3,000,000 \$3,000,000 \$1,000,000 \$1,000,000 \$10,000 \$1,000,000 | | 10/21/21 | 10/21/22 |
| American Alternative Ins. | Commercial Crime | Employee Theft Computer/Funds Transfer Fraud Robbery/Burglary Forgery/Alteration Theft of Money & Securities Outside the Premises Money Orders Fraudulent Impersonation | \$250,000 per loss \$250,000 per occurrence \$100,000 per occurrence \$250,000 per occurrence \$250,000 per occurrence \$250,000 per occurrence \$250,000 per occurrence \$250,000 per occurrence | \$500 deductible | 10/21/21 | 10/21/22 |
| American Alternative Ins. | Inland Marine | 2016 Ditch Witch Trencher Case 580N Backhoe Loader Blanket Small Tools & Equip | \$64,808 \$43,797 \$25,000 not to exceed \$10,000 per item | \$1,000 deductible \$1,000 deductible \$500 deductible | 10/21/21 | 10/21/22 |
| American Alternative Ins. | Auto | Liability Auto Medical Uninsured Motorist Underinsured | \$1,000,000 per occurrence \$5,000 each person \$500,000 per occurrence \$500,000 | | 10/21/21 | 10/21/22 |
| American Alternative Ins. | Liability | Directors and Officers | \$3,000,000 | | 10/21/21 | 10/21/22 |
| L.W.C.C. | Worker's compensation | | Statutory | | 11/30/21 | 11/30/22 |

See independent auditor's report.

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
 Henderson Nina Water System, Inc.
 Henderson, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2021 through August 31, 2022. Henderson Nina Water System's management is responsible for those C/C areas identified in the SAUPs.

Henderson Nina Water System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period September 1, 2021 through August 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Disbursements**, including processing, reviewing, and approving.
The water system does not have any policies or procedures addressing disbursements related to the expenses paid with LDHH funds.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
The board met monthly, no exceptions noted.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Auditor selected the construction bank account because this is the bank account effected by the LDHH funds.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

The construction bank account reconciliation included evidence that it was completed within 2 months of the related statement date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliation does not include evidence that a board member reviewed it, but bank statements and bank reconciliations are reviewed each month at board meetings.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No reconciling items outstanding for more than 12 months.

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

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

There is only one location that processes payments.

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

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

The engineer initiates construction purchases, the director approves purchases, and the system manager processes payments.

- b) At least two employees are involved in processing and approving payments to vendors.

The system manager processes payments and the director approves payments.

The Board of Directors of
Henderson Nina Water System, Inc.
Page 3

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The director signs checks and the system manager mails payments.

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

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions noted

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

No exceptions noted

Fraud Notice

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

No misappropriations of public funds.

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

The notice is posted on the premises.

We were engaged by Henderson Nina Water System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Henderson Nina Water System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The Board of Directors of
Henderson Nina Water System, Inc.
Page 4

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

John L. Dowling & Company
Opelousas, Louisiana
January 16, 2023

HENDERSON NINA WATER SYSTEM, INC.
HENDERSON, LOUISIANA
AUGUST 31, 2022

Management's responses to the following agreed-upon procedure sections:

Written Policies and Procedures:

1. a) Disbursements

- The board approves all disbursements at monthly meetings. The system manager has a preapproved \$500 limit per purchase in case of emergency and a board member is not available for immediate approval. We do not feel it is necessary to have a disbursement policy.

Bank Reconciliations

3. b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged)
- In the future, a board member will initial bank reconciliations at monthly board meetings after they are reviewed.

Non-payroll Disbursements

5. c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- Due to the size of the entity, it is difficult to fully segregate duties.