

**BELAH-FELLOWSHIP WATER SYSTEM, INC.**

**ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2020**

Belah-Fellowship Water System, Inc.  
Annual Financial Report  
December 31, 2020

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	---	1-2
<u>Financial Statements</u>		
Statement of Financial Position	A	4
Statement of Activities	B	5
Statement of Functional Expenses	C	6
Statement of Cash Flows	D	7
Notes to Financial Statements	---	9-14
<u>Other Supplementary Information</u>		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	E	16
<u>Other Reports</u>		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F	18-19
Schedule of Audit Findings	G	20-21

**T | C | B | T**  
**THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER**  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Belah-Fellowship Water System, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Belah-Fellowship Water System, Inc. (a 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 Belah-Fellowship Water System, Inc. 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***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of Belah-Fellowship Water System, Inc. taken as a whole. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 16, to supplement the financial statements. This schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records, used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 August 24, 2021, on our consideration of Belah-Fellowship 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 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 Belah-Fellowship Water System, Inc.'s internal control over financial reporting and compliance.



Thomas, Cunningham, Broadway & Todtenbier, CPA's  
Natchitoches, Louisiana

August 24, 2021

## FINANCIAL STATEMENTS

Belah-Fellowship Water System, Inc.  
Statement of Financial Position  
Year Ended December 31, 2020

Assets-	
Current Assets-	
Cash	\$ 245,599
Accounts Receivable	29,753
Grant Receivable	<u>20,484</u>
Total Current Assets	\$ <u>295,836</u>
Non-Current Assets-	
Restricted Cash	\$ 49,010
Property and Equipment, Net	<u>3,488,149</u>
Total Non-Current Assets	<u>\$3,537,159</u>
Total Assets	<u>\$3,832,995</u>
Liabilities-	
Current Liabilities-	
Accounts Payable	\$ 27,355
Accrued Interest	33,001
Current Portion of Long-Term Debt	<u>200,640</u>
Total Current Liabilities	\$ <u>260,996</u>
Non-Current Liabilities-	
Customer Meter Deposits	\$ 32,650
Long-term Debt, Net of Current Portion	<u>3,087,048</u>
Total Non-Current Liabilities	<u>\$3,119,698</u>
Total Liabilities	<u>\$3,380,694</u>
Net Assets-	
Without Donor Restrictions	\$ <u>452,301</u>
Total Liabilities & Net Assets	<u>\$3,832,995</u>

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

Belah-Fellowship Water System, Inc.  
Statement of Activities  
Year Ended December 31, 2020

	Without Donor <u>Restrictions</u>
Revenues:	
Water Sales	\$363,347
Other Water Income	12,712
Interest	<u>503</u>
Total Revenues	<u>\$376,562</u>
Expenses:	
Program Services	\$233,518
Management and General	<u>28,223</u>
Total Expenses	<u>\$261,741</u>
Increase in Net Assets	\$114,821
Net Assets-Beginning of Year	<u>337,480</u>
Net Assets-End of Year	<u>\$452,301</u>

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

Belah-Fellowship Water System, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
EXPENSES:			
Professional Expense	\$ 8,580	\$ 0	\$ 8,580
Insurance	3,807	0	3,807
Supplies & Materials	12,901	0	12,901
Gas/Oil Expense	847	0	847
Natural Gas Expense	1,404	0	1,404
Utilities	15,419	0	15,419
Interest Expense	76,260	0	76,260
Chemicals	2,770	0	2,770
Propane Expense	2,617	0	2,617
Repairs & Maintenance	56,721	0	56,721
Meter Reading Expense	17,700	0	17,700
Operator's Fees	17,700	0	17,700
Safe Drinking Water Fee	6,652	0	6,652
Depreciation	9,243	0	9,243
Dues & Fees	547	0	547
Bookkeeping Expense	0	21,600	21,600
Storage Building Rent	0	217	217
Office	0	4,086	4,086
Postage	0	2,320	2,320
Other	<u>350</u>	<u>0</u>	<u>350</u>
Total Expenses	<u>\$233,518</u>	<u>\$28,223</u>	<u>\$261,741</u>

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

Belah-Fellowship Water System, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase in Net Assets	\$ 114,821
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by (Used by) Operating Activities:	
Depreciation	9,243
(Increase) Decrease in Receivables	(8,835)
Increase (Decrease) in Payables	(61,428)
Increase (Decrease) in Accrued Interest	<u>5,390</u>
Net Cash Provided by Operating Activities	\$ <u>59,191</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Property & Equipment	\$ <u>(510,928)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Loan Proceeds	<u>573,703</u>
Net Increase in Cash	\$ 121,966
Cash at Beginning of Year	<u>172,643</u>
Cash at End of Year	\$ <u><u>294,609</u></u>
Interest paid during current year	
	\$ <u>70,870</u>
Cash & Cash Equivalents	
Unrestricted Cash	\$ 245,599
Restricted Cash	<u>49,010</u>
Total Cash & Cash Equivalents	\$ <u><u>294,609</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

Belah-Fellowship Water System, Inc.  
Notes to Financial Statements  
December 31, 2020

Introduction:

Belah-Fellowship Water System, Inc. (the Water System) was formed as a non-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-269, of the Louisiana Revised Statutes on March 10, 1972. The Organization's purpose is to construct, maintain and operate a private water system for the supplying of water to its members, and engage in any activity related thereto.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of the Water System, conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

- A. Financial Statement Presentation - The Water System has adopted FASB Accounting Standard Update 2016-14 "*Not-for-Profit Organizations (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*". Under FASB ASU 2016-14, the Water System is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Water System is required to present a statement of cash flows.
- B. Basis of Accounting - The Water System uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are recognized as expenses at the time purchased.
- C. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Fixed Assets - Depreciation on all exhaustible fixed assets is charged as an expense against the operations of the Water System. Assets are recorded at cost if purchased or at market value at time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. The Organization maintains a threshold level of \$2,500 or more for capitalizing capital assets. Accumulated depreciation was \$286,492 at December 31, 2020.

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 depreciation are relieved, and any gain or loss is included in activities.

Belah-Fellowship Water System, Inc.  
Notes to Financial Statements  
December 31, 2020

- E. Income Taxes - The Water System is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, remains subject to examination by the Internal Revenue Service, generally for three years after filing.
- F. Cash and Equivalents - For the purpose of the statements of cash flows, the Water System considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.
- G. Restricted Cash - The Water System has cash in demand deposits and interest bearing deposits that are restricted because their use is limited by loan ordinance, or because they represent customers' deposits.
- H. Program and Support Functions - The Water System considers all expenses associated with providing water to customers to be program services and all remaining expenses are considered support (management and general).
2. Cash and Cash Equivalents:

The cash and cash equivalents of the Water System are subject to the following risk:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Water System will not be able to recover its deposits. The Water System maintains deposit accounts with one financial institution. The balance at this financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times throughout the year, the Water System may maintain certain bank accounts in excess of federally insured limits, which is a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions. The Water System has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

At December 31, 2020, the Water System had \$294,641 (bank balances) in the deposit accounts, of which \$250,000 were insured by FDIC and \$44,641 was unsecured.

3. Revenue Receivable:

At December 31, 2020, the Water System's receivables consisting of the following:

Water Charges	\$29,753
Grants and receipts from governments	<u>20,484</u>
Total	<u>\$50,237</u>

No accounts are considered uncollectible and, therefore, no provision is recorded.

Belah-Fellowship Water System, Inc.  
Notes to Financial Statements  
December 31, 2020

4. Revenue from Contracts with Customers:

The Water System has adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU, collectively, Accounting Standards Codification (ASC) 606, which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The Water System's revenue from contracts with customers within the scope of ASC 606 is reported as water sales and other water income on the Statement of Activities. Water sales are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed monthly on the first day of the month for the number of gallons of water delivered during the previous month and payment is due by the 15<sup>th</sup> of the following month. The receivable for water fees was \$20,918 at the beginning of the year and \$29,753 at the end of the year. All other fees are recognized when the customer pays the fee.

5. Fixed Assets:

The following is a summary of changes in fixed assets for the Water System for the period ended December 31, 2020:

	Balance <u>1/1/20</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/20</u>
Fixed Assets, Not Depreciated-				
Land	\$ 35,415	\$ 0	\$ 0	\$ 35,415
Construction-in-Progress	2,776,760	510,928	0	3,287,688
Fixed Assets, Depreciated-				
Water System & Equipment	<u>460,781</u>	<u>0</u>	<u>(275,929)</u>	<u>184,852</u>
Total Fixed Assets	\$3,272,956	\$510,928	\$(275,929)	\$3,507,955
Accumulated Depreciation	<u>(286,492)</u>	<u>(9,243)</u>	<u>275,929</u>	<u>(19,806)</u>
Total Fixed Assets, Net	<u>\$2,986,464</u>	<u>\$501,685</u>	<u>\$ 0</u>	<u>\$3,488,149</u>

Depreciation expense was \$9,243 for the year ended December 31, 2020.

6. Accounts Payable and Accruals:

At December 31, 2020, the Water System's payables consisted of the following:

Vendors	\$ 6,871
Construction	20,484
Interest	<u>33,001</u>
Total	<u>\$60,356</u>

Belah-Fellowship Water System, Inc.  
Notes to Financial Statements  
December 31, 2020

7. Asset Liquidity:

The Water System regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Water System considers all expenses related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenses. The Water System anticipates revenues to be sufficient to meet its general expense needs. The Water System does not consider assets including deposits and fixed assets to be available for general expense. Fixed assets cannot be liquidated due to donor and self-imposed restrictions.

As of December 31, 2020, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 294,609
Receivables	50,237
Fixed Assets, net of accumulated depreciation	<u>3,488,149</u>
Total financial assets, period end	\$3,832,995
Less, those unavailable for general expenses within one year, due to:	
Restricted Cash	49,010
Fixed Assets, net of accumulated depreciation	<u>3,488,149</u>
Financial assets available to meet cash needs for general expenses within one year	\$ <u>295,836</u>

8. Long-Term Liabilities:

*Louisiana Department of Health, Office of Public Health*

On February 1, 2020, a loan and pledge agreement was signed with the LA Department of Health relating to a loan in the amount of \$3,758,000 from the Drinking Water Revolving Loan Fund. The Water System's obligation to repay the loan will be represented by its bond anticipation note maturing not later than 2 years from the date of issue, and bearing interest at a rate of no more than 2.45% per annum (inclusive of the 0.50% LDH Administrative Fee). The bonds were issued pursuant to an authorizing ordinance and sold to the Department, and a dedicated source of revenue must be established for the repayment of the loan. LA Department of Health has provided this loan as interim financing, and Rural Development has obligated funds for a permanent loan closing. The Water System expects the loan closing to occur in June 2020. At December 31, 2020, the outstanding balance on the promissory note was \$3,287,688. The future maturities of the note are as follows:

<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 24,002	\$ 176,638	\$ 200,640
2022	25,328	175,312	200,640
2023	26,728	173,912	200,640
2024	27,708	172,932	200,640
2025	29,737	170,903	200,640
Thereafter	<u>3,154,185</u>	<u>3,868,215</u>	<u>7,022,400</u>
Total	<u>\$3,287,688</u>	<u>\$4,737,912</u>	<u>\$8,025,600</u>

Belah-Fellowship Water System, Inc.  
Notes to Financial Statements  
December 31, 2020

9. Customer Meter Deposits:

The Water System charges refundable deposits for meter connections. There is a \$100 charge if the customer owns the land and a \$200 charge if the customer is a renter. The Water System has two Certificate of Deposits restricted for the customer meter deposits. At December 31, 2020, the customer meter deposits balance is \$32,650.

10. Changes in Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020.

Governmental Activities	Balance 01-01-20	Additions	Deletions	Balance 12-31-20
LA Department of Health	\$2,776,760	\$510,928	\$0	\$3,287,688
Customer Meter Deposits	<u>32,650</u>	<u>0</u>	<u>0</u>	<u>32,650</u>
Total	<u>\$2,809,410</u>	<u>\$510,928</u>	<u>\$0</u>	<u>\$3,320,338</u>

11. Compensation Paid to Board Members:

The members of the Board of Directors receive no compensation for their services.

12. Contributions:

The Water System has adopted FASB Accounting Standard Update 2016-14 *“Not-for-Profit Organizations (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities”*. No contributions were received in the current year.

13. Pending Litigation:

The Water System has no legal action pending at December 31, 2020.

14. Recent Accounting Pronouncements Issued Not Yet Adopted:

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations from the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard will become effective for the Water System beginning January 1, 2021, for fiscal year ending December 31, 2021. The Water System is currently assessing the impact of this pronouncement on its financial statements.

Belah-Fellowship Water System, Inc.  
Notes to Financial Statements  
December 31, 2020

14. Recent Accounting Pronouncements Issued Not Yet Adopted (continued):

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Water System beginning January 1, 2021, for fiscal year ending December 31, 2021. The Water System is currently assessing the impact of this pronouncement, but anticipates no significant changes in presentation or disclosures.

15. Economic Uncertainty:

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which may negatively impact financial resources. The extent to which the COVID-19 pandemic may directly or indirectly impact the Water System's financial conditions or results of operations cannot be reasonably estimated at this time.

16. Subsequent Events:

Management has evaluated subsequent events through August 24, 2021, the date which the financial statements were available to be issued, noting no such issues that required additional disclosure in the financial statements.

## OTHER SUPPLEMENTARY INFORMATION

Belah-Fellowship Water System, Inc.  
Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer  
For the Year Ended December 31, 2020

Agency Head Name: Joseph "Clyde" Crooks, President

<u>Purpose</u>	<u>Amount</u>
Salary .....	\$0
Benefits – Insurance .....	0
Benefits – Retirement .....	0
Benefits – SS/Medicare .....	0
Car Allowance .....	0
Cell Phone .....	0
Dues .....	0
Vehicle Rental .....	0
Per Diem .....	0
Reimbursements .....	0
Travel .....	0
Housing .....	0
Unvouchered Expenses .....	0
Special Meals .....	0
Other .....	<u>0</u>
 Total	 \$0

See independent auditor's report.

## OTHER REPORTS

**T | C | B | T**  
**THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER**  
*Certified Public Accountants*

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

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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  
Belah-Fellowship Water System, Inc.

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 Belah-Fellowship Water System, Inc. (a 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, and have issued our report thereon dated August 24, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Belah-Fellowship Water System, Inc.'s internal control over financial reporting (internal control) to determine the 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 Belah-Fellowship Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Belah-Fellowship Water System, Inc.'s internal control.

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

Our consideration of 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2021-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Belah-Fellowship 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 determination of financial statement amounts. 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 are required to be reported under *Government Auditing Standards*.

## **Belah-Fellowship Water System's Response to Finding**

Belah-Fellowship Water System's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Belah-Fellowship Water System'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 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 purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Thomas, Cunningham, Broadway & Todtenbier, CPA's*

Thomas, Cunningham, Broadway & Todtenbier, CPA's  
Natchitoches, Louisiana

August 24, 2021

Belah-Fellowship Water System, Inc.  
Schedule of Audit Findings and Questioned Costs  
December 31, 2020

I. Summary of Audit Results

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of Belah-Fellowship Water System, Inc. as of and for the year ended December 31, 2020.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness, identified as finding 2020-001 – *Segregation of Duties*.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. Findings in Accordance with *Government Auditing Standards*

Internal Control-

2020-001 *Segregation of Duties*

*Criteria* – Proper internal controls dictate that duties be segregated so that no one individual performs or controls all duties related to the accounting system.

*Condition* – In reviewing the internal control structure, we noted that the Belah-Fellowship Water System does not have adequate segregation of duties with respect to all areas of the accounting function.

*Cause* – Due to a lack of funds, the Belah-Fellowship Water System does not have a sufficient number of individuals to adequately separate accounting duties or to prepare the Water System's annual financial statements with related note disclosures.

*Effect* – Without adequate segregation of duties and oversight, intentional or unintentional errors could be made and not detected within the accounting system.

*Recommendation* – Keeping in mind the limited number of individuals to which the duties can be assigned, and since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

*Management's Response* – Management has provided as much segregation as possible with the resources available and will continue to monitor assignment and segregation of duties. In addition, we have evaluated the cost/benefit of establishing a system to prepare our annual financial statements and have determined it is in the best interest of the Water System to have our independent auditors prepare our financial statements. We understand that we should review the financial statements and notes and accept responsibility for their content and presentation.

Belah-Fellowship Water System, Inc.  
Schedule of Findings (continued)  
Year Ended December 31, 2020

III. PRIOR YEAR AUDIT FINDINGS

Internal Control-

*2019-001 Segregation of Duties*

*Condition* – In reviewing the internal control structure, we noted that the Belah-Fellowship Water System does not have adequate segregation of duties with respect to all areas of the accounting function.

*Status* – This deficiency still exists at December 31, 2020, see finding *2020-001*.