

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

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

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

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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
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Hebert Water System, Inc., and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities Of Management for the Financial Statements

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

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hebert Water System, Inc.'s, internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hebert Water System, Inc.'s, ability to continue as a going concern for a reasonable period of time.

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report

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

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head and Schedule of Prior Year Findings are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head and the Schedule of Prior Year Findings are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 10, 2022, on my consideration of Hebert 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 Hebert 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 Hebert Water System, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
June 10, 2022

FINANCIAL STATEMENTS

Statement A

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current assets:

Cash	\$416,170
Accounts receivable (net of allowance for uncollectible accounts)	<u>30,524</u>
Total current assets	446,694
Assets with contractual restrictions/board designations:	
Investments - certificates of deposit	88,912
Prepaid lease	4,200
Property, plant, and equipment (net of accumulated depreciation)	<u>1,258,061</u>

TOTAL ASSETS

\$1,797,867

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$7,713
Payroll withholdings payable	3,938
Accrued interest payable	158
Current portion of loans payable	<u>38,642</u>
Total current liabilities	50,451
Long-term liabilities - loans payable	<u>327,874</u>
Total liabilities	378,325
Net assets without donor restrictions	<u>1,419,542</u>

TOTAL LIABILITIES AND NET ASSETS

\$1,797,867

See accompanying notes.

Statement B

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Operating Revenue:	
Water sales	\$463,147
Connect fees	2,925
Tap fees	7,900
Reconnect fees	793
Transfer fees	7,850
Other	1,914
Total operating revenue	<u>484,529</u>
Operating Expenses:	
Salaries	143,913
Payroll taxes	11,774
Repairs and maintenance	58,130
Electricity	22,908
Insurance	15,685
Supplies and materials	41,542
Dues and fees	8,872
Contract labor	1,115
Office expense	10,112
Audit	3,480
Telephone	5,178
Truck and car expense	20,322
Lease expense	200
Convention or meeting expense	626
Safe drinking water fee	11,842
Collection expense	5,611
Depreciation	78,269
Other	341
Total operating expenses	<u>439,920</u>
Operating Income	<u>44,609</u>
Non-Operating Revenue (Expenses):	
Interest income	796
Interest expense	(15,486)
State grant	21,726
Gain on debt cancellation	28,019
Total non-operating revenue (expenses)	<u>35,055</u>
Increase in Net Assets	79,664
Net Assets at Beginning of Year	<u>1,339,878</u>
Net Assets at End of Year	<u><u>\$1,419,542</u></u>

See accompanying notes.

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

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

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	<u>\$79,664</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	78,269
Decrease in accounts receivable	1,410
Decrease in prepaid lease	200
Decrease in accounts and taxes payable	(2,897)
Interest income	(796)
Interest expense	15,486
State grant	(21,726)
Gain on debt cancellation	(28,019)
Total adjustments	<u>41,927</u>
Net cash provided by operating activities	<u>121,591</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(35,727)
Interest on long-term debt	(15,368)
Proceeds from loan	<u>80,899</u>
Net cash provided by financing activities	<u>29,804</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	796
Increase in investments	(752)
Construction/purchase of property, plant and equipment	(114,003)
State grant receipts	<u>34,035</u>
Net cash used by investing activities	<u>(79,924)</u>

NET INCREASE IN CASH 71,471

CASH AT BEGINNING OF YEAR 344,699

CASH AT END OF YEAR \$416,170

Noncash financing transactions include the gain on debt cancellation of \$28,019.

See accompanying notes.

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

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

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Hebert Water System, Inc. (“ the water system”), is a nonprofit organization domiciled in Columbia, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Hebert Water System, Inc., provides water to members residing within the territorial boundaries of the water system. The water system has approximately 1045 members and 3 full-time employees.

B. INVESTMENTS

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

C. ACCOUNTS RECEIVABLE

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. Nonpayment of customer accounts within ten days from the due date are subject to a 5% late penalty. Accounts not paid by the 5th of the following month are cut off. Past due accounts are written off when they are considered uncollectible by management.

D. PROPERTY, PLANT, AND EQUIPMENT

Major improvements to the water system and equipment costing \$500 or more and that are expected to have a useful life of at least five years are capitalized by the water system at actual cost. Depreciation of all exhaustible property, plant, and equipment is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of 40 years for the water production and

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

distribution system, 10 to 40 years for buildings, and 3 to 15 years for equipment. Depreciation expense for the year ended December 31, 2021 was \$78,269.

E. STATE GRANT

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

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

For the year ended December 31, 2021, the water system received funding under a cooperative endeavor agreement with the State of Louisiana. The agreement provided for \$500,000 in capital outlay funds for the water system's improvement projects. The capital outlay grant is accounted for as a contribution and is considered conditional because the funds must be used solely for the purposes specified in the agreement and are disbursed to the water system as expenses are incurred.

F. INCOME TAX STATUS

The water system is a not-for-profit organization that is exempt from federal income taxes under Section 501 c (12) of the Internal Revenue Code.

The water system's Form 990s, *Return of Organization Exempt From Income Tax*, for the years ended 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they are filed.

HEBERT WATER SYSTEM, INC.
Notes to the Financial Statements

G. ESTIMATES

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

H. INTEREST COSTS

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

Total interest cost expensed	\$15,486
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$15,486</u>

I. FUNCTIONAL ALLOCATION OF EXPENSES

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

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2021, the water system has cash and investments - certificates of deposit (book balances) as follows:

Checking accounts	\$372,374
Savings accounts	43,796
Certificates of deposit	<u>88,912</u>
Total	<u>\$505,082</u>

These deposits are stated at cost, which approximates market. At December 31, 2021, the water system has \$509,295 in deposits (collected bank balances). These deposits are secured from risk by \$382,706 of federal deposit insurance and \$180,943 of pledged securities held by an unaffiliated bank in the name of the fiscal agent bank.

HEBERT WATER SYSTEM, INC.
Notes to the Financial Statements

3. RECEIVABLES

Receivables at December 31, 2021 consist of the following:

Water sales	\$30,524
Less - allowance for uncollectible accounts	<u>NONE</u>
Net	<u>\$30,524</u>

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system has adopted FASB 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, connect fees, tap fees, reconnect fees, and transfer 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 on the first day of the month for the number of gallons of water delivered during the previous month and payment is due by the 10th of the following month. The receivable for water fees was \$31,934 at the beginning of the year and \$30,524 at the end of the year. All other fees are recognized when the customer pays the fee.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets at December 31, 2021	\$535,606
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions - debt service	(53,820)
Board designations - debt service	<u>(35,092)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$446,694</u>

6. PREPAID LEASE

In April of 2003, the water system entered into a lease agreement for the existing water well site. The lease agreement is for 40 years at \$200 per year. The lease was paid in advance for a total of \$8,000. Lease expense of \$200 is recognized each year.

HEBERT WATER SYSTEM, INC.
Notes to the Financial Statements

7. PROPERTY, PLANT, AND EQUIPMENT

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

Production and distribution system, land, buildings and equipment	\$2,737,102
Less accumulated depreciation	<u>(1,479,041)</u>
Net	<u>\$1,258,061</u>

8. LOANS PAYABLE

During the year ended December 31, 2019, the water system entered into a loan agreement with Communities Unlimited, Inc., by signing a promissory note for \$380,979. The proceeds from the loan were used to payoff two existing loans with the United States Department of Agriculture - Rural Development. The note bears interest at 4.5% and is being repaid in 120 monthly installments of \$3,948 which began November 28, 2019. The loan is secured by the pledge of the water system's revenue.

On April 20, 2021, the water system entered into a small utility emergency (SUE) loan agreement with Communities Unlimited, Inc., by signing a promissory note for \$53,000. The proceeds from the SUE loan were used to make repairs to a ground storage tank that was damaged due to an ice storm in the area. The interest rate for the first 12 months of the loan is 1%, increasing to 2% for months 13 through 24, and 4% for months 25 through 120. Unpaid principal and interest will be repaid in 12 monthly installments of \$464 which began May 28, 2021. Monthly payments for months 13 through 120 will be recalculated based on the increased interest rates. The loan is secured by the pledge of the water system's revenue.

On February 25, 2021, the water system received \$27,930 in loan funds through the United States Small Business Administration (SBA) Payroll Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in response to the economic effects of the COVID-19 pandemic. The loan bore interest at 1%. On June 14, 2021, the SBA remitted a payment to Communities Unlimited, Inc., (the lender) for \$28,019 for payment of the outstanding principal and accrued interest. This amount is reported as gain on debt cancellation on the accompanying Statement of Activities.

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

	2019 Communities Unlimited Loan	2021 SUE Loan	PPP Loan	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loans payable at January 1, 2021	\$349,274	NONE	NONE	\$349,274

HEBERT WATER SYSTEM, INC.
Notes to the Financial Statements

	2019 Communities Unlimited Loan	2021 SUE Loan	PPP Loan	Total
Additions	NONE	\$52,969	\$27,930	\$80,899
Reductions	(32,326)	(3,401)	(27,930)	(63,657)
Loans payable at December 31, 2021	<u>\$316,948</u>	<u>\$49,568</u>	<u>NONE</u>	<u>\$366,516</u>

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

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$38,642	\$14,467	\$53,109
2023	39,761	13,265	53,026
2024	41,144	11,801	52,945
2025	42,852	10,093	52,945
2026	44,634	8,311	52,945
2027 - 2031	<u>159,483</u>	<u>13,821</u>	<u>173,304</u>
Total	<u>\$366,516</u>	<u>\$71,758</u>	<u>\$438,274</u>

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

The loan agreements with Communities Unlimited, Inc., for the loans discussed in Note 8 above, requires the water system to set aside certain amounts in a reserve account. At December 31, 2021, the water system was required to have \$53,820 set aside in reserve accounts. The water system had \$88,912 in a reserve fund certificate of deposit at December 31, 2021.

10. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 8, all of the water system's debt is with Communities Unlimited, Inc. The water system's revenues are pledged as collateral for this debt.

11. SUBSEQUENT EVENTS

The water system has evaluated subsequent events through June 10, 2022, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

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

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

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

PRIOR YEAR FINDINGS

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

Schedule 1

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2021

BOARD COMPENSATION

Agency Head - Dale Sellers - President

NONE

Schedule 2

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Prior Year Findings
For the Year Ended December 31, 2021

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Status of Finding</u>
2020-001	2009	Inadequate Segregation of Accounting Duties	Unresolved - see 2021-001 in current year findings.

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

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Hebert Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated June 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Hebert 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 Hebert Water System, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Hebert 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
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report on
Internal Control Over Financial
Reporting and on Compliance
and Other Matters, etc.
December 31, 2021

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2021-001 that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hebert Water System Inc.'s financial statements are free from material misstatement, I performed tests of Hebert Water System Inc.'s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hebert Water System, Inc.'s Response to Findings

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

Purpose of this Report

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



Calhoun, Louisiana
June 10, 2022

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2021

Section I - Summary of Auditor's Reports

Financial Statements

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

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - No
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

2021-001. Inadequate Segregation of Accounting Duties

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

Condition: The accounting duties of billing, collecting, depositing, and posting customer payments to customers accounts is performed by one office employee. This employee is also responsible for posting billing adjustments to customer accounts.

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

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

Recommendation: None.

Management's Planned

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