

COLYELL COMMUNITY WATER ASSOCIATION, INC.
LIVINGSTON, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2018



PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

**Colyell Community Water Association, Inc.
Livingston, Louisiana**

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December 31, 2018

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CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Directors
Colyell Community Water Association, Inc.
Livingston, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Colyell Community Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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. 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.

Colyell Community Water Association, Inc.

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 Colyell Community Water Association, Inc. as of December 31, 2018, 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 as a whole. The accompanying supplementary schedules listed in the table of contents are 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 June 27, 2019, on our consideration of the Association'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 Colyell Community Water Association's internal control over financial reporting and compliance.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
June 27, 2019

**Colyell Community Water Association, Inc.
Livingston, Louisiana**

Statement A

**Statement of Financial Position
December 31, 2018**

Assets

Current Assets:

Cash and Cash Equivalents	\$	64,515
Investments		103,903
Accounts Receivable, Net		8,859
Grant Receivable		8,201
Unbilled Sales		50,909
Inventory		1,200
Prepaid Expenses		10,386
Total Current Assets		247,973

Restricted Assets

Cash and Cash Equivalents		221,610
Investments:		
Member Deposits		51,951
Total Restricted Assets		273,561

Property, Plant and Equipment:

Land		27,033
Construction in Progress		9,113
Property and Equipment, Net		1,425,337
Total Property, Plant and Equipment		1,461,483

Total Assets	\$	1,983,017
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$	12,452
Payroll Taxes Payable		2,906
Construction Payable		9,113
Accrued Interest		17,060
Notes Payable-Current Portion		103,100
Total Current Liabilities		144,631

Noncurrent Liabilities:

Member's Deposits		53,067
Notes Payable-Long Term		753,922
Total Noncurrent Liabilities		806,989
Total Liabilities		951,620

Net Assets:

Without Donor Restrictions		1,031,397
Total Net Assets		1,031,397
Total Liabilities and Net Assets	\$	1,983,017

The accompanying notes are an integral part of this statement.

**Colyell Community Water Association, Inc.
Livingston, Louisiana**

Statement B

**Statement of Activities
For the Year Ended December 31, 2018**

	Without Donor Restrictions
Operating Revenues:	
Water Sales	\$ 382,405
Penalties	17,998
Connections	11,421
DHH Fees	13,795
Miscellaneous	3,076
Total Operating Revenues	428,695
 Operating Expenses:	
Advertising	1,324
Bank Charges	1,925
Conferences	20
Contract Labor	10,174
Depreciation	78,105
Dues and Subscriptions	335
Fuel	9,472
Insurance	18,312
Miscellaneous	237
Office Expenses	5,265
Payroll Taxes	7,618
Postage	4,156
Professional Fees	18,506
Repairs and Maintenance	38,132
Safe Drinking Water	13,105
Salaries	96,918
Software	1,695
Supplies	21,825
Telephone and Utilities	26,068
Total Operating Expenses	353,192
Operating Income	75,503
 Nonoperating Revenue and (Expenses):	
FEMA Grant Revenue	8,201
Interest Income	264
Interest Expense and Fees	(36,771)
Total Nonoperating Revenues (Expenses)	(28,306)
Change in Net Assets	47,197
Net Assets, Beginning	984,200
Net Assets, Ending	\$ 1,031,397

The accompanying notes are an integral part of this statement.

**Colyell Community Water Association, Inc.
Livingston, Louisiana**

Statement C

**Statement of Cash Flows
For the Year Ended December 31, 2018**

Cash Flow From Operating Activities:

Change in Net Assets	\$ 47,197
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	78,105
Changes in Current Assets and Liabilities:	
(Increase) Decrease in Receivables, Net	(8,381)
(Increase) Decrease in Unbilled Sales	(3,690)
(Increase) Decrease in Prepaid Expense	(173)
Increase (Decrease) in Accounts Payable	3,464
Increase (Decrease) in Other Liabilities	(774)
Increase (Decrease) in Accrued Interest	(1,973)
Increase (Decrease) in Member's Deposits	<u>(777)</u>
Net Cash Provided by Operating Activities	<u>112,998</u>

Cash Flow From Investing Activities:

Increase in Investment in Certificates of Deposit	(234)
Purchase of Fixed Assets	<u>(1,217)</u>
Net Cash Used by Investing Activities	<u>(1,451)</u>

Cash Flows From Capital and Related Financing Activities:

Principal Paid on Debt	(99,900)
Amortization	<u>678</u>
Net Cash Used in Capital and Related Financing Activities	<u>(99,222)</u>

Net Increase in Cash and Cash Equivalents 12,325

Cash and Cash Equivalents, Beginning of Year	<u>273,800</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 286,125</u></u>

Reconciliation of Cash and Cash Equivalents to Statement of Financial Position:

Cash and Cash Equivalents, Unrestricted	\$ 64,515
Cash and Cash Equivalents, Restricted	<u>221,610</u>
Total Cash and Cash Equivalents	<u><u>\$ 286,125</u></u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest and admin fees were \$38,066

The accompanying notes are an integral part of this statement.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

Business Organization

Colyell Community Water Association, Inc. (“the Association”) was incorporated on May 21, 1973, as a nonprofit corporation. The Association was organized to provide water distribution services to residents of the Colyell Community in Livingston Parish. At December 31, 2018, Colyell provided service to a total of 1,074 Customers.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The Association is required to report information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

B. Basis Accounting

The financial statements of Colyell Community Water Association, Inc. are maintained on an accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. This method recognizes revenues when earned, and expenses when incurred.

C. Accounts Receivable

Accounts Receivable are stated at unpaid balances, less an allowance for doubtful accounts.

D. Income Taxes

The Association files income tax returns in the U.S. federal jurisdiction. The Association is a non-profit association formed under Section 501(C) 12 of the Internal Revenue Code. With few exceptions, the Association is no longer subject to federal income tax examinations by tax authorities for years before 2016. Any interest and penalties assessed by income taxing authorities, if any, are not significant and would be included in the Statement of Activities.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

E. Property, Plant and Equipment

Property, plant and equipment are stated at cost and do not purport to represent replacement or realizable values. The cost of depreciable property, plant and equipment is charged to earnings over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments of \$500 or more are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Depreciation of all depreciable property, plant and equipment is computed using the straight-line method over the following lives:

<u>Description</u>	<u>Estimated Lives</u>
Water System	10 - 40 Years
Equipment	5 - 10 Years
Land	Not applicable

F. Compensated Absences

Because of the immateriality of estimating compensating absences, the water system has not attempted to accrue a liability for them.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, Colyell Community Water Association, Inc. considers all bank accounts and certificates of deposit with an initial maturity of ninety days or less when purchased to be cash equivalents for purposes of reporting cash flows.

H. Restricted Assets

Certain resources set aside for the repayment of the notes payable and a capital addition and contingency account, are classified as restricted assets because their use is limited by applicable bond covenants.

I. Use of Estimates

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

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

J. Inventory

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventories consist of chemicals and water supplies.

K. Investments

The Association maintains investments in certificates of deposit with an initial maturity of more than 90 days. The fair value of the certificates of deposit at December 31, 2018 was \$155,854.

L. Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2018, the Association had deposits in excess of the FDIC insurance by \$22,035.

M. New Accounting Pronouncements

Also during 2018, the Association adopted ASU No. 2016-14 –Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirement, the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three. Unrestricted net assets will be classified as net assets without donor restrictions. Net assets previously classified as temporarily restricted and permanently restricted will be classified as net assets with donor restrictions.

2. Financial Assets and Liquidity Resources

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenses such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial Assets:	
Cash & Cash Equivalents	\$ 64,515
Investments	103,902
Accounts Receivable, Net	8,859
Grant Receivable	<u>8,201</u>
Total Financial Assets Available within One Year	<u>185,477</u>
Total Financial Assets and Liquidity Resources Available within One Year	\$ <u>185,477</u>

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

3. Restricted Assets

At December 31, 2018, the Association had restricted assets as follows:

Debt Service Sinking Account	\$ 99,130
Debt Service Reserve Account	60,595
Capital Additions and Contingencies Account	42,691
Customer Deposit Account	19,194
Customer Deposit Certificate of Deposit	<u>51,951</u>
	<u>\$ 273,561</u>

The Association is required to have separate bank accounts for the Debt Service Sinking, Debt Service Reserve, and the Capital Additions and Contingencies Account.

4. Receivables

The following is a summary of receivables at December 31, 2018:

Accounts Receivable	\$ 11,359
Grant Receivable	8,201
Allowance for Uncollectible Accounts	<u>(2,500)</u>
Net Accounts Receivable	<u>\$ 17,060</u>

Estimated unbilled sales are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is equal to one hundred percent of the January 1, 2019 billing and one half of the February 1, 2019 billing. Accrued unbilled sales totaled \$50,909 at December 31, 2018.

The Association has a grant receivable from FEMA in the amount of \$8,201.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

5. Property, Plant and Equipment

A summary of the changes in property, plant and equipment follows:

	Balance December 31,			Balance December 31,	
	2017	Additions	Deletions	2018	
Capital Assets:					
Land	\$ 27,033	\$ -	\$ -	\$ 27,033	
Construction in Progress	-	9,113	-	9,113	
Water System and Equipment	2,590,864	1,217	-	2,592,081	
Building	61,207	-	-	61,207	
Total Capital Assets	2,679,104	10,330	-	2,689,434	
Less Accumulated Depreciation	(1,149,846)	(78,105)	-	(1,227,951)	
Total Capital Assets, Net	\$ 1,529,258	\$ (67,775)	\$ -	\$ 1,461,483	

Depreciation expense for the year ended December 31, 2018 was \$78,105. Construction in Progress consists of engineering fees for the improvements to the water well that was damaged in August 2016 flood.

6. Notes Payable

The Association has entered into two loan agreements with the State of Louisiana for construction costs and upgrades to the Association's water system. The Association has pledged revenues derived from these assets to pay the debt service of these loans. On June 27, 2002, the Association borrowed \$948,600 and on March 1, 2009, the Association borrowed \$899,732. These loans are collateralized by the receivables, land and water system improvements of the Association. The Association reduces the long-term portion of the debt on the statement of financial position by the unamortized debt issuance cost of \$6,778 as required by FASB ASC 835-30.

Description/Purpose	Original Amount	Interest Rate	Final Maturity	Balance December 31, 2018
2002 Expansion of Water System	\$ 948,600	3.45%	July 1, 2023	\$ 308,800
2009 Expansion of Water System	\$ 899,732	3.45%	July 1, 2028	\$ 555,000

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

Changes in Long-Term Debt: Long-term debt liability activity for the year ended December 31, 2018 are as follows:

	Balance December 31,			Balance December 31,		Due Within
	2017	Additions	Reductions	2018	One Year	
2002 Loan	\$ 363,700	\$ -	\$ 54,900	\$ 308,800	\$ 57,100	
2009 Loan	600,000	-	45,000	555,000	46,000	
	<u>\$ 963,700</u>	<u>\$ -</u>	<u>\$ 99,900</u>	<u>\$ 863,800</u>	<u>\$ 103,100</u>	

The debt service requirements to maturity for the 2002 DHH loan are as follows:

Year Ending December 31,	Principal	Interest	0.5% Admin. Fee	Total
2019	\$ 57,100	\$ 10,654	\$ 1,544	\$ 69,298
2020	59,300	8,684	1,259	69,243
2021	61,700	6,638	962	69,300
2022	64,100	4,509	654	69,263
2023	66,600	2,298	333	69,231
	<u>\$ 308,800</u>	<u>\$ 32,783</u>	<u>\$ 4,752</u>	<u>\$ 346,335</u>

The debt service requirements to maturity for the 2009 DHH loan are as follows:

Year Ending December 31,	Principal	Interest	0.5% Admin. Fee	Total
2019	\$ 46,000	\$ 19,148	\$ 2,775	\$ 67,923
2020	48,000	17,560	2,545	68,105
2021	50,000	15,905	2,305	68,210
2022	52,000	14,180	2,055	68,235
2023	54,000	12,385	1,795	68,180
2024-2028	305,000	32,395	4,695	342,090
	<u>\$ 555,000</u>	<u>\$ 111,573</u>	<u>\$ 16,170</u>	<u>\$ 682,743</u>

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

Compliance with Loan Covenants

So long as the Note is outstanding, the Company through its Board of Directors obligates itself to fix, establish, maintain, levy and collect such rates, rents or other charges for services and facilities of the System and all parts thereof and to revise the same from time to time whenever necessary to always provide user fees in each fiscal year sufficient to meet all requirements of the Loan Documents and at least to:

- a) pay the reasonable and necessary expenses of operating and maintaining the system in such Fiscal Year;
- b) pay all the principal and interest maturing on any prior lien obligations in each Fiscal Year;
- c) pay all the principal and interest and the Administrative Fee maturing on the Note in each Fiscal Year and make all required deposits to the funds and accounts to the extent that such payments are not provided for from other sources of pledged revenues;
- d) provide an additional amount equal to at least one hundred twenty-five percent (125%) of the principal and interest maturing on the Note in each Fiscal Year;

The Association did not provide an additional amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the Note for December 31, 2018. Therefore, the Association is not in compliance with Loan Covenants.

7. Members' Deposits

Members' deposits are paid by customers upon application for utility services and are returnable to them upon termination of service. The Association has established a separate bank account for member deposits.

At December 31, 2018 Members' Deposits amounted to \$53,067. The Association has deposited funds in a separate restricted certificate of deposit account of \$51,951 and a restricted bank account of \$19,194 at December 31, 2018.

8. Litigation

The Association was served with a lawsuit in 2018. The plaintiff claims injuries caused by silica dust over a span of time from 1987 to 2014 and has named over 450 defendants. In the opinion of management, the ultimate liabilities, if any, resulting from the lawsuit, will not materially affect the financial position of the organization.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2018

9. Compensated Absences, Pension Plan, and Other Postemployment Benefits

At December 31, 2018, the Association has no plan or provision for compensated absences, pension plan or other post-employment benefits.

10. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. To handle such risk of loss, the Association maintains commercial liability and surety bond insurance policies. There were no significant reductions in insurance coverage during the year ending December 31, 2018.

11. Subsequent Events

The Association evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 27, 2019 the date the financial statements were available to be issued.

The Association will be making improvements to a water well that was damaged during the flood in 2016. The total estimated cost of the project is \$116,875. FEMA will be funding 90% of the total estimated cost of the project.

Supplementary Information

Colyell Community Water Association, Inc.
Livingston, Louisiana
For the Year Ended December 31, 2018

Schedule of Water Rates and Customers

	<u>Customers</u>	<u>Gallons</u>	<u>Rate</u>
Residential	1,068	0-2,000 Gallons	\$17
		Over 2,000 Gallons	\$3.50 per 1,000 gallons
Commercial	6	0-10,000 Gallons	\$25
	<u>1,074</u>	Over 10,000 Gallons	\$3.50 per 1,000 gallons

**Schedule of Aggregate Dollar Billed For Services and
Average Monthly Billing Per User**

Water Sales	\$ 382,405
Total Operating Revenues	\$ 428,695
Average Monthly Billing Per Customer	
Water Sales Average Monthly Billing Per User	\$ 29.67
Total Operating Revenue Average Monthly Billing Per User	\$ 33.26

Schedule of Insurance Policies

<u>Insurance Company</u>	<u>Coverage</u>	<u>Period</u>
Louisiana Workers Compensation Corporation	Workers' Compensation	07/28/18- 07/28/19
CAN	Surety Bond	03/22/18 -03/22/19
First Financial Company	General Liability	11/14/18 -11/14/19
Farm Bureau	Fire Policy	07/08/18- 07/08/19
Farm Bureau	Vehicle Policy	12/04/18- 06/04/19
Farm Bureau	Vehicle Policy	11/03/18- 05/03/19
Farm Bureau	Equipment Utility Trailor	11/13/18- 05/13/19
Farm Bureau	Equipment Back Hoe	06/18/18- 06/18/19
Farm Bureau	Mobile Home Insurance	09/10/18- 05/22/19
The Burlington Insurance Company	Directors and Officers Liability	05/24/18- 05/24/19

Colyell Community Water Association, Inc.
Livingston, Louisiana
For the Year Ended December 31, 2018

Schedule of Compensation Paid to Board Members

Board Member	2018
Hulon Taylor	\$ 700
Charles McCon	\$ 700
Calton Watts	\$ -
Daniel Piper	\$ 1,400
Dennis Piper	\$ -
Luvawn Andrews	\$ 650
Kenny Morrison	\$ -
Carlton Toby McCon	\$ 500

**Schedule of Compensation, Benefits and Other
Payments to Agency Head**

Manager: Carlton Edwards

Purpose	Amount
Salary	\$ 34,978
Travel	-
Reimbursements	-
Total Payments	\$ <u>34,978</u>

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance And
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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
Colyell Community Water Association, Inc.
Livingston, LA

We have audited, 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, the financial statements of Colyell Community Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

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

Colyell Community Water Association, Inc.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colyell Community Water Association, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Audit Findings and Responses and 2018-01.

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.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
June 27, 2019

Colyell Community Water Association, Inc.
Livingston, Louisiana

Schedule of Current Year Audit Findings and Responses
For the Year Ended December 31, 2018

We have audited the basic financial statements of Colyell Community Water Association, Inc. as of and for the year ended December 31, 2018 and have issued our report thereon dated June 27, 2019. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2018 resulted in an unmodified opinion.

Section I. Summary of Auditor's Report

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness, No Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, Yes

b. Federal Awards

Not Applicable

Was a management letter issued? No

Compliance

2018-1 Loan Covenant Requirements

Criteria:

The Company must maintain user fees sufficient to provide an amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the note for each Fiscal Year after paying the necessary expenses of operating and maintaining the water system.

Condition:

Utility rates were not sufficient to provide an amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the note for each Fiscal Year after paying the necessary expenses of operating and maintaining the water system.

Cause:

The Association's water wells were damaged in the August 2016 flood. Repairs totaling approximately \$28,000 were incurred in 2018 to the water wells. The repairs caused the Association to be non-compliant with the bond covenant by \$10,385. The Association also lost customers due to the August flood.

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Effect:

The Association is not in compliance with bond covenants.

Recommendation:

We recommend management monitor revenues and expenses for the current year and increase water service rates for customers if necessary to be in compliance with loan covenants.

Management's Response:

Management concurs with the recommendation. They will continue to monitor revenues and expenses and increase water rates if necessary to be in compliance with the loan covenants. Responsible Party Carlton Edwards (225) 698-3739.