

**HUDSON GAARS MILL
WATER SYSTEM, INC.**

FINANCIAL REPORT
DECEMBER 31, 2021



HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LOUISIANA

FINANCIAL REPORT
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hudson Gaars Mill Water System, Inc.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Gaars Mill Water System, Inc. (the "Water System") 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

We conducted our 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*. 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 the Hudson Gaars Mill 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 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.

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.

Hudson Gaars Mill Water System, Inc.

Auditor's Report – Financial Statements

Auditor's Responsibilities 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.

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 Company'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 Company'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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer (the "Schedule of Compensation") are presented for purposes 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 our opinion, the schedule of expenditures of federal awards and the schedule of compensation 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*, we have also issued our report dated December 30, 2022 on our consideration of the Company'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 solely 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 Company'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 the Company's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana

December 30, 2022

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$ 54,675
Accounts Receivable, Net	10,526
Grant Receivable	162,821
Prepaid Expense	438
Total Current Assets	228,460

Non-Current Assets:

Restricted Cash	35,337
Capital Assets (Net)	2,055,061
Total Non-Current Assets	2,090,398

Total Assets \$ 2,318,858

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 28,107
Sales Tax Payable	20
Payroll & Related Liabilities	249
Retainage Payable	146,661
Current portion of USDA Loan	18,608
Customer Deposit Liabilities	13,445
Total Current Liabilities	207,090

Non-Current Liabilities:

USDA Loan, Net of Current Portion	944,931
Total Noncurrent Liabilities	944,931

Total Liabilities 1,152,021

NET ASSETS:

Without Donor Restrictions	1,166,837
With Donor Restrictions	-
Total Net Assets	1,166,837

Total Liabilities and Net Assets \$ 2,318,858

The accompanying notes are an integral part of the basic financial statements.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets:			
REVENUES:			
Water Sales	\$ 145,269		\$ 145,269
Other Related Fees	5,637		5,637
Grant and Appropriations	-	\$1,056,936	1,056,936
Miscellaneous	3,781		3,781
Interest Earned	<u>85</u>		<u>85</u>
Total Revenues	154,772	1,056,936	1,211,708
NET ASSETS RELEASED FROM RESTRICTIONS:			
Grant funds used	<u>1,056,936</u>	<u>(1,056,936)</u>	<u>-</u>
EXPENSES:			
Program:			
Program Services	148,782		148,782
Supporting:			
Management & General	<u>39,244</u>		<u>39,244</u>
Total Expenses	188,026	-	188,026
Change in Net Assets	1,023,682	-	1,023,682
Net Assets January 1, 2021	<u>143,155</u>	<u>-</u>	<u>143,155</u>
Net Assets December 31, 2021	<u>\$ 1,166,837</u>	<u>\$ -</u>	<u>\$ 1,166,837</u>

The accompanying notes are an integral part of the basic financial statements.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Without Donor Restrictions:

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Water</u>	<u>Management & General</u>	<u>Total</u>
Advertising—Legal		\$ 250	\$ 250
Accounting		9,700	9,700
Contract Labor		1,465	1,465
Depreciation	\$ 22,416	-	22,416
Dues & Subscriptions	375	20	395
Insurance	-	4,295	4,295
Interest	25,064	-	25,064
Legal Fees	-	4,703	4,703
Office Supplies	-	9,807	9,807
Payroll	-	6,497	6,497
Postage	-	1,497	1,497
Repairs & Maintenance	27,058	-	27,058
System Supplies	7,692	-	7,692
Taxes, Licenses & Permits	2,511	1,010	3,521
Utilities	13,239	-	13,239
Water Purchased	46,827	-	46,827
Water Testing	<u>3,600</u>	<u>-</u>	<u>3,600</u>
 Total Expenses	 <u>\$ 148,782</u>	 <u>\$ 39,244</u>	 <u>\$ 188,026</u>

The accompanying notes are an integral part of the basic financial statements.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:

Change in Net Assets	\$ 1,023,682
Adjustments to Reconcile Changes in Net Assets to	
Net Cash Provided by/(Used In) Operating Activities:	
Depreciation	22,416
Changes in Assets & Liabilities:	
(Increase)/Decrease in Accounts Receivable, Net	(789)
(Increase)/Decrease in Grant Receivable	(162,821)
(Increase)/Decrease in Prepaid Expense	(27)
Increase/(Decrease) in Accounts Payable	(78,171)
Increase/(Decrease) in Sales Tax Payable	4
Increase/(Decrease) in Payroll Related Payable	-
Increase/(Decrease) in Retainage Payable	119,244
Increase/(Decrease) in Customer Deposit Liabilities	<u>375</u>
Net Cash Provided by/(Used In) Operating Activities	<u>923,913</u>

Cash Flows from Investing Activities:

Purchases of Assets	(2,019,980)
(Increase)/Decrease in Construction in Progress	<u>589,818</u>
Net Cash Provided by/(Used In) Investing Activities	<u>(1,430,162)</u>

Cash Flows from Financing Activities:

Proceeds from USDA Loan-Interim	513,853
Proceeds from USDA Loan	976,000
Principal Payments on Loan-Interim	(976,000)
Principal Payments on Loan	<u>(12,461)</u>
Net Cash Provided By/(Used In) Financing Activities	<u>501,392</u>

Net Increase/(Decrease) in Cash & Cash Equivalents (4,857)

Cash & Cash Equivalents—Beginning of Year 94,869

Cash & Cash Equivalents—End of Year \$ 90,012

Cash & Cash Equivalents—Beginning of Year	
Unrestricted Cash	\$ 77,979
Restricted Cash	<u>16,890</u>
Total Cash & Cash Equivalents—Beginning of Year	<u>\$ 94,869</u>

Cash & Cash Equivalents—End of Year	
Unrestricted Cash	\$ 54,675
Restricted Cash	<u>35,337</u>
Total Cash & Cash Equivalents—End of Year	<u>\$ 90,012</u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1—INTRODUCTION

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Measurement Focus and Basis of Accounting

The Hudson Gaars Mill Water System, Inc. uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Assets Liabilities and Equity

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

Restricted Cash and Cash Equivalents—The Water System has cash in demand deposits and interest-bearing deposits that is restricted by grants or loans and others by customer deposits. The Water System collects deposits from their water customers. These collections are primarily kept in a separate account restricted for utility deposits.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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

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

At December 31, 2021, the Water System had no funds in Net Assets with Donor Restrictions. All \$1,166,837 of Net Assets were made up Net Assets without Donor Restrictions.

Inventories—The Water System does not maintain inventories. Supplies are purchased on an as needed basis and are used normally within the year purchased.

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

Water Distribution System/Line Extension	40 years
Buildings	40 years

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

Leases—There were no leases in effect during the year ended December 31, 2021.

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

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

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

NOTE 3—CASH AND CASH EQUIVALENTS

At December 31, 2021, the carrying amount of the Hudson Gaars Mill Water System Inc.’s cash and cash equivalents totaled \$90,012. At December 31, 2021, the Water System bank balances totaled \$91,770; the Water System was fully insured by FDIC at fiscal year-end.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021, consisted of \$11,768 due from water customers. The Water System services approximately 221 residential and commercial customers. At December 31, 2021, an allowance for doubtful accounts was made for \$1,242.

NOTE 5—GRANT RECEIVABLE

Grant monies receivable as of December 31, 2021, consisted of \$162,821 related to the USDA grant funds for water system improvements discussed in Notes 6 through 9.

NOTE 6—CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2021, are as follows:

	<u>Balance</u> <u>01/01/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
Capital Assets:				
Non-Depreciable				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in Progress	<u>589,818</u>	<u>1,430,162</u>	<u>2,019,980</u>	<u>-</u>
Subtotal Non-Depreciable	593,818	1,430,162	2,019,980	4,000
Depreciable				
Buildings	28,596	-	-	28,596
Water Distribution System	<u>26,400</u>	<u>2,019,980</u>	<u>-</u>	<u>2,046,380</u>
Subtotal Depreciable	54,996	2,019,980	-	2,074,976
Subtotal of Assets	648,814	3,450,142	2,019,980	2,078,976
Less: Accumulated Depreciation				
Buildings	179	21,756	-	21,935
Water Distribution System	<u>1,320</u>	<u>660</u>	<u>-</u>	<u>1,980</u>
Subtotal of Accum. Deprec.	1,499	22,416	-	23,915
Net Capital Assets	<u>\$ 647,315</u>	<u>\$3,427,726</u>	<u>\$ 2,019,980</u>	<u>\$ 2,055,061</u>

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Closed into asset during the fiscal year ended December 31, 2021, were water system improvements which were funded by USDA CFDA 10.760, from a loan totaling \$976,000 and grants of \$826,000 and up to \$237,000. Not closed into the asset was interest expense from the interim loan of \$16,365. See Note 7 for loan details; Notes 5 and 8 for grants.

Depreciation expense for the year ended December 31, 2021, totaled \$22,416.

NOTE 7—USDA LOAN PROCEEDS

The Hudson Gaars Mill Water System received interim loan proceeds from the USDA Rural Development in the current and prior fiscal years for construction on the water system improvements. The interim financing was closed into a long term note payable near the end of the construction process. As stated at Note 6, the interim loan had \$16,365 in interest that was funded by the USDA loan but was expensed rather than closed into the asset. Grant monies were also received for the project which was deemed substantial complete on August 12, 2021.

USDA Loan	\$	976,000
Payments		(21,160)
Interest portion of payments		<u>8,699</u>
Balance 12/31/21	\$	<u><u>963,539</u></u>

The USDA Rural Development note payable of \$976,000 is approximately 40-year term note secured by the water system assets and maturing in April of 2061. The loan was approved under Water and Waste Disposal Systems for Rural Communities, CFDA 10.760. It is payable in monthly installments of \$2,645 with 1.375% interest. The annual payment requirements are listed below including an estimated \$284,327 in interest.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 18,608	\$ 13,132	\$ 31,740
2023	18,866	12,874	31,740
2024	19,127	12,613	31,740
2025	19,391	12,349	31,740
2026	19,660	12,080	31,740
2027-2031	102,456	56,244	158,700
2032-2036	109,743	48,957	158,700
2037-2041	117,549	41,151	158,700
2042-2046	125,909	32,791	158,700
2047-2051	134,865	23,835	158,700
2052-2056	144,457	14,243	158,700
2057-2061	<u>132,908</u>	<u>4,058</u>	<u>136,966</u>
Totals	\$ 963,539	\$ 284,327	\$ 1,247,866

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8—USDA GRANTS

In the original planning for the water system improvements were grants for the initial study of \$30,000 and \$826,000 for the actual construction. The second grant was not to be utilized until all loan proceeds (see Note 7) were exhausted. An additional grant of up to \$237,000 was awarded for improvements. For the construction completed during the fiscal year ended December 31, 2021, \$162,821 in grant monies were receivable and received subsequent to the year end. \$894,115 were received and utilized during the year for the related project.

NOTE 9—RESERVES/RESTRICTIONS

Under FASB ASU 2016-14 only net assets restricted by donors is grouped as restricted in equity. However, some cash is required to be reserved/restricted by the loan. Cash used to open the USDA grant funds account remained at \$15 as of December 31, 2021, as restricted cash.

Once the USDA Rural Development project is complete the Water System will be required to place \$315 per month in a Debt Service Reserve account. The Water System has already placed some funds in this account. At December 31, 2021, \$16,579 in cash was in the restricted for the Debt Service Reserve account. In addition, a Reserved for Short Lived Asset Fund will be required to be funded once the project is complete. The loan documentation stated \$14,508 must be deposited annually into the account. As of December 31, 2021, \$5,298 was deposited into this reserve account. It appears these restricted accounts had the amounts deposited into the opposite accounts; however, the total restricted funds appear to exceed the required reserves. Subsequent to year end, the Water System corrected this issue.

Also included in restricted cash is approximately \$13,445 related to the deposits the Water System collected from their water customers. These utility deposits are classified as restricted because their use is limited.

NOTE 10—DONATED SERVICES, MATERIALS, AND FACILITIES

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

NOTE 11—LITIGATION

The Hudson Gaars Mill Water System, Inc. was involved in litigation at December 31, 2021. Although the outcome of this suit is not presently determinable, the opinion of the Water System's representation is that they do not currently view this case as a liability. The resolution of this matter would not create a liability in excess of insurance coverage that would have a material adverse effect on the financial condition of the Water System.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12—RELATED PARTY DISCLOSURES

The Water System has a board member also listed as an officer paid for bookkeeping services. The secretary, Linda Bustin, is paid as a part-time employee and received monies in the amount of \$3,898 for her bookkeeping services and \$244 in mileage related to the fiscal year ended December 31, 2021. Also, a board member, Terry Rhodes, is compensated for work performed on the lines and reading meters for the system. He received approximately \$8,711 for this work during the fiscal year ended December 31, 2021.

NOTE 13—COMPENSATION OF BOARD DIRECTORS

The members of the Board of Directors of the Hudson Gaars Mill Water System receive no compensation for their services as directors.

NOTE 14—OTHER DISCLOSURES

Management has evaluated events through December 30, 2022, the date which the financial statements were available for issue. There were no items noted to be reported as subsequent events, other than litigation between former board members and the Water System is ongoing, and the grants receivable related to construction have been received.

SUPPLEMENTARY INFORMATION

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
SCHEDULE OF COMPENSATION
FOR THE YEAR ENDED DECEMBER 31, 2021

In accordance with Act 462 of 2015 which amends Act 706 of the 2014 Legislative Session, payments to Agency Head or Chief Executive Officer must be disclosed. Included in the Disclosure Requirements are any reimbursements of travel or per diem, payments of salary, or payments to retirement or health insurance, providing of a vehicle, etc. for the Agency Head. The Agency Head of the Hudson Gaars Mill Water System, Inc. would be its Board Members during the fiscal year ended December 31, 2021: Terry Rhodes—President, Judy Howell—Vice President, Linda Bustin—Treasurer, Delton Carpenter—Secretary and Members at Large (deceased in 2021): Cal Bain and Barbara Spence.

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

See Independent Auditors' Report.

**Hudson Gaars Mill Water System, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA</i>	<i>Pass-through Grantor</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>US Department of Agriculture Water and Waste Disposal Systems for Rural Communities</i>	10.760		Loan 1	\$ 976,000
<i>US Department of Agriculture Water and Waste Disposal Systems for Rural Communities</i>	10.760		Grant	826,000
<i>US Department of Agriculture Water and Waste Disposal Systems for Rural Communities</i>	10.760		Subsequent Grant	<u>230,936</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 2,032,936</u>

The accompanying notes are an integral part of this schedule.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hudson Gaars Mill Water System, Inc. under programs of the federal government for the year ended December 31, 2021. 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 Hudson Gaars Mill Water System, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hudson Gaars Mill Water System, Inc.

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

Hudson Gaars Mill Water System, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance, when applicable.

Note 4. Reconciliation of Expenditures to Loan Balance

SEFA Expenditures by Year:	
FYE December 31, 2020	\$ 558,991
FYE December 31, 2021	1,311,124
Accounts Payable	16,160
Retainage Payable	146,661
Total Expenditures in 2021 SEFA	<u>\$ 2,032,936</u>
Grants related to work in fye December 31, 2021:	
Rural Development Grant	\$ 826,000
Subsequent Rural Development Grant	230,936
Total Grants related to CFDA 10.760	<u>\$ 1,056,936</u>
Loan Balance as of December 31, 2021	
Total Expenditures in 2021 SEFA	\$ 2,032,936
Less items not in 2021 Loan Balance:	
Grant Income (includes Accounts & Retainage Payable)	(1,056,936)
Principal Payment on Loan	(12,461)
Loan Balance as of December 31, 2021	<u>\$ 963,539</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 *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Hudson Gaars Mill Water System, Inc.
2556 Hwy 34
Dodson, LA 71422

We have audited, in accordance with the 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*, the financial statements of Hudson Gaars Mill Water System, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hudson Gaars Mill 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 Hudson Gaars Mill Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson Gaars Mill 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hudson Gaars Mill 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 matters that is required to be reported under *Government Auditing Standards*.

Hudson Gaars Mill Water System, Inc.
Auditor's Report - GAGAS

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hudson Gaars Mill 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 matters that is required to be reported under *Government Auditing Standards*.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana R.S. 24:513 this report is a matter of public record, and its distribution is not limited.

BOSCH & STATHAM, LLC
Bosch & Statham
Ruston, Louisiana
December 30, 2022



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
Hudson Gaars Mill Water System, Inc.
2556 Hwy 34
Dodson, LA 71422

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hudson Gaars Mill Water System, Inc.'s (a Louisiana Corporation) (the Water System) 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 the Water System's major federal program for the year ended December 31, 2021. The Water System's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Water System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major 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; 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); and the *Louisiana Governmental Audit Guide*. 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 the Water System 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 the Water System'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 the Water System's federal programs.

Hudson Gaars Mill Water System, Inc.

Auditor's Report – Uniform Guidance

Auditor's Responsibilities for the Audit of 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 the Water System'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 the Water System's compliance with the requirements of the 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 the Water System'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 the Water System'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 the Water System'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 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.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana

December 30, 2022

HUDSON GAARS MILL WATER SYSTEM, INC.
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of the Hudson Gaars Mill Water System, Inc.
2. There were no material weaknesses noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Hudson Gaars Mill Water System, Inc. were disclosed during the audit.
4. The Independent Auditor's Report on Compliance for Each Major Program of the Hudson Gaars Mill Water System, Inc. expresses an unmodified opinion.
5. No material weaknesses in internal control over major federal awards programs are disclosed in the Independent Auditor's Report on Compliance for Each Major Program.
6. The audit disclosed no findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as major program for the Hudson Gaars Mill Water System, Inc. was the U.S. Department of Agriculture's Water and Waste Disposal Systems for Rural Communities, Assistance Listing 10.760.
8. The dollar threshold used to distinguish between Type A and B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

B. FINANCIAL STATEMENTS AUDIT

None

C. MAJOR FEDERAL AWARD PROGRAM AUDIT

None

STATEWIDE AGREED UPON PROCEDURES



INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING LOUISIANA LEGISLATIVE AUDITOR’S
STATEWIDE AGREED-UPON PROCEDURES

To the Board of Directors of
Hudson Gaars Mill Water System, Inc.
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the 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 January 1, 2021, through December 31, 2021. Hudson Gaars Mill Water System, Inc. (the “Water System” or “HGMWS”)’s management is responsible for those C/C areas identified in the SAUPs.

Hudson Gaars Mill Water System, Inc. 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 January 1, 2021, through December 31, 2021. 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.

It is important to note that Hudson Gaars Mill Water System, Inc. is a nonprofit entity and as such only public funds are subject to the procedures noted below.

The procedures and associated findings are as follows:

WRITTEN POLICIES AND PROCEDURES

1. Obtain the entity’s written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - b) **Disbursements**, including processing, reviewing, and approving

- c) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- d) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- e) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- f) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity did not submit written policies and procedures.

BOARD OR FINANCE COMMITTEE, if applicable

- 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 Water System’s bylaws do not appear to require meetings more often than annually. No exception was noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Hudson Gaars Mill Water System, Inc. (HGMWS) is not required to prepare a budget.

BANK RECONCILIATIONS

3. Obtain 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:

We prepared a listing of client bank accounts for the fiscal period from the general ledger. We obtained management's representation that the listing is complete. We selected the entity's main operating account and randomly selected 4 additional accounts. We randomly select December for testing. We obtained and inspected the corresponding bank statement and reconciliation for each account.

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

We noted no exceptions.

- 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

No evidence that board member reviewed selected reconciliation timely; however, bank reconciliations are prepared by a contract accountant who does not prepare checks or handle cash for the entity.

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

We noted no such stale items.

COLLECTIONS

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Management did not provide a listing.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We are only aware of the office where business was conducted. Management did not provide any written policies and procedures. We are only aware of Linda Bustin who was a board member and also responsible for the billing and books. The entity retained a CPA to assist with financial statements. Duties do not appear to be properly segregated.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

While cash, checks and money orders noted as received and secretary prepares deposit slips, a contract accountant was noted to have reconciled the bank accounts.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

While secretary appears to receive cash, checks and money orders and to prepare deposit slips, a contract accountant was noted to have reconciled the bank accounts.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Secretary collects cash; contract accountant prepares reconciliations.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Management provided a policy, but it expired in April 2021 and did not appear to cover theft and a policy that covered theft but expired in 02/2021. Management also provided a policy that went into effect in 02/2022

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
We selected December 3rd and 17th for testing. We obtained a report of December collections. The entity does not use receipts. Payments are posted in the billing software.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
The entity does not use receipts. Collections are entered into the billing software.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
We traced the deposit slip totals to the actual deposits per the bank statements.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
Collections from 12/13/21 and 12/14/21 were deposited on 12/20/21.
 - e) Trace the actual deposit per the bank statement to the general ledger.
We noted no exceptions.

NON-PAYROLL DISBURSEMENTS

(excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. 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).
The entity did not provide the listing.
9. 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:
The entity did not provide the listing or written policies and procedures. The employee/official no longer works there and is no longer a board member. We are familiar with her duties from past experience. Since there was only one employee, there was not a proper segregation of duties.
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

See 9

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

See 9

- 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 allowed to add/modify 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.

See 9

10. 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:

We obtained the entity's non-payroll disbursement transactions population from the general ledger. We obtained management's representation the listing is complete. We randomly selected five disbursements and requested the supporting documentation.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Management did not provide support for 1 out of 5 checks. The remaining 4 out of 5 were supported by proper supporting documentation including documentation that the materials or services were received by the entity.

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

Management did not provide any support for 1 out of 5 checks. We noted no exceptions with the remaining 4 checks.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management asserted via e-mail that the entity had no credit cards and one debit card. We obtained management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

The entity has only one debit card. We selected the December bank statement.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

We inspected the December bank statement for the debit card. We noted no evidence that the statement was reviewed, and the purchases approved.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Since the entity only has a debit card, this procedure is not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by:

The December bank statement included 3 debit card transactions. We requested support for the transactions.

- a) an original itemized receipt that identifies precisely what was purchased

We did not receive any receipts or invoices.

- b) written documentation of the business/public purpose, and

We did not receive any receipts or invoices.

- c) documentation of the individuals participating in meals (for meal charges only).

None of the charges were for meals.

14. For missing receipts, the practitioner should describe the nature of the transaction and noted whether management had a compensation control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Management asserted that the charges were for internet and phone services.

TRAVEL AND EXPENSE REIMBURSEMENT

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Management asserted there were no such expenses or reimbursements.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- Not applicable. See above.*
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- Not applicable. See above.*
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- Not applicable. See above.*
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
- Not applicable. See above.*

CONTRACTS

- 13. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:

Management asserted that there were no such agreements or contracts initiated or reviewed during the period.

- 1) Observe that the contract was bid in accordance with the Louisiana Public Bid Law or Louisiana Procurement Code (e.g., solicited quotes or bids, advertised), if required by law.
- There were no contracts to test.*
- 2) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- There were no contracts to test.*
- 3) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- There were no contracts to test.*
- 4) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
- There were no contracts to test.*

PAYROLL AND PERSONNEL

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management did not provide a listing of employees or terminated employees, personnel files or documentation of authorized pay rates, or leave records. We prepared a listing of employees from the general ledger.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above. Obtain attendance records and leave documentation for the pay period, and:

See 16

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

See 16

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

See 16

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

See 16

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

See 16

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

See 16. Management asserted that there were no termination payments.

19. Obtain management's representation that employer and employee portions of third-party related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

We obtained management's representation that the listing of employees we prepared is complete.

ETHICS

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

Using the five employees selected from procedure #16, we obtained the ethics documentation from management.

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

The entity gave us 2022 certificates.

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable.

DEBT SERVICE

21. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Management did not provide a listing. We prepared a listing from the general ledger. We did not receive any evidence of State Bond Commission approval. We could not locate it on the State Bond Commission's website. We obtained management's representation that the listing is complete.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Management did not provide a listing. We prepared a listing from the general ledger. We obtained management's representation that the listing is complete. The contracted CPA prepared a test of covenants. We noted no exceptions.

FRAUD NOTICE

23. 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.

Management listed none. We obtained representation that the listing is complete.

24. Observe that 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.

We requested that management send us photo or video of the posting. There is no website. We did not receive any evidence of posting.

INFORMATION TECHNOLOGY DISASTER RECOVERY/ BUSINESS CONTINUITY

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
- Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - Obtain and inspect the entity's most recent documentation that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting systems software in use are currently supported by the vendor.

We performed the procedure and discussed with management.

SEXUAL HARRASSMENT

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain the sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

We obtained the sexual harassment training documentation and noted all selected completed at least one hour of training.

27. Observe the entity has posted its sexual harassment policy and compliant procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

We were unable to observe posting. We requested management to send us a photo or video. We did not receive any documentation.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before Feb. 1, and observe it includes the applicable requirements of R.S. 42:344:

Management did not prepare a report.

- a. Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable

- b. Number of sexual harassment complaints received by the agency;

Not applicable

- c. Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable

- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable

- e. Amount of time it took to resolve each complaint

Not applicable

We were engaged by **Hudson Gaars Mill Water System, Inc.** 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 **Hudson Gaars Mill Water System, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana

December 30, 2022

HUDSON GAARS MILL WATER SYSTEM, INC.
2556 Hwy 34, Dodson, LA 71422
(318)413-1240 hgmwatersystem@gmail.com

December 30, 2022

Bosch & Statham, LLC
Post Office Box 2377
Ruston, LA 71273-2377

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period January 1, 2021, through December 31, 2021, we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We acknowledge that we are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; non-payroll disbursements; credit/debit/fuel/purchasing cards; travel and travel-related expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (should be customized by entity, as applicable).

Yes No
2. For the fiscal period January 1, 2021, through December 31, 2021, the C/C areas were administered in accordance with the best practices criteria presented in the SAUPs.

Yes No
3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No
4. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

Yes No
5. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No
6. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between December 31, 2021, and December 30, 2022.

Yes No
7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete. We also represent that we have identified and disclosed to you our main operating account.

Yes No

1. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.
Yes No
2. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.
Yes No
8. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.
Yes No
9. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.
Yes No
10. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.
Yes No
11. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.
Yes No
12. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.
Yes No
3. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.
Yes No
4. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.
Yes No
13. We represent that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines during the fiscal period.
Yes No

14. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.

Yes No

15. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.

Yes No

16. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.

Yes No

17. We are not aware of any material misstatements in the C/C areas identified in the SAUPs.

Yes No

18. We have disclosed to you that there are no other matters, to our knowledge, that we should share with you.

Yes No

19. We have responded fully to all inquiries made by you during the engagement.

Yes No

20. We have disclosed to you all known events that have occurred subsequent to December 31, 2021, that would have a material effect on the C/C areas identified in the SAUPs or would require adjustment to or modification of the results of the agreed-upon procedures.

Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature Chris Ketchum

Name & Title Secretary/Treasurer

Hudson Gaars Mill Water System, Inc.

2556 Hwy 34
Dodson, LA 71422

CORRECTIVE ACTION PLAN

December 30, 2022

Hudson Gaars Mill Water System, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2021.

Independent Auditor: Bosch & Statham, LLC
Post Office Box 2377
Ruston, LA 71273-2377

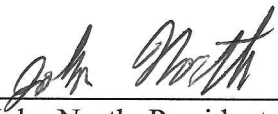
Auditee Contact: Hudson Gaars Mill Water System, Inc.
2556 Hwy 34
Dodson, LA 71422

Audit Period: January 1, 2021 through December 31, 2021

The exceptions to the Statewide Agreed Upon Procedures comments from the December 30, 2022 are discussed below. Note that there were no audited financial statement findings in that report.

We will consider the auditors' comments and take action as deemed necessary and feasible with cost restraints.

Sincerely,



John North, President
Hudson Gaars Mill Water System, Inc.