

UNITED WATER SYSTEM, INC.
ARNAUVILLE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
 United Water System, Inc.
 Arnaudville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of United Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Water System, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors of
United Water System, Inc.
Arnaudville, Louisiana

Other Matters

The schedule of insurance in force is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2020, on our consideration of United Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United 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 United Water System, Inc.'s internal control over financial reporting and compliance.

John S. Dowling & Company

Opelousas, Louisiana
August 20, 2020

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash - unrestricted	\$ 13,712	\$ 22,068
Accounts receivable, net of allowance for doubtful accounts	61,236	44,785
Prepaid insurance	6,116	5,093
Restricted assets		
Cash - tenant deposits	11,705	11,015
Cash - notes payable	283,192	333,592
Investments - notes payable	29,809	29,779
Due from restricted cash	461	570
Property and equipment (net)	1,260,091	1,337,393
 <u>Total assets</u>	 <u>1,666,322</u>	 <u>1,784,295</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 15,192	\$ 7,691
Payroll taxes payable	3,173	2,753
Sales tax payable	28	28
Safe drinking water payable	4,084	4,047
Accrued interest payable	5,383	5,802
Restricted payables		
Due to unrestricted cash	461	570
Restricted deposits	11,244	10,444
Insurance note payable	3,255	4,217
Notes payable	1,059,252	1,123,617
<u>Total liabilities</u>	<u>1,102,072</u>	<u>1,159,169</u>
 <u>NET ASSETS</u>		
Without donor restrictions	564,250	625,126
<u>Total net assets</u>	<u>564,250</u>	<u>625,126</u>
 <u>Total liabilities and net assets</u>	 <u>1,666,322</u>	 <u>1,784,295</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	
	2020	2019
<u>REVENUES AND OTHER SUPPORT</u>		
Water sales	\$ 438,883	\$ 406,768
Connection charges	2,010	2,100
Reconnection charges	10,296	9,720
Interest income	2,640	4,976
Membership fees	4,550	5,300
NSF collection fees	150	1,375
Meter changeout	2,519	9,515
Miscellaneous income	11,137	-
Grant income	10,000	-
<u>Total revenues and other support</u>	482,185	439,754
<u>EXPENSES</u>		
Management & General		
Salaries	17,766	17,088
Payroll taxes	1,652	1,578
Board fees	3,675	4,400
Utilities	1,228	1,203
Insurance	1,440	1,315
Professional fees	10,950	10,610
Kitchen supplies	1,076	1,307
Office supplies and printing	714	654
Travel and entertainment	777	700
Telephone and internet	313	322
Depreciation expense	976	957
Program Services		
Salaries	95,964	97,776
Payroll taxes	9,359	8,941
Auto & gas	12,016	12,593
Bank charges	837	817
Chemicals	48,872	47,771
Utilities	23,330	22,862
Insurance	22,556	20,600
Miscellaneous expenses	2,508	7,417
Office supplies and printing	4,044	3,708
Postage	7,590	7,501
Repairs and maintenance	51,821	34,050
Water supplies	12,814	15,165
Certification and training	-	30
Chemical testing	41,222	40,890
Advertising	1,114	912
Telephone and internet	5,947	6,124
Uniforms	424	-
Licenses and permits	390	1,135
Dues and subscriptions	400	300
Bad debt expense	(402)	2,413
Loan fees	3,201	3,441

Continued on next page

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	
	<u>2020</u>	<u>2019</u>
Depreciation expense	\$ 96,638	\$ 94,722
Interest expense	40,069	42,502
Loss of cash	-	2,359
<u>Total expenses</u>	<u>521,281</u>	<u>514,163</u>
 <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</u>	 <u>(39,096)</u>	 <u>(74,409)</u>
 <u>OTHER INCREASES (DECREASES)</u>		
Garbage collection fee	<u>(21,780)</u>	<u>1,508</u>
<u>Total other increases (decreases)</u>	<u>(21,780)</u>	<u>1,508</u>
 Change in net assets	 (60,876)	 (72,901)
 <u>NET ASSETS, beginning of year</u>	 <u>625,126</u>	 <u>698,027</u>
 <u>NET ASSETS, end of year</u>	 <u>564,250</u>	 <u>625,126</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 439,793	\$ 466,863
Interest earned on investments	2,640	4,976
Cash paid to suppliers	(261,031)	(255,241)
Cash paid to employees	(113,310)	(115,366)
Interest paid on loans	(40,489)	(42,881)
<u>Net cash provided by operating activities</u>	<u>27,603</u>	<u>58,351</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from loans	16,008	14,973
Principal payments on loans	(81,335)	(78,366)
<u>Net cash used by capital and related financing activities</u>	<u>(65,327)</u>	<u>(63,393)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(20,312)	(21,560)
Purchase of investments	(30)	(53)
<u>Net cash used by investing activities</u>	<u>(20,342)</u>	<u>(21,613)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(58,066)	(26,655)
<u>CASH AND CASH EQUIVALENTS</u> , beginning of year	<u>366,675</u>	<u>393,330</u>
<u>CASH AND CASH EQUIVALENTS</u> , end of year	<u>308,609</u>	<u>366,675</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET</u>		
<u>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Change in net assets	\$ (60,876)	\$ (72,901)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	97,614	95,679
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(16,451)	30,868
(Increase) decrease in prepaid insurance	(1,023)	(191)
Increase (decrease) in accounts payable	7,501	1,350
Increase (decrease) in sales tax payable	-	(121)
Increase (decrease) in safe drinking water payable	37	4,047
Increase (decrease) in accrued interest payable	(419)	(378)
Increase (decrease) in payroll taxes payable	420	(502)
Increase (decrease) in tenant deposits	800	500
<u>Net cash provided by operating activities</u>	<u>27,603</u>	<u>58,351</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

United Water System, Inc., was organized October 13, 1971, as a nonprofit water distribution corporation and is a "Membership Association" whereby the members elect the Board of Directors consisting of six members. The U.S. Treasury Department issued its letter dated November 1, 1977, granting the corporation an exemption from federal income tax. As a result of that exemption, the Corporation has been granted exemption from Louisiana income tax and corporate franchise tax.

United Water System, Inc., services the rural surroundings of Arnaudville, Louisiana in St. Landry and St. Martin Parishes. The service area covers approximately twenty (20) miles. Customers are either life-members or tenants.

A. Basis of Accounting

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

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

B. Estimates

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

C. Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and compensation, utilities, telephone and internet, professional fees, insurance, and several other minor expenses which are allocated on the basis of estimates of time and effort as well as depreciation.

D. Property, Plant and Equipment

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

Interest during construction is not capitalized. United Water System, Inc. follows a policy of capitalizing all assets in excess of \$500.

E. Income Taxes

United Water System, Inc. is a nonprofit organization exempt from income taxes under the Internal Revenue Code Section 501(c)(12) and similar provisions of the State Code. Therefore, no provisions for income taxes have been made. United Water System, Inc. is required to file a Form 990 with the Internal Revenue Service annually. The years open to examination by the Internal Revenue Service are fiscal years after June 30, 2016.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

F. Statement of Cash Flows

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

G. Allowance for Doubtful Accounts

Uncollectible amounts due for customers' receivables are recognized as bad debts through the adjustment of an allowance account to the balance of individual accounts that are inactive at the end of each fiscal year.

H. Compensated Absences

Full-time employees of United Water System, Inc. earn five (5) days of vacation for 1-3 years of service, ten (10) days for 4-10 years of service and fifteen (15) days for over 10 years of service. Unused vacation may not be accumulated or carried over from one anniversary date of employment to another unless the Board of Directors agree that the employee was unable to take the vacation days due to work related constraints in which case the Board of Directors can decide to compensate the employees for vacation not taken or allow he/she to carry over these vacation days.

All full-time employees are provided six (6) days of sick leave per year. Sick leave can be accumulated. Any unused sick leave will be lost upon termination of employment or retirement.

All full-time employees are allowed ten (10) personal days without pay each calendar year. Personal days cannot be accumulated or carried over year to year.

I. Bad Debts

United Water System, Inc. has a policy of recognizing uncollectible amounts of water billings at the time information becomes available which would indicate the uncollectibility of the receivable.

J. Liquidity and Availability of Financial Assets

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 400,115	\$ 441,809
Less those unavailable for general expenditures within one year - donor imposed restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>400,115</u>	<u>441,809</u>

As part of the Water System's liquidity management, it invests excess cash in certificates of deposits.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (2) - CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, United Water System's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. These deposits, (or the resulting balances) should be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. As of June 30, 2020 and 2019, the United Water System's total bank balances were insured or secured with pledged securities or FDIC and therefore not exposed to custodial credit risk. United Water System does not have a policy for custodial credit risk.

Deposits: The bank balances for the years ended June 30, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
<u>Washington State Bank</u>		
Bank Balance	<u>\$ 121,698</u>	<u>\$ 124,705</u>
Federal deposit insurance	\$ 121,698	\$ 124,705
Pledged securities	<u>-</u>	<u>-</u>
Total FDIC and collateral pledged	<u>121,698</u>	<u>124,705</u>
<u>FM Bank</u>		
Bank Balance	<u>\$ 236,378</u>	<u>\$ 289,131</u>
Federal deposit insurance	\$ 236,378	\$ 250,000
Pledged securities	<u>-</u>	<u>39,131</u>
Total FDIC and collateral pledged	<u>236,378</u>	<u>289,131</u>

Investments: Investments are stated at cost or amortized cost, which approximates market. These investments, which are time deposits, are included in the above schedule.

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE

United Water System, Inc.'s accounts receivable consists of uncollected billed and unbilled water sales. Accounts receivable aging schedules at June 30, 2020 and 2019, are as follows:

<u>Days</u>	<u>2020</u>	<u>2019</u>
Unbilled receivables	\$ 10,502	\$ 4,848
0-30	47,919	32,838
31-60	2,490	4,629
61-90	(165)	1,374
91-120	1,212	56
120 and older	<u>264</u>	<u>2,428</u>
	62,222	46,173
Allowance for doubtful accounts	<u>(986)</u>	<u>(1,388)</u>
<u>Totals</u>	<u>61,236</u>	<u>44,785</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE - Continued

The following is a user classification of members for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Residential users	1,425	1,413
Commercial users	<u>8</u>	<u>7</u>
<u>Total</u>	<u><u>1,433</u></u>	<u><u>1,420</u></u>

The rates for United Water System, Inc. for the years ended June 30, 2020 and 2019, are as follows:

Residential rates:

\$20.00 per month for the first 2,000 gallons
\$5.60 per thousand for part thereof over 2,000 gallons

Commercial rates:

\$90.00 per month for the first 24,000 gallons
\$5.30 per thousand for part thereof over 24,000 gallons

NOTE (4) - RESTRICTED ASSETS

A reserve shall be set aside and shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by any unforeseen catastrophe, for making extensions or improvements with prior written approval and when necessary for the purpose of making the United States Department of Agriculture - Rural Development's loan payments in the event the amount in the revenue account is insufficient to meet such payments. An amount of \$505 per month will be deposited to a reserve until \$37,356 is accumulated. As of June 30, 2020 and 2019, the balances in the reserve account were \$76,624 and \$74,240, respectively. The Water System has chosen to continue the monthly deposits into the reserve account.

A debt service fund shall be set up for the purpose of making payments on loan to Louisiana Department of Health and Hospitals. An amount of 1/12th of each year's debt service requirement should be deposited monthly into this account. United Water should have a balance of \$78,858 in this account at June 30, 2020. As of June 30, 2020 and 2019, the balances in the debt service account were \$135,715 and \$132,730, respectively.

A reserve shall be set aside to provide a cushion against shortfalls in revenues to cover debt service payments to Louisiana Department of Health and Hospitals. An amount of \$42,000 is required in the reserve fund and must be accumulated over five years, beginning in 2005. As of June 30, 2020 and 2019, the balances in the reserve account were \$44,649 and \$89,048, respectively.

A contingency fund shall be set aside and shall be used to provide an available reserve for extensions, additions, improvements, renewals and replacements necessary to properly operate the Water System. The Contingency fund should be funded by transferring 5% of the gross revenue of the Water System each month until \$50,000 has accumulated, provided that such funds are available. At June 30, 2020 and 2019, the balances in the contingency fund were \$56,014 and \$67,353, respectively.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (4) - RESTRICTED ASSETS – Continued

Restricted assets for notes payable at June 30, 2020 consist of:

	<u>USDA</u>		<u>LDHH</u>	
	<u>Note</u>	<u>Depreciation</u>	<u>Note</u>	<u>Contingency</u>
Beginning balances	\$ 59,359	\$ 14,882	\$ 221,777	\$ 67,353
Interest income	432	30	1,646	531
Withdrawals		-	(58,700)	(21,310)
Transfers				
Per loan agreement (LDHH)	-	-	15,641	9,440
Per loan agreement (USDA)	1,920	-	-	-
Ending balances	<u>61,711</u>	<u>14,912</u>	<u>180,364</u>	<u>56,014</u>

Restricted assets for notes payable at June 30, 2019 consist of:

	<u>USDA</u>		<u>LDHH</u>	
	<u>Note</u>	<u>Depreciation</u>	<u>Note</u>	<u>Contingency</u>
Beginning balances	\$ 57,115	\$ 14,828	\$ 197,569	\$ 135,178
Interest income	324	54	3,792	3,420
Withdrawals				(93,901)
Transfers				
Per loan agreement (LDHH)	-	-	20,416	22,656
Per loan agreement (USDA)	1,920	-	-	-
Ending balances	<u>59,359</u>	<u>14,882</u>	<u>221,777</u>	<u>67,353</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (5) - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment of United Water System, Inc. at June 30, 2020 and 2019, is as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Total depreciable assets (Water distribution system, furniture and equipment)	\$ 2,809,785	\$ 2,789,473
Accumulated depreciation	<u>(1,551,612)</u>	<u>(1,453,998)</u>
Net	1,258,173	1,335,475
Land (at cost)	<u>1,918</u>	<u>1,918</u>
<u>Total</u>	<u>1,260,091</u>	<u>1,337,393</u>
Depreciation	<u>\$ 97,614</u>	<u>\$ 95,679</u>
<u>Changes during the year</u>		
Asset additions	<u>\$ 20,307</u>	<u>\$ 21,560</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (6) - LONG-TERM DEBT

The following is a summary of long-term debt at June 30:

	2020	2019
<u>United States Department of Agriculture - Rural Development</u>		
Note dated December 15, 1975, in the original amount of \$60,000 due in monthly installments of \$295 which includes interest at 5% per annum, collateralized by revenue and income	\$ -	\$ 1,439
Note dated August 24, 1995, in the original amount of \$250,000 due in monthly installments of \$1,218 which includes interest at 5% per annum, collateralized by the property, plant and equipment and revenues from water sales.	141,846	149,170
Note dated February 27, 2007, in the original amount of \$371,000 due in monthly installments of \$1,600 which includes interest at 4.125% per annum, collateralized by revenue and income.	301,778	308,381
<u>Total Rural Development debt</u>	<u>443,624</u>	<u>458,990</u>
<u>Louisiana Department of Health and Hospitals</u>		
Drinking water revolving loan dated June 6, 2008, in the original amount of \$360,333 for new water meter changeout project. The loan requires annual principal payments with the first one due October 2009 and the last one due October 2028. The note has an interest rate of 3.45%.	196,000	214,000
Drinking water revolving loan entered into for a total amount of \$667,000 with an interest rate of 2.95% requiring annual principal payments beginning in October 2011. Funds were used to replace water lines and fire hydrants for the Water System.	419,628	450,627
<u>Total Louisiana Department of Health and Hospitals debt</u>	<u>615,628</u>	<u>664,627</u>
<u>Total notes payable</u>	<u>1,059,252</u>	<u>1,123,617</u>

Long-term debt obligations mature as follows:

2021	\$ 65,580
2022	67,263
2023	70,978
2024	73,728
2025	76,512
2026-2030	399,698
2031-2035	143,601
2036-2040	69,403
2041-2045	85,271
2046	7,218
<u>Total</u>	<u>1,059,252</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE (7) – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 20, 2020, which is the date the financial statements were available to be issued. As of August 20, 2020, there were no subsequent events noted.

NOTE (8) - COMPENSATION PAID TO BOARD OF DIRECTORS

The following is a list of the Board of Directors and the compensation paid for each member for the years ended June 30, 2020 and 2019.

	<u>Term Expires</u>	<u>2020</u>	<u>2019</u>
Barbara Hebert, President	9/2021	\$ 1,000	\$ 700
Lorna Mills, Vice President	9/2022	750	650
Joanne Artigue, Secretary/Treasurer	9/2020	1,000	3,273
Lydia Knott	9/2021	250	550
Cheryl Knott	Resigned 3/2019	-	400
Milton Frederick	9/2020	250	700
Monica Meche	9/2021	250	700
James Stelly	9/2022	175	-
		<u>3,675</u>	<u>6,973</u>
<u>Total compensation paid</u>			

Note (9) - SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

Agency Head Name: Barbara Hebert, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits	-
Car allowance	-
Vehicle provided by government	-
Per diem	1,000
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

RELATED REPORTS

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



John S. Dowling, CPA - 1904-1984
 John Newton Stout, CPA - 1936-2005
 Chizal S. Fontenot, CPA - 1955-2012
 Russell J. Stelly, CPA - 1942 - 2019

Van L. Auld, CPA

JOHN S. DOWLING & COMPANY
 A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
 www.jsdc-cpas.com

Retired

Harold Dupre, CPA - 1996
 Dwight Ledoux, CPA - 1998
 Joel Lancios, Jr., CPA - 2003
 G. Kenneth Pavy, II, CPA - 2020

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
 OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
 OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
 PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
 United Water System, Inc.
 Arnaudville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of United Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiency may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

To the Board of Directors of
United Water System, Inc.
Arnaudville, Louisiana

United Water System, Inc.'s Response to Findings

United Water System, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. United Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

John L. Dowling & Company

Opelousas, Louisiana
August 20, 2020

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the United Water System, Inc.
2. One significant deficiency and no material weakness' were disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of United Water System, Inc., were disclosed during the audit.
4. No management letter was issued for United Water System, Inc.
5. There was no single audit required under Uniform Guidance.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-1 Inadequate segregation of duties

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

Criteria: United Water should have adequate segregation of duties over accounting functions.

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

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

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

Management's Response: I am aware of this condition, but we have trustworthy employees handling office procedures. The secretary of the board also oversees their job performances and discussions are held about billing and collections.

Contact Person: Barbara Hebert, President

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

N/A

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

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

2019-1 Inadequate segregation of duties

Repeat comment.

2019-2 Missing deposits of cash

Resolved

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

None

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
JUNE 30, 2020

INSURER	TYPE OF COVERAGE	COVERAGE	LIMITS	CO-INSURANCE	EFFECTIVE DATE	
					FROM	TO
American Alternative Ins.	Commercial Property	Blanket Limit of Insurance Business Loss of Income & Extra Expense	\$1,456,106 \$250,000 per occurrence	\$1,000 deductible	10/15/19	10/15/20
American Alternative Ins.	Commercial General Liability	General Aggregate Operations Aggregate Personal & Advertising Injury Damages to Premises Medical Damage Employee Benefits	\$3,000,000 \$3,000,000 \$1,000,000 \$1,000,000 \$10,000 \$1,000,000		10/15/19	10/15/20
American Alternative Ins.	Commercial Crime	Employee Theft Computer/Funds Transfer Fraud Robbery/Burglary Forgery/Alteration Theft of Money & Securities Outside the Premises Money Orders Fraudulent Impersonation	\$100,000 per loss \$100,000 per occurrence \$100,000 per occurrence \$100,000 per occurrence \$100,000 per occurrence \$100,000 per occurrence \$100,000 per occurrence \$100,000 per occurrence	\$500 deductible	10/15/19	10/15/20
American Alternative Ins.	Commercial Inland Marine	2001 Ditch Witch Trencher Blanket Small Tools & Equip	\$29,630 \$42,443 not to exceed \$10,000 per item	\$1,000 deductible \$500 deductible	10/15/19	10/15/20
American Alternative Ins.	Commercial Auto	Liability Auto Medical Uninsured Motorist Underinsured	\$1,000,000 per occurrence \$5,000 each person \$1,000,000 per occurrence \$1,000,000		10/15/19	10/15/20
Travelers Casualty and Surety Co. of America	Liability	Directors and Officers Employment practices	\$1,000,000 \$1,000,000	\$1,000 Retention	10/15/18	10/15/21
L.W.C.C.	Worker's compensation		Statutory		04/18/20	04/18/21

See independent auditor's report.