

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

FINANCIAL REPORT
DECEMBER 31, 2020



HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LOUISIANA

FINANCIAL REPORT
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hudson Gaars Mill Water System, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that 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 Hudson Gaars Mill Water System, Inc. (the “Water System”) as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Act 462 of 2015, which amends Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer supplement the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021, on our consideration of Hudson Gaars Mill 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hudson Gaars Mill 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 the Water System’s internal control over financial reporting and compliance.

Bosch & Statham

Bosch & Statham, CPAs
Ruston, Louisiana
December 31, 2021

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$	77,979
Accounts Receivable		9,737
Prepaid Expense		411
Total Current Assets		88,127

Non-Current Assets:

Restricted Cash		16,890
Capital Assets (Net)		647,315
Total Non-Current Assets		664,205

Total Assets	\$	752,332
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$	106,278
Sales Tax Payable		16
Payroll & Related Liabilities		249
Customer Deposit Liabilities		13,070
Total Current Liabilities		119,613

Non-Current Liabilities:

Retainage Payable		27,417
USDA Loan Proceeds		462,147
Total Noncurrent Liabilities		489,564

Total Liabilities		609,177
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NET ASSETS:

Without Donor Restrictions		143,155
With Donor Restrictions		-
Total Net Assets		143,155

Total Liabilities and Net Assets	\$	752,332
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The accompanying notes are an integral part of the basic financial statements.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets:			
REVENUES:			
Water Sales	\$ 145,657		\$ 145,657
Other Related Fees	5,472		5,472
Miscellaneous	8,198		8,198
Interest Earned	<u>58</u>		<u>58</u>
Total Revenues	159,385	-	159,385
EXPENSES:			
Program:			
Program Services	101,351		101,351
Supporting:			
Management & General	<u>22,244</u>		<u>22,244</u>
Total Expenses	123,595	-	123,595
Change in Net Assets	35,790	-	35,790
Net Assets January 1, 2020	<u>107,365</u>	<u>-</u>	<u>107,365</u>
Net Assets December 31, 2020	<u>\$ 143,155</u>	<u>\$ -</u>	<u>\$ 143,155</u>

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

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF FUNCTION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Without Donor Restrictions:

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Water</u>	<u>Management & General</u>	<u>Total</u>
Advertising—Legal		\$ 378	\$ 378
Accounting		4,000	4,000
Contract Labor		1,380	1,380
Depreciation	\$ 839	-	839
Dues & Subscriptions	300	359	659
Insurance	-	4,009	4,009
Office Supplies	-	3,417	3,417
Payroll	-	6,497	6,497
Postage	-	1,199	1,199
Repairs & Maintenance	19,275	-	19,275
System Supplies	1,590	-	1,590
Taxes, Licenses & Permits	2,534	1,005	3,539
Utilities	7,827	-	7,827
Water Purchased	61,637	-	61,637
Water Testing	7,349	-	7,349
	<u>101,351</u>	<u>22,244</u>	<u>123,595</u>
Total Expenses	<u>\$ 101,351</u>	<u>\$ 22,244</u>	<u>\$ 123,595</u>

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

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:

Change in Net Assets	\$ 35,790
Adjustments to Reconcile Changes in Net Assets to	
Net Cash Provided by/(Used In) Operating Activities:	
Depreciation	839
Changes in Assets & Liabilities:	
(Increase)/Decrease in Accounts Receivable, Net	2,958
(Increase)/Decrease in Prepaid Expense	(49)
Increase/(Decrease) in Accounts Payable	100,957
Increase/(Decrease) in Sales Tax Payable	-
Increase/(Decrease) in Payroll Related Payable	-
Increase/(Decrease) in Retainage Payable	27,417
Increase/(Decrease) in Customer Deposit Liabilities	(50)
Net Cash Provided by/(Used In) Operating Activities	167,862

Cash Flows from Investing Activities:

Purchases of Assets	(28,596)
(Increase)/Decrease in Construction in Progress	(543,222)
Net Cash Provided by/(Used In) Investing Activities	(571,818)

Cash Flows from Financing Activities:

Proceeds from USDA Loan	462,147
Net Cash Provided By/(Used In) Financing Activities	462,147

Net Increase/(Decrease) in Cash & Cash Equivalents 58,191

Cash & Cash Equivalents—Beginning of Year 36,678

Cash & Cash Equivalents—End of Year \$ 94,869

Cash & Cash Equivalents—Beginning of Year	
Unrestricted Cash	\$ 19,731
Restricted Cash	16,947
Total Cash & Cash Equivalents—Beginning of Year	\$ 36,678

Cash & Cash Equivalents—End of Year	
Unrestricted Cash	\$ 77,979
Restricted Cash	16,890
Total Cash & Cash Equivalents—End of Year	\$ 94,869

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

NOTES TO FINANCIAL STATEMENTS

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1—INTRODUCTION

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Measurement Focus and Basis of Accounting

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

Assets Liabilities and Equity

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

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

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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

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

At December 31, 2020 the Water System had no funds in Net Assets with Donor Restrictions. All \$143,155 of Net Assets were made up Net Assets without Donor Restrictions.

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

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

Water Distribution System/Line Extension	40 years
Buildings	40 years

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

Leases—There were no leases in effect during the year ended December 31, 2020.

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

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

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

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

NOTE 3—CASH AND CASH EQUIVALENTS

Under state law, the Water System may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

At December 31, 2020, the carrying amount of the Hudson Gaars Mill Water System Inc.’s cash and cash equivalents totaled \$94,869. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agents. These securities are held in the name of the pledging fiscal agent banks in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2020, the Water System bank balances totaled \$107,705; the Water System was fully insured by FDIC at fiscal year-end.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020, consisted of \$9,737 due from water customers. The Water System services approximately 226 residential and commercial customers. At December 31, 2020, 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, 2020 are as follows:

Capital Assets:	<u>Balance</u> <u>01/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/20</u>
Non-Depreciable				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in Progress	<u>46,596</u>	<u>559,818</u>	<u>16,596</u>	<u>589,818</u>
Subtotal Non-Depreciable	50,596	559,818	16,596	593,818
Depreciable				
Buildings	-	28,596	-	28,596
Water Distribution System	<u>26,400</u>	<u>-</u>	<u>-</u>	<u>26,400</u>
Subtotal Depreciable	26,400	28,596	-	54,996
Subtotal of Assets	76,996	588,414	16,596	648,814

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

	Balance 01/01/20	Additions	Deletions	Balance 12/31/20
Less: Accumulated Depreciation				
Buildings	-	179	-	179
Water Distribution System	660	660	-	1,320
Subtotal of Accum. Deprec.	660	839	-	1,499
 Net Capital Assets	 \$ 76,336			 \$ 647,315

In Construction in Progress (CIP) there is improvement cost of \$589,818. \$559,818 is construction added in 2020. During 2019 engineering and study fees of \$30,000 related to a grant portion of the project was included in construction in progress. Removed from CIP is the portion of the building cost paid in 2019 which was closed into building asset during 2020 when the final payment was made. The Water system anticipates additional grant and loan monies for system improvements that must coincide.

The system is currently run off of the Sikes Water System with only line extensions and land in Hudson Gaars Mill Water System’s asset list.

Depreciation expense for the year ended December 31, 2020 totaled \$839.

NOTE 6—USDA LOAN PROCEEDS

The Hudson Gaars Mill Water System received \$462,147 in loan proceeds from the USDA Rural Development in the current fiscal year for construction on the water system improvements. This is interim financing which will be closed into a long term note payable at the end of the construction process. This interim financing is related to an ongoing project with additional loan proceeds and grant monies expected in the following years as the project has five years to complete.

NOTE 7—RESERVES/RESTRICTIONS

Under FASB ASU 2016-14 only net assets restricted by donors is grouped as restricted in equity. However some cash is required to be reserved/restricted by the loan. Cash used to open the USDA grant funds account remained at \$15 as of December 31, 2020 as restricted cash.

Once the USDA Rural Development project is complete the Water System will be required to place \$315.30 per month in a Debt Service Reserve account. The Water System went ahead and placed some money in this account. At December 31, 2020 \$2,548 in cash was in the restricted for the Debt Service Reserve account. In addition a Reserved for Short Lived Asset Fund will be required to be funded once the project is complete. The loan documentation stated \$14,508 must be deposited annually into the account. Actual work for the project has not been finalized; however approximately \$1,257 was deposited into this reserve account as of December 31, 2020.

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

The Water System expects estimated loan funds to total \$976,000 and additional grant funds of \$826,000 to be received related to the project. These federal funds will be under CFDA No. 10.760.

Also included in restricted cash is approximately \$13,070 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—DONATED SERVICES, MATERIALS, AND FACILITIES

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

NOTE 9—LITIGATION

There was no litigation as of December 31, 2020. See Note 12.

NOTE 10—RELATED PARTY DISCLOSURES

The water system has a board member also listed as an officer paid for bookkeeping services. The secretary, Linda Bustin, is paid as a part-time employee and received monies in the amount of \$6,497 for her bookkeeping services related to the fiscal year ended December 31, 2020. Also a board member, Terry Rhodes, is compensated for work performed on the lines and reading meters for the system. He received approximately \$13,000 for this work during the fiscal year ended December 31, 2020.

NOTE 11—COMPENSATION OF BOARD DIRECTORS

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

NOTE 12—OTHER DISCLOSURES

Management has evaluated events through December 31, 2021, the date which the financial statements were available for issue. There were no items noted to be reported as subsequent events, other than litigation between former board members and the Water System has been initiated by the former board member and is ongoing.

SUPPLEMENTARY INFORMATION

HUDSON GAARS MILL WATER SYSTEM, INC.
DODSON, LA
SCHEDULE OF COMPENSATION
FOR THE YEAR ENDED DECEMBER 31, 2020

In accordance with Act 462 of 2015 which amends Act 706 of the 2014 Legislative Session, payments to Agency Head or Chief Executive Officer must be disclosed. Included in the Disclosure Requirements are any reimbursements of travel or per diem, payments of salary, or payments to retirement or health insurance, providing of a vehicle, etc. for the Agency Head. The Agency Head of the Hudson Gaars Mill Water System, Inc. would be its Board Members during the fiscal year ended December 31, 2020: Terry Rhodes—President, Judy Howell—Vice President, Linda Bustin—Treasurer, Delton Carpenter— Secretary and Members at Large (deceased in 2020): Cal Bain and Barbara Spence.

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

See Independent Auditor’s Report.



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

To the Board of Directors of
Hudson Gaars Mill Water System, Inc.
P.O. Box 1029
Winnfield, LA 71483

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 and the *Louisiana Governmental Audit Guide*, the financial statements of Hudson Gaars Mill Water System, Inc. (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 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 December 31, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Louisiana Legislative Auditor as a public document.

Bosch & Statham

Bosch & Statham, CPAs
Ruston, Louisiana
December 31, 2021

HUDSON GAARS MILL WATER SYSTEM, INC.
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of the Tannehill Water System, Inc.
2. There were no significant deficiencies noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Hudson Gaars Mill Water System, Inc., were disclosed during the audit.