

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

Financial Statements
With Independent Auditor's Report

As of and for the Year Ended
December 31, 2020

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

Financial Statements
With Independent Auditor's Report

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December 31, 2020

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BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana
Financial Statements
As of and for the Year Ended December 31, 2020

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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
BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Black River Water System, Inc., as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

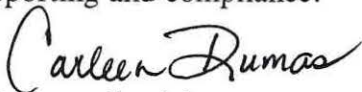
Other Matters

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August , 2021, on my consideration of Black River Water System, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Black River Water System, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Black River Water System, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
August 27, 2021

FINANCIAL STATEMENTS

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current assets:

Cash	\$61,119
Investment - certificate of deposit	49,748
Accounts receivable	17,468
Total current assets	128,335

Assets with contractual restrictions/board designations:

Cash	81,951
Property, plant, and equipment (net of accumulated depreciation)	2,920,141

TOTAL ASSETS

\$3,130,427**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$13,819
Contracts payable	375,986
Accrued interest payable	43,157
Current portion of loan payable	2,413,567
Customer deposits	18,990
Total current liabilities	2,865,519

Long-term liabilities - loan payable

192,513

Total liabilities

3,058,032

Net assets without donor restrictions

72,395

TOTAL LIABILITIES AND NET ASSETS

\$3,130,427

See accompanying notes.

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Operating Revenue:	
Water sales	\$243,535
Penalties	3,216
Reconnect fees	3,400
Other	845
Total operating revenue	<u>250,996</u>
Operating Expenses:	
Advertising	60
Accounting and audit	961
Legal fees	3,008
Dues and subscriptions	585
Insurance	6,364
Management fee	70,880
Postage	3,622
Office supplies	1,013
Maintenance, repairs, and hookups	55,355
Materials and supplies	2,194
Safe drinking water fee	8,436
Mowing	2,364
Sales tax	641
Utilities and telephone	56,429
Chemicals	16,612
Depreciation	40,840
Other operating expenses	2,128
Total operating expenses	<u>271,492</u>
Operating Income (Loss)	<u>(20,496)</u>
Non-Operating Revenue (Expense):	
Interest income	500
Interest expense	(11,930)
Line relocation expense	(31,524)
Total non-operating revenue (expense)	<u>(42,954)</u>
Decrease in Net Assets	<u>(63,450)</u>
Net Assets at Beginning of Year (Restated)	<u>135,845</u>
Net Assets at End of Year	<u>\$72,395</u>

See accompanying notes.

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	(\$63,450)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	40,840
Increase in accounts receivable	(1,063)
Decrease in accounts payable	(3,393)
Increase in customer deposits	1,760
Interest income	(500)
Interest expense	11,930
Line relocation expense	31,524
Total adjustments	81,098
Net cash provided by operating activities	17,648

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(18,801)
Interest on long-term debt	(11,977)
Proceeds from loans	2,400,802
Construction of capital assets	(2,369,278)
Line relocation expense	(31,524)
Net cash used by financing activities	(30,778)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	500
Increase in investments	(407)
Net cash provided by investing activities	93

NET DECREASE IN CASH

(13,037)

CASH AT BEGINNING OF YEAR

156,107

CASH AT END OF YEAR

\$143,070

**Reconciliation of cash per statement of cash flows to
cash per statement of financial position:**

Cash	\$61,119
Cash with contractual restrictions	81,951
Total cash	\$143,070

See accompanying notes.

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Black River Water System, Inc., (the “water system”) is a nonprofit organization domiciled in Harrisonburg, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a six member board of directors who are members of the water system and who are elected by members of the water system. Black River Water System, Inc., provides water to members residing within the territorial boundaries of the water system. The water system has approximately 730 members and no employees. The water system contracts with JCP Management, Inc., to operate and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Directors of the water system.

B. INVESTMENT

At December 31, 2020, the water system’s investment consisted of a short-term nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost.

C. RECEIVABLES

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

D. FIXED ASSETS

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

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

year ended December 31, 2020 was \$40,840.

E. INCOME TAX STATUS

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

The water system's Form 990, *Return of Organization Exempt from Income Tax*, for the year ended 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

F. 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.

G. INTEREST COSTS

The following provides disclosure on interest costs for the year ended December 31, 2020:

Total interest cost expensed	\$11,930
Total interest cost capitalized	<u>42,599</u>
Total interest costs incurred	<u>\$54,529</u>

H. FUNCTIONAL ALLOCATION OF EXPENSES

Black River Water System, Inc.'s, only activity is to provide water service to its members. All costs incurred by Black River Water System, Inc., 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, 2020, the water system had cash and investment (book balances) as follows:

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

Checking accounts	\$143,070
Certificate of deposit	<u>49,748</u>
Total	<u>\$192,818</u>

All of the bank balances were covered by federal deposit insurance at December 31, 2020.

3. RECEIVABLES

Accounts receivable consist of the following at December 31, 2020:

Water sales	\$17,468
Less - allowance for uncollectible accounts	<u>NONE</u>
Net	<u>\$17,468</u>

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system has adopted Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively Accounting Standards Codification (“ASC”) 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The water system’s revenue from contracts with customers within the scope of ASC 606 is reported as water sales, penalties, and reconnect fees on the Statement of Activities. Water sales are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed monthly for the number of gallons of water delivered during the previous month and payment is due the following month. If payment is not received by the disconnection date, the customer’s water meter is disconnected from service. If the meter is disconnected for non-payment, the amount due plus a reconnect fee must be paid before service is restored. All other fees are recognized when the customer signs the water users agreement and pays the fee. The receivable for water fees was \$16,405 at the beginning of the year and \$17,468 at the end of the year.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system’s financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual restrictions/board designations within one year of the balance sheet date:

Financial assets at December 31, 2020	\$210,286
Less those unavailable for general expenditure within one year, due to:	

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

Contractual restrictions - debt service	(37,160)
Board designations - debt service	<u>(44,791)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$128,335</u>

6. FIXED ASSETS

A summary of fixed assets at December 31, 2020 follows:

Water system and improvements	\$1,409,929
Land	9,140
Construction in progress	2,787,863
Less accumulated depreciation	<u>(1,286,791)</u>
Net	<u>\$2,920,141</u>

7. LOANS PAYABLE

At December 31, 2020, there is a total of \$2,606,080 remaining on the principal balances of four loans. Two of the loans are with the United States Department of Agriculture (USDA) - Rural Development. One of the USDA loans was used to fund the construction and acquisition of the water system's fixed assets and one became a liability of Black River Water System, Inc., when the water system merged with Larto-Mayna Water System, Inc., in 2016. Both of the USDA loans are secured by mortgages of certain properties owned by the water system that are described within the related instruments of mortgage and the pledge of revenues. USDA Loan #01 was obtained in 1992 in the amount of \$223,000; has an annual interest rate of 5.625%; and principal and interest is being repaid in monthly installments of \$1,187 through 2032. USDA Loan #04 was obtained in 1992 by Larto-Mayna Water System, Inc., in the amount of \$158,900; has an annual interest rate of 5.625%; and principal and interest is being repaid in monthly installments of \$839 through 2032. A 2011 loan with Community Resource Group, Inc. (CRG) was paid in full during 2020.

During 2018 the water system entered into a loan agreement with the United States Department of Agriculture (USDA) in the amount of \$3,205,000 for a portion of the costs of constructing and acquiring improvements to the water system. As a condition of the loan, the water system was required to obtain interim financing from a commercial lender during the construction period. The water system obtained a loan from CLB, The Community Bank (CLB) on April 9, 2020, in the amount of \$3,205,000. Principal in the amount of \$2,369,278 was advanced to the water system during 2020 as needed to pay construction costs. The CLB loan has an annual interest rate of 5% and matures on April 9, 2021. The water system made no principal or interest payments on the loan during 2020. Accrued interest on the loan at December 31, 2020 was \$42,599.

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

On April 8, 2019, the water system entered into a Utility Relocation Assistance Funding (URAF) agreement with the Louisiana Department of Transportation and Development (DOTD) to provide funding to relocate water lines that were located within the limits of a road construction project. The agreement with DOTD provides that the water system is responsible for repaying \$41,895 of the funding received when billed by DOTD for the total amount transferred to the water system. The water system received \$31,524 under the agreement during 2020. The loan is non-interest bearing.

The following is a summary of loans payable transactions for the year ended December 31, 2020:

	1992 USDA Loan #01	1992 USDA Loan #04	2011 CRG Loan	2019 DOTD URAF Loan	2020 CLB Loan	Total
Loan payable at January 1, 2020	\$127,890	\$89,773	\$6,416	NONE	NONE	\$224,079
Additions				\$31,524	\$2,369,278	2,400,802
Reductions	<u>(7,235)</u>	<u>(5,150)</u>	<u>(6,416)</u>			<u>(18,801)</u>
Loan payable at December 31, 2020	<u>\$120,655</u>	<u>\$84,623</u>	<u>NONE</u>	<u>\$31,524</u>	<u>\$2,369,278</u>	<u>\$2,606,080</u>

The annual requirements to amortize the loans outstanding at December 31, 2020, are as follows:

Year	Interest	Principal	Total
2021	\$54,145	\$2,413,567	\$2,467,712
2022	10,829	13,483	24,312
2023	10,071	14,241	24,312
2024	9,269	15,043	24,312
2025	8,423	15,889	24,312
2026 - 2030	27,661	93,899	121,560
2031 - 2032	<u>3,254</u>	<u>39,958</u>	<u>43,212</u>
Total	<u>\$123,652</u>	<u>\$2,606,080</u>	<u>\$2,729,732</u>

8. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 7 above, 91 % of the water system's debt is with CLB, The Community Bank (CLB). The loan will be repaid from the proceeds of a loan with the United States Department of Agriculture (USDA) in the amount of \$3,205,000.

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

The loan agreements with the United States Department of Agriculture (USDA) - Rural Development for the loans discussed in Note 7 above, requires the water system to set aside certain amounts in reserve accounts. At December 31, 2020, a total of \$81,951 was set aside to meet these requirements.

10. RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets as reported in the Statement of Activities has been restated as follows:

Net assets at December 31, 2019, as previously reported	\$140,363
Deposits in transit overstated in the prior year	(520)
Accounts receivable overstated in the prior year	(150)
Customer deposits understated in the prior year	<u>(3,848)</u>
Net assets at January 1, 2020 - restated	<u>\$135,845</u>

11. OPERATION AND MAINTENANCE AGREEMENT

Black River Water System, Inc., entered into an agreement with JCP Management, Inc., to operate and maintain the water system in accordance with the rules, regulations, and by-laws adopted by the Board of Directors of the water system and in accordance with the annual budget and fee schedule adopted by the water system. The agreement is for a five year period ending April 2022. During the year ended December 31, 2020, JCP Management, Inc., billed the water system a total of \$123,340 for services under the agreement. In addition, Womack and Sons Construction Group billed the water system \$6,189 for repairs and maintenance and \$1,806,545 in construction costs for the water system improvement project. The president of JCP Management, Inc., is also the president of Womack and Sons Construction Group. The amount due JCP Management at December 31, 2020, was \$8,543 and the amount due Womack and Sons Construction Group was \$218,023.

12. COMMITMENTS UNDER CONTRACTS

The total budgeted cost for the water system improvement project is \$3,700,000. In addition to the \$3,205,000 in loan proceeds described in Note 7, the water system entered into a grant agreement with the United States Department of Agriculture (USDA) in the amount of \$495,000. During 2020, the water system entered into three separate construction contracts totaling \$2,618,506 in connection with the project. Those contracts were increased to \$2,967,060 during 2020 through change orders approved by USDA. In addition, the water system has a \$421,100 engineering contract for the project. As of December 31, 2020, the water system has incurred a total of \$2,787,863 in costs associated with the

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

project that are reported as construction in progress in the accompanying financial statements.

13. CONTINGENCIES

Black River Water System, Inc., was involved in one lawsuit at December 31, 2020. It is the opinion of the water system's attorney that any resulting claims would be less than any insurance policy limits; therefore no liability for the potential claims has been reported in the accompanying financial statements.

During the year ended December 31, 2020, the water system expended \$2,787,863 in interim financing loan funds that will be repaid from loan proceeds from a United States Department of Agriculture (USDA), Rural Development loan. In accordance with the USDA's letter of conditions dated September 25, 2018, project costs financed with interim financing are considered federal expenditures. These expenses are subject to audit and adjustment by USDA; therefore, to the extent that the water system has not complied with the rules and regulations governing the loan 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 loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

14. SUBSEQUENT EVENTS

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

Black River Water System, Inc., has evaluated subsequent events through August 27, 2021, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

Supplemental Information
As of and For the Year Ended December 31, 2020

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The Schedule of Expenditure of Federal Awards is presented as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**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).

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

Federal Agency Name	Pass Through Agency	Federal Program Title	Federal CFDA Number	Federal Expenditures - Direct Awards
Department of Agriculture	N/A	Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$2,787,863</u>

Note to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal funds activity of Black River Water System, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Expenditures in this schedule represent only the federally funded portions of the program. The water system's records should be consulted to determine the amounts expended from non-federal sources.

Note 2 - Loan Programs

In accordance with the United States Department of Agriculture's letter of conditions dated September 25, 2018, project costs financed with interim financing are considered federal expenditures. The amount reported as federal expenditures is the amount of interim financing loan proceeds expended during the year ended December 31, 2020. The water system did not have any outstanding federal loan balances at the beginning of the year with continuing compliance requirements.

Note 3 - Indirect Cost Rate

The water system has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2020

BOARD COMPENSATION

Agency Head - Chris Freeman - President

NONE

Independent Auditor's Report
Required by *Government Auditing Standards* and the Uniform Guidance

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.

The following independent auditor's report on compliance for each major federal program and report on internal control over compliance is presented in compliance 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*, referred to as the Uniform Guidance.

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
BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Black River Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 27, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Black River Water System, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Black River Water System, Inc.'s internal control. Accordingly, I do not express an opinion of the effectiveness of Black River Water System, Inc.'s internal control.

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

BOARD OF DIRECTORS
BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana
Independent Auditor's Report
on Internal Control Over Financial
Reporting and on Compliance and
Other Matters, etc.
December 31, 2020

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-003, that I consider to be material weaknesses.

Compliance and Other Matters

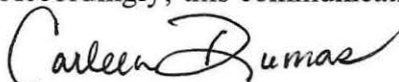
As part of obtaining reasonable assurance about whether, Black River Water System Inc.'s financial statements are free from material misstatement, I performed tests of the water system's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-004.

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

Black River Water System, Inc.'s responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. Black River Water System, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the water system's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the water system's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana
August 27, 2021

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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

**Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

I have audited Black River Water System, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on Black River Water System, Inc.'s major federal program for the year ended December 31, 2020. Black River Water System, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Black River Water System, Inc.'s major federal program based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Black River Water System, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for Black River Water System, Inc.'s major federal program. However, my audit does not provide a legal determination of Black River Water System, Inc.'s compliance.

BOARD OF DIRECTORS
BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana
Independent Auditor's Report
on Compliance for Each Major
Federal Program and on Internal
Control Over Compliance, etc.
December 31, 2020

Opinion on Major Federal Program

In my opinion, Black River Water System, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-005. My opinion on the major federal program is not modified with respect to this matter.

Black River Water System, Inc.'s response to the noncompliance finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. Black River Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of Black River Water System, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Black River Water System, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Black River Water System, Inc.'s 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 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


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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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Calhoun, Louisiana
August 27, 2021

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - None reported
3. Noncompliance material to financial statements noted? - Yes

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified? - No
Significant deficiency(ies) identified? - None reported
5. Type of auditor's report issued on compliance for major programs - Unmodified opinion.
6. Any audit findings disclosed that are required to be reported in under
Section 200.516 paragraph (a) of the Uniform Guidance - Yes
7. Identification of major program:

Department of Agriculture
CFDA Number: 10.760 Water and Waste Disposal
 Systems for Rural Communities
8. Dollar threshold used to distinguish between type A and type B programs - \$750,000.
9. Auditee qualified as low-risk auditee? - No

Section II - Financial Statement Findings

2020-001. 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: One person is responsible for collecting and posting water sales receipts to customer accounts.

Cause: Small size of the water system.

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

Recommendation: None

Management's Response: None. It is not economically feasible to correct this deficiency based on the size of the water system.

2020-002. Inadequate Controls Over Accounts Receivable

Criteria: Proper internal controls require that accounts receivable recorded in the general ledger be reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software.

Condition: The accounts receivable balance recorded in the general ledger is not reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software. It was noted that not all adjustments made to customer accounts in the billing software are being posted to the general ledger on a monthly basis. It was also noted that a mathematical error when recording water sales was not detected and corrected.

Cause: Oversight.

Effect: Errors or irregularities in accounts receivable balances may not be detected within a timely period. Failure to post adjustments to the general ledger could result in a misstatement of water sales revenue.

Recommendation: Adjustments made to customer accounts in the billing software should be posted to the general ledger on a monthly basis. The accounts receivable balance recorded in the general ledger should be reconciled on a monthly basis to the detailed accounts receivable listing maintained in the billing software. Any differences should be investigated and resolved.

Management's Response: In July 2021, JCP Management, Inc., hired appropriate staff to assist in the reconciling process in the future.

2020-003. Failure to Maintain Complete Customer Meter Deposit Records

Criteria: Proper internal controls require that subsidiary records be maintained for the customer meter deposit liability recorded in the general ledger and that the customer meter deposit liability recorded in the general ledger be reconciled on a monthly basis with the listing of customers' meter deposits maintained in the subsidiary records, i.e. the billing software.

Condition: There was approximately \$1,310 in customer meter deposits posted to the customer meter deposit liability account in the general ledger that were not posted to the customer's account in the billing software. There was also \$300 in customer meter deposits that were posted as non-refundable membership fees in the general ledger and a \$700 new meter tap that was posted to the customer meter deposit liability account in the general ledger in error.

Cause: The accounting personnel were unaware of the requirement to reconcile the customer meter deposit liability on a monthly basis.

Effect: Errors in customer meter deposit records or the customer meter deposit liability recorded in the general ledger may not be detected and corrected within a timely period.

Recommendation: The customer accounts in the billing software should be reviewed and customer meter deposit amounts should be recorded for all active customers. After the customer records are updated, a listing of customers' meter deposits maintained in the billing software should be printed each month and reconciled to the customer meter deposit liability reported in the general ledger and any differences should be investigated and resolved.

Management's Response: In July 2021, JCP Management, Inc., hired appropriate staff to assist in the reconciling process in the future.

2020-004. Failure to Comply with State Reporting Requirements

Criteria: Louisiana Revised Statute (R.S.) 24:513 A.(1)(b)(iv) provides that not-for-profit organizations that receive or expend any state or local financial assistance in a fiscal year are subject to the reporting requirements of R.S. 24:513. Further, R.S. A.(5)(a)(i) requires that the audited financial statements be submitted to the Louisiana Legislative Auditor (LLA) within six months of the close of the fiscal year.

Condition: The water system received \$31,524 in financial assistance from the Louisiana Department of Transportation and Development during the year ended December 31, 2020. The water system failed to submit its audited financial statements to the LLA within six months of the close of the fiscal year.

Cause: Management was unaware of the requirements of R.S. 24:513.

Effect: Noncompliance with state law.

Recommendation: For any fiscal year that it receives state or local financial assistance, the water system should submit its financial statements to the LLA within six months of the close of the fiscal year.

Management's Response: Management plans to report these receipts in the future now that we are aware of this.

Section III - Federal Award Findings

2020-005. Noncompliance with Federal Procurement Standards

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

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

Cause: Oversight.

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

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

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

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana 71340

Corrective Action Plan

For the Year Ended December 31, 2020

Finding No. 2020-001

Corrective Action Planned: None. It is not economically feasible to correct this deficiency based on the size of the water system.

Person Responsible for Corrective Action: N/A

Anticipated Completion Date: N/A

Finding No. 2020-002

Corrective Action Planned: In July 2021, JCP Management, Inc., hired appropriate staff to assist in the reconciling process in the future.

Person Responsible for Corrective Action: Chris Freeman, Board President

Anticipated Completion Date: September 30, 2021

Finding No. 2020-003

Corrective Action Planned: In July 2021, JCP Management, Inc., hired appropriate staff to assist in the reconciling process in the future.

Person Responsible for Corrective Action: Chris Freeman, Board President

Anticipated Completion Date: September 30, 2021

Finding No. 2020-004

Corrective Action Planned: Management plans to report these receipts in the future now that we are aware of this.

Person Responsible for Corrective Action: Chris Freeman, Board President

Anticipated Completion Date: June 30, 2022

BLACK RIVER WATER SYSTEM, INC.
Harrisonburg, Louisiana
Corrective Action Plan
December 31, 2020

Finding No. 2020-005

Corrective Action Planned: Management will suggest the adoption of these policies at the next board meeting held.

Person Responsible for Corrective Action: Chris Freeman, Board President

Anticipated Completion Date: December 31, 2021