

**ATLANTA
WATER SYSTEM, INC.**

FINANCIAL REPORT
DECEMBER 31, 2021

SHANNA JONES, CPA
WINNFIELD, LOUISIANA

ATLANTA WATER SYSTEM, INC.
ATLANTA, LOUISIANA

FINANCIAL REPORT
DECEMBER 31, 2021

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	9
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Compensation	16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
COMPLIANCE AND OTHER MATTERS:	
Independent Auditor's Report Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	19
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	21
Schedule of Audit Findings and Questioned Costs	25
Corrective Action Plan	28
STATEWIDE AGREED-UPON PROCEDURES:	
Independent Accountant's Report on Applying Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures	31
Louisiana Agreed-upon Procedures Representation Form	39

Shanna Jones, CPA

*795 Big Creek Rd
Winnfield, LA 71483
792-8544*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Atlanta Water System, Inc.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Atlanta 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta 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

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*. 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 the Atlanta 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.

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

Auditor's 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 the Water System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Atlanta Water System, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

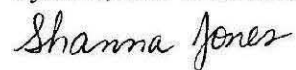
My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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"), which is required by Act 462 of 2015, which amends Act 706 of the Louisiana 2014 Legislative Session, are presented for purposes of additional analysis and are not required parts 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 subject 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 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.

As allowed by Louisiana R.S. 24:513, the Louisiana Legislative Auditor has required entities with public funds of \$500,000 or more to have certain agreed-upon procedures performed as included in the *Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures* (SAUPs). The Water System’s management is responsible for those control and compliance (C/C) areas identified in the SAUPs, see pages 31-38. The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report presented on pages 39-41. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2022, on my consideration of Atlanta 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 the Atlanta 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 Atlanta Water System, Inc.’s internal control over financial reporting and compliance.



Shanna Jones, CPA
Winnfield, Louisiana
May 9, 2022

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$	256,867
Investments		120,379
Accounts Receivable		12,336
Grant Receivable		3,000
Interest Receivable		81
Prepaid Expense		<u>6,096</u>
Total Current Assets		398,759

Non-Current Assets:

Restricted Cash		11,184
Restricted Investment		38,191
Capital Assets (Net)		1,165,237
Utility Deposits		<u>130</u>
Total Non-Current Assets		<u>1,214,742</u>

Total Assets \$ 1,613,501

LIABILITIES:

Current Liabilities:

Accounts Payable	\$	847,655
Sales Tax Payable		46
Customer Deposit Liabilities		15,191
Retainage Payable		<u>94,000</u>
Total Current Liabilities		956,892

Safe Water Drinking Loan 103,026

Total Liabilities 1,059,918

NET ASSETS:

Without Donor Restrictions		553,583
With Donor Restrictions		<u>-</u>
Total Net Assets		<u>553,583</u>

Total Liabilities and Net Assets \$ 1,613,501

See independent auditor's report and notes to financial statements.

ATLANTA WATER SYSTEM, INC.
ATLANTA, 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	\$ 179,449		\$ 179,449
Other Related Fees	3,933		3,933
Grant and Appropriations	-	54,768	54,768
Miscellaneous	7,105		7,105
Interest Earned	<u>570</u>		<u>570</u>
Total Revenues	191,057	54,768	245,825
NET ASSETS RELEASED FROM RESTRICTIONS:			
Grant funds used	<u>54,768</u>	<u>(54,768)</u>	<u>-</u>
EXPENSES:			
Program:			
Program Services	54,544		54,544
Supporting:			
Management & General	<u>42,402</u>		<u>42,402</u>
Total Expenses	96,946	-	96,946
Change in Net Assets	148,879	-	148,879
Net Assets January 1, 2021-restated	<u>404,704</u>	<u>-</u>	<u>404,704</u>
Net Assets December 31, 2021	<u>\$ 553,583</u>	<u>\$ -</u>	<u>\$ 553,583</u>

See independent auditor's report and notes to financial statements.

ATLANTA WATER SYSTEM, INC.
ATLANTA, 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		\$ 224	224
Accounting		3,175	3,175
Contract Labor	\$ 31,602	11,260	42,862
Depreciation	3,551	-	3,551
Dues & Subscriptions	-	3,369	3,369
Insurance	-	6,986	6,986
Interest	1,621	-	1,621
Office Supplies	-	1,861	1,861
Per diem	-	450	450
Postage	-	2,203	2,203
Rent	-	6,000	6,000
Repairs & Maintenance	2,546	200	2,746
System Supplies	6,935	-	6,935
Taxes, Licenses & Permits	-	1,198	1,198
Telephone	-	5,476	5,476
Utilities	8,289	-	8,289
	<u>8,289</u>	<u>-</u>	<u>8,289</u>
Total Expenses	<u>\$ 54,544</u>	<u>\$ 42,402</u>	<u>\$ 96,946</u>

See independent auditor's report and notes to financial statements.

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:

Change in Net Assets	\$	148,879
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by/(Used In) Operating Activities:		
Depreciation		3,551
Changes in Assets & Liabilities:		
(Increase)/Decrease in Accounts Receivable, Net	(	10,091)
(Increase)/Decrease in Grant Receivable	(	3,000)
(Increase)/Decrease in Interest Receivable		120
(Increase)/Decrease in Prepaid Expense	(	2,846)
Increase/(Decrease) in Accounts Payable		846,814
Increase/(Decrease) in Sales Tax Payable	(	65)
Increase/(Decrease) in Retainage Payable		94,000
Increase/(Decrease) in Customer Deposit Liabilities		<u>3,603</u>
Net Cash Provided by/(Used In) Operating Activities		<u>1,080,965</u>

Cash Flows from Investing Activities:

Purchases of Assets	(	28,730)
(Increase)/Decrease in Construction in Progress	(	975,833)
Interest Earned on Accounts	(	475)
Net Cash Provided by/(Used In) Investing Activities	(	<u>1,005,038</u>)

Cash Flows from Capital & Related Financing Activities:

Proceeds from Debt		35,833
Capital Financing Grant/Forgiven State Portion of Loan	(	7,167)
Principal Payments on Loan	(	2,000)
Net Cash Provided By/(Used In) Financing Activities		<u>26,666</u>

Net Increase/(Decrease) in Cash & Cash Equivalents 102,593

Cash & Cash Equivalents—Beginning of Year 165,458

Cash & Cash Equivalents—End of Year \$ 268,051

Cash & Cash Equivalents—Beginning of Year		
Unrestricted Cash	\$	142,551
Restricted Cash		<u>22,907</u>
Total Cash & Cash Equivalents—Beginning of Year	\$	<u><u>165,458</u></u>

Cash & Cash Equivalents—End of Year		
Unrestricted Cash	\$	256,867
Restricted Cash		<u>11,184</u>
Total Cash & Cash Equivalents—End of Year	\$	<u><u>268,051</u></u>

See independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1—INTRODUCTION

The Atlanta 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 1972. 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 Atlanta 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 Atlanta Water System, Inc. has adopted the provisions of FASB Accounting Standards Codification 958-205. Under the new Accounting Standards Update 2016-14, the Atlanta 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 Atlanta Water System, Inc. is required to present a statement of cash flows.

Measurement Focus and Basis of Accounting

The Atlanta Water System, Inc. uses the full accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. 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 loans and others by customer deposits. The Water System collects deposits from their water customers.

ATLANTA WATER SYSTEM, INC.
ATLANTA, 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).

During the audit of December 31, 2021, it was noted that the state (LDH) forgives 20% of the Drinking Water Loan that flows through Louisiana Department of Health from the Environmental Protection Agency to the Atlanta Water System, Inc. The amount forgiven for the fiscal year ended December 31, 2020 was \$19,090 and Net Assets without Donor Restrictions has been restated by the related increase as noted below.

Previously Reported Net Assets without Donor Restrictions as of December 31, 2020	\$ 385,614
Increase due to correction of 2020 Loan Balance-state forgiven portion	<u>19,090</u>
Restated Net Assets without Donor Restrictions as of December 31, 2020	<u>\$ 404,704</u>

At December 31, 2021 the Water System had no funds in Net Assets with Donor Restrictions. All \$553,583 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 Atlanta 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:

Office Equipment	5 – 7 years
Equipment	7–20 years
Water Distribution System/Line Extension	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, other than annual right of way for \$50 per year.

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Budget—The Atlanta 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.

Income Taxes—The Atlanta 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

As of December 31, 2021, the carrying amount of the Atlanta Water System Inc.’s cash and cash equivalents totaled \$268,051. The water system is a nonprofit corporation and not subject to the state law which requires governmental entities to secure these deposits (or the resulting bank balances) by federal deposit insurance or the pledge of securities owned by the fiscal agent banks, therefore there is no finding for amounts in excess of FDIC coverage.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2021, consisted of \$12,336 due from water customers. The Water System services approximately 270 residential and commercial customers. As of December 31, 2021, all accounts were considered collectible and therefore no provision for uncollectible accounts was made at this time.

NOTE 5—CAPITAL ASSETS

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

	Balance <u>01/01/21</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/21</u>
Capital Assets:				
Non-Depreciable				
Land	\$ 4,999	\$ -	\$ -	\$ 4,999
Construction in Progress	<u>95,450</u>	<u>975,833</u>	<u>-</u>	<u>1,071,283</u>
Subtotal of Non-Depreciable Assets	100,449	975,833	-	1,076,282

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets(continued):	01/01/21			12/31/21
Depreciable				
Office Equipment	1,938	-	-	1,938
Equipment	93,847	28,730	-	122,577
Water Distribution System	334,634	-	-	334,634
Subtotal of Depreciable Assets	<u>430,419</u>	<u>28,730</u>	<u>-</u>	<u>459,149</u>
Subtotal of Assets	530,868	1,004,563	-	1,535,431
Less: Accumulated Depreciation				
Office Equipment	1,659	105	-	1,764
Equipment	30,350	3,446	-	33,796
Water Distribution System	334,634	-	-	334,634
Subtotal of Accum. Deprec.	<u>366,643</u>	<u>3,551</u>	<u>-</u>	<u>370,194</u>
Net Capital Assets	<u>\$ 164,225</u>			<u>\$1,165,237</u>

Depreciation expense for the year ended December 31, 2021 totaled \$3,551.

NOTE 6—NOTE PAYABLE

The Atlanta Water System, Inc. had the following note payable:

<u>Lender</u>	<u>Original</u>	<u>Balance Due</u>	<u>Interest</u>
	<u>Amount</u>	<u>12/31/21</u>	<u>Rate</u>
LA Dept. of Health	\$1,150,000*	\$ 103,026	1.95% (plus .5% SRF Admn Fee)

The LA Dept. of Health (LDH) note payable is approximately 30-year term note secured by water system net revenues and maturing in October of 2039. The loan was approved under Capitalization Grants for Drinking Water Revolving Fund, CFDA 66.468. These fund pass from EPA (federal monies) through LDH to the Water System. *This loan has proceeds provided to the company in installments as requisitioned by the company for the project rather than providing the full \$1,150,000 approved at the beginning of the loan, which began in the previous fiscal year. Therefore the balance of the loan is less than the approved amount. In addition, the state forgives 20% of each installment up to \$200,000 according to the promissory note. The Water System began making semiannual payments to LDH before the project is complete as required.

While the project was scheduled to be completed already, a waiver/change order due to COVID and supply chain issues was obtained to extend the period of performance. A certificate of substantial completion was issued in October 2021. However, the contractor's application for

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

payment was approved subsequent to year end. Liabilities include accounts payable of \$846,000 and retainage payable of \$94,000. There will be additional monies received and paid in the fiscal year of 2022 as well.

LDH Loan Balance 01/01/21	\$ 76,360
Proceeds	35,833
State Forgiven Portion-2021	(7,167)
Repayments of Principal	<u>(2,000)</u>
Balance of LDH Loan 12/31/21	<u>\$ 103,026</u>

NOTE 7—RESERVES/RESTRICTIONS

Under FASB ASU 2016-14 only net assets restricted by donors is grouped as restricted in equity. However, cash set aside for customer deposits and separate bank accounts required by the LDH loan described in Note 6, are presented as restricted assets. These monies are released from restriction when the loan is repaid, or a customer leaves the system. In addition, grants are received for specific purposes and those monies are released from the restrictions as it is paid for the specified expenditures. See Note 8 for grant disclosures.

As described in Note 6, LDH has a promissory note to the Water System. This note requires the following Debt Service Reserves. Debt Service Fund was required to begin June 20, 2020 in which 1/12 of the year’s debt service amounts were to be transferred from the Operating Account. This money is to be utilized to make the semi-annual note payments. Overages in the account can be placed back into the Operating account or used to reduce the amount of transfers. As of December 31, 2021, the amount required to be in this cash reserve was \$11,184. The other Debt Service Reserve Fund required to be set up is to maintain a balance of \$23,000, which is approximately one-half of the highest annual principal and interest payment, restricted for debt service payments when no other funds are available. This restriction ends when the final payment has been made on the loan, i.e., the promissory note has been paid in full. The Water System has elected to utilize investment in certificates of deposit to cover this reserve. The Water System had amounts in excess of these requirements in the related accounts. Only the required amounts are listed as restricted on the face of the statements.

In addition to the restrictions/requirements listed above, the loan agreement includes a rate covenant to ensure that net revenues of the System are sufficient to cover the annual debt service requirements. Net revenues are defined as gross revenues after reasonable and necessary cost of operating and maintain they system. Atlanta Water System’s annual net revenues must be 125% of the largest amount of annual debt service on the loan. This is estimated to be approximately \$57,500. For the fiscal year ended December 31, 2021, the Water System appears to be in compliance with this rate covenant.

ATLANTA WATER SYSTEM, INC.
ATLANTA, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Also included in restricted cash is approximately \$15,191 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 8—GRANTS FROM STATE OF LOUISIANA

As stated in Note 6 the state LDH forgives 20% of the EPA loan with each draw of the loan. For the fiscal year ended December 31, 2021, \$7,167 of the loan was reclassified to grant income related to this state forgiveness. Also during the fiscal year, the Water System received \$14,408 as flow through monies of LGAP and \$8,193 for 1819 CWEF and \$22,000 for 1920 CWEF grant awards. These are reimbursement grants for expenditures in the prior years. There is a \$3,000 receivable related to a 1920 CWEF grant reimbursement for a current year water expenditure.

NOTE 9—DONATED SERVICES, MATERIALS, AND FACILITIES

The Atlanta 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 10—LITIGATION

The Atlanta Water System, Inc. was not involved in any litigation as of December 31, 2021.

NOTE 11—RELATED PARTY DISCLOSURES

The water system has a board member, W.C. McCarty, Jr., who was compensated for maintenance work performed on the system in the amount of \$11,687 during the fiscal year ended December 31, 2021. David Chevallier, a relative of board member Shannan Chevallier, also performed maintenance work and was compensated in the amount of \$15,390 during the fiscal year ended December 31, 2021.

NOTE 12—COMPENSATION OF BOARD DIRECTORS

The members of the Board of Directors of the Atlanta Water System receive \$50 per meeting in compensation for their services as directors. Due to COVID restrictions placed by the state governmental and health departments there were limited meetings. For the fiscal year ended December 31, 2021, the following board members received the \$100 each for their services: W.C. McCarty, Jr., Jerry Collins, Patrick Howell and Shannan Chevallier. Missy Sorter received \$50.

NOTE 13—OTHER DISCLOSURES

Management has evaluated events through May 9, 2022, the date which the financial statements were available for issue. There were no items noted to be reported as subsequent events, other than construction on the water system improvements related to the LDH loan was still in progress.

SUPPLEMENTARY INFORMATION

ATLANTA WATER SYSTEM, INC.
ATLANTA, 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 Atlanta Water System, Inc. would be its Board Members: W.C. McCarty—President, Missy Sorter, Patrick Howell, Jerry Collins and Shannan Chevallier.

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 auditor's report.

Atlanta 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>Environmental Protection Agency/Drinking Water State Revolving Fund Cluster</i>	66.468	<i>Louisiana Department of Health</i>	1127001-01	\$ 780,666
<i>Total Expenditures of Federal Awards</i>				<u>\$ 780,666</u>

The accompanying notes are an integral part of this schedule.

ATLANTA WATER SYSTEM, INC.
ATLANTA, 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 Atlanta 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 Atlanta Water System, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Atlanta 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

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

Note 4. Loan Balance

As of December 31, 2021, the balance drawn down by the Water System from the loan under the EPA Drinking Water State Revolving Fund, administered through LDH, was \$103,026. Total federal expenditures, including payables for the year ended December 31, 2021, were \$780,666.

Note 5. Reconciliation of Expenditures to Loan Balance

SEFA Expenditures FYE December 31, 2021	
2021 Federal Expenditures added to Loan	\$ 28,666
Accounts Payable (80% federal/20% state)	676,800
Retainage Payable (80% federal/20% state)	<u>75,200</u>
Total Expenditures in 2021 SEFA	<u>\$ 780,666</u>
 Loan Balance as of December 31, 2021	
Total Expenditures in 2021 SEFA	\$ 780,666
Less items not in 2021 Loan Balance:	
Accounts Payable (80% federal/20% state)	(676,800)
Retainage Payable (80% federal/20% state)	(75,200)
Loan Balance as of December 31, 2020	76,360
Principal Payment on Loan	<u>(2,000)</u>
Loan Balance as of December 31, 2021	<u>\$ 103,026</u>

Shanna Jones, CPA

*795 Big Creek Rd
Winnfield, LA 71483
792-8544*

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
Atlanta Water System, Inc.
P.O. Box 965
Winnfield, LA 71483

I 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 Atlanta 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 my report thereon dated May 9, 2022.

Report on Internal Control over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlanta Water System, Inc.'s financial statements are free from material misstatement, I 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 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Shanna Jones, CPA
Winnfield, Louisiana
May 9, 2022

Shanna Jones, CPA

*795 Big Creek Rd
Winnfield, LA 71483
792-8544*

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
Atlanta Water System, Inc.
P.O. Box 965
Winnfield, LA 71483

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Atlanta Water System, Inc.'s (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. Atlanta Water System, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Environmental Protection Agency's Drinking Water State Revolving Loan Fund Cluster, CFDA 66.468

In my opinion, except for the noncompliance described in the Basis for Opinion section of my report, Atlanta Water System, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Environmental Protection Agency's Drinking Water State Revolving Loan Fund Cluster, CFDA 66.468 for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

I am required to be independent of Atlanta Water System, Inc. and to meet my other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. My audit does not provide a legal determination of Atlanta Water System, Inc.'s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Environmental Protection Agency's Drinking Water State Revolving Loan Fund Cluster, CFDA 66.468

As described in the accompanying schedule of findings and questioned costs, Atlanta Water System, Inc. did not comply with requirements regarding allowable costs regarding specific elements in their written procedures such as procurement related to CFDA 66.468, Environmental Protection Agency's Drinking Water State Revolving Loan Fund Cluster, as described in finding 2021-001. Compliance with such requirements is necessary, in my opinion, for the Water System to comply with the requirements applicable to that program.

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 Atlanta Water System, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

My 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 Atlanta Water System, Inc.'s compliance based on my 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 Atlanta Water System, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- 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 Atlanta Water System, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Atlanta Water System, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Atlanta Water System, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Atlanta Water System, Inc.'s response to the noncompliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. Atlanta Water System, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I did identify a certain deficiency in internal control over compliance that I consider to be a material weakness.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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.

My 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.

Government Auditing Standards requires the auditor to perform limited procedures on Atlanta Water System, Inc.'s response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. Atlanta Water System, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, under Louisiana R.S. 24:513 this report is a matter of public record and its distribution is not limited.

Shanna Jones

Shanna Jones, CPA
Winnfield, Louisiana
May 9, 2022

ATLANTA WATER SYSTEM, INC.
SCHEDULE OF AUDIT FINDINGS & 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 Atlanta 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 Atlanta Water System, Inc. were disclosed during the audit.
4. The Independent Auditor's Report on Compliance for Each Major Program of the Atlanta Water System, Inc. expresses a qualified opinion.
5. There was one deficiency noted in internal control over major federal awards programs disclosed in the Independent Auditor's Report on Compliance for Each Major Program. This deficiency was deemed to be a material weakness.
6. The audit disclosed one finding that is required to be reported in accordance with 2 CFR section 200.516(a) and is reported in this Schedule.
7. The program tested as major program for the Atlanta Water System, Inc. was the Environmental Protection Agency's Drinking Water State Revolving Loan Fund Cluster, CFDA 66.468.
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

Major Program

CFDA 66.468 EPA Drinking Water State Revolving Loan Fund Cluster

2021-001 WRITTEN POLICIES NEED ADDITIONAL ELEMENTS

Criteria

Written policies, procedures, and standards of conduct are required by 2 CFR 200, Subparts D and E (2 CFR sections 200.300 and 200.400, respectively). The regulations require that the Water System follow their written policies and procedures, including procurement and purchasing, and that they must comply with federal regulations for such transactions and contracts.

The following sections of the Uniform Guidance require nonfederal entities that receive federal awards, including subrecipients of states, to establish written policies, procedures, or standards of conduct:

- Financial management (200.302)
- Payment (200.305)
- General procurement standards (200.318)
- Competition (200.319)
- Methods of procurement to be followed (200.320)
- Cost price analysis on items for procurement actions in excess of simplified acquisition threshold (200.323)
- Suspension and debarment (180.220)

Condition

In 2021, the Water System's written policies, procedures, and standards of conduct, specifically applicable for this major federal award program, did not include all procedures covering procurement and purchasing. Although the Water System appears to have acted in a manner that ensured compliance with other requirements, the written policies do not appear to include sufficient details to clearly address all of the elements required by federal regulations.

Cause

The regulations are complex.

Effect

While it appears that the Water System has complied with other compliance requirements, the lack of sufficient written policies and procedures could lead to other instances of noncompliance.

Questioned Costs

I did not identify any questioned costs.

Perspective

The condition is a systemic problem. The project has a budget of \$1,150,000. This is funded under the loan program, where the Water System is a subrecipient of funds flowing through Louisiana Department of Health.

First Year

2021

Recommendation

I recommend that the Water System compare written policies and procedures to federal regulations and include further details where necessary to ensure compliance with the regulations requiring written policies and to prevent noncompliance with other regulations.

Views of Responsible Officials

The Atlanta Water System, Inc. had written policies. These policies were being followed and we felt we were complying with state and federal requirements for procurement and purchasing. Upon being made aware policies were required to be written in greater detail related to federal regulations, we amended our written policies and procedures to include such language as required.

Status

Corrected by adding requirements to written policies and procedures.

D. PRIOR YEAR FINDINGS

None.

Atlanta Water System, Inc.
P.O. Box 965
Winnfield, LA 71483

CORRECTIVE ACTION PLAN

May 9, 2022

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

Independent Auditor: Shanna Jones, CPA
795 Big Creek Rd
Winnfield, LA 71483

Auditee Contact: Atlanta Water System, Inc.
P. O. Box 965
Winnfield, LA 71483

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

The findings from the May 9, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section B. FINANCIAL STATEMENTS AUDIT

None

Section C. MAJOR FEDERAL AWARD PROGRAM AUDIT

Major Program

CFDA 66.468 EPA Drinking Water State Revolving Loan Fund Cluster

2021-001 WRITTEN POLICIES NEED ADDITIONAL ELEMENTS

Criteria

Written policies, procedures, and standards of conduct are required by 2 CFR 200, Subparts D and E (2 CFR sections 200.300 and 200.400, respectively). The regulations require that the Water System follow their written policies and procedures, including procurement and purchasing, and that they must comply with federal regulations for such transactions and contracts.

The following sections of the Uniform Guidance require nonfederal entities that receive federal awards to establish written policies, procedures, or standards of conduct:

- Financial management (200.302)
- Payment (200.305)
- General procurement standards (200.318)
- Competition (200.319)
- Methods of procurement to be followed (200.320)

- Cost price analysis on items for procurement actions in excess of simplified acquisition threshold (200.323)
- Suspension and debarment (180.220)

Condition

In 2021, the Water system's written policies, procedures, and standards of conduct, specifically applicable for this major federal award program, did not include all procedures covering procurement and purchasing. Although the Water System appears to have acted in a manner that ensured compliance with other requirements, the written policies do not appear to include sufficient details to clearly address all of the elements required by federal regulations.

Cause

The regulations are complex.

Effect

While it appears that the Water System has complied with other compliance requirements, the lack of sufficient written policies and procedures could lead to other instances of noncompliance.

Questioned Costs

I did not identify any questioned costs.

Perspective

The condition is a systemic problem. The project has a budget of \$1,150,000. This is funded under the loan program, where the Water System is a subrecipient of funds flowing through Louisiana Department of Health.

First Year

2021

Recommendation

I recommend that the Water System compare written policies and procedures to federal regulations and include further details where necessary to ensure compliance with the regulations requiring written policies and to prevent noncompliance with other regulations.

Action Taken

The Atlanta Water System, Inc. had written policies. These policies were being followed and we felt we were complying with state and federal requirements for procurement and purchasing. Upon being made aware policies were required to be written in greater detail related to federal regulations, we amended our written policies and procedures to include such language as required.

Sincerely,



W.C. McCarty, Jr, President
Atlanta Water System, Inc.

STATEWIDE AGREED UPON PROCEDURES

Shanna Jones, CPA

*795 Big Creek Rd
Winnfield, LA 71483
792-8544*

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

To the Board of Directors of
Atlanta Water System, Inc.
P.O. Box 9665
Winnfield, LA 71483
and the Louisiana Legislative Auditor:

I 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. Atlanta Water System, Inc. (the "Water System" or "AWS")'s management is responsible for those C/C areas identified in the SAUPs.

Atlanta 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 Atlanta 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.

No exceptions noted.

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 to that 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.

Atlanta Water System, Inc. (AWS) 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:
 - 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);

Bank reconciliations do not appear to have been prepared within time allotted.

- 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.

No exception noted.

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 provided listing and representation.

- 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.

Management stated one employee collects checks and cash.

- 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.

No Bonding noted.

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.
Items remitted to AWS appear to have alternative supporting documentation, noted payment entered to billing system.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
No exception noted.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
No exception noted.
 - 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).
No exceptions noted.
 - e) Trace the actual deposit per the bank statement to the general ledger.
No exception noted.

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).
Obtained listing and representation letter.
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:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
No employees at AWS. Contract secretary can purchase but two signatures required on all checks. A board member signs check as approval.
 - b) At least two employees are involved in processing and approving payments to vendors.
No employees but two signatures required for approval/payment to vendors.

- 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.

It does not appear that the person responsible for processing payments, secretary, is prohibited from adding vendors. However, supporting invoices were noted for each payment, board member approval noted for purchases, and contract accountant reconciles accounts.

- 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.

Secretary can be signee and mails; however, a board member is also required to sign.

- 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:

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

No exception noted.

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

Noted Board member's approval via signature.

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.

Client representation letter states no credit/debit/fuel cards held by Water System.

TRAVEL AND EXPENSE REIMBURSEMENT

- 12. 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:

Obtained management's representation and listing.

- 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).

No travel or related reimbursement noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

N/A.

- 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).

N/A.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

N/A.

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:

Obtained management representation and listing.

- a) 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.

In prior year (2020) contract appears properly bid.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) 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.

No exceptions noted.

PAYROLL AND PERSONNEL

- 14. 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.

Obtained listing and representation-No employees, only board elected members who receive per diem compensation for attending meetings.

DEBT SERVICE

15. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued. N/A
16. 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).

Obtained listing and representation. No exceptions noted.

FRAUD NOTICE

17. 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.

Obtained management's representation that no misappropriations of public funds or assets noted.

18. 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.

Noted fraud hotline notice posted on premises.

INFORMATION TECHNOLOGY DISASTER RECOVERY/ BUSINESS CONTINUITY

22. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) 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.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified 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.
 - c) 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 system software in use are currently supported by the vendor.

I performed the procedure and discussed with management.

I was engaged by Atlanta Water System, Inc. to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of Atlanta Water System, Inc. and to meet 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.



Shanna Jones, CPA
Winnfield, Louisiana
May 9, 2022

Louisiana Agreed-upon Procedures Representation Form

Atlanta Water System, Inc.

P.O. Box 965
Winnfield, LA 71483

May 9, 2022

Shanna Jones, CPA
795 Big Creek Rd
Winnfield, LA 71483

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; debt service; and other areas.

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 May 9, 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
8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.
- Yes No
9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.
- Yes No
10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.
- Yes No
11. 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
12. 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
13. 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
14. 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
15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.
- Yes No

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

Yes No

17. 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

18. 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

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

Yes No

20. We have disclosed to you all items of which we are aware need disclosure in the financial statements.

Yes No

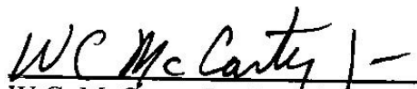
21. We have responded fully to all inquiries made by you during the engagement.

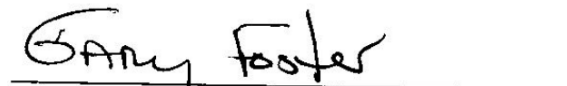
Yes No

22. 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.


W.C. McCarty, Jr., President
Atlanta Water System, Inc.


Gary Foster, Secretary
Atlanta Water System, Inc.