

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2020

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

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C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		2
Financial Statements:		
Statement of Financial Position	A	5
Statement of Activities	B	6
Statement of Cash Flows	C	7
Notes to the Financial Statements		8
	Schedule	Page No.
Supplemental Information:		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	1	16
Schedule of Prior Year Findings	2	17
Independent Auditor's Reports Required by Government Auditing Standards:		
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		19
Schedule of Current Year Findings and Management's Planned Corrective Action		21

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

Independent Auditor's Report

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

I have audited the accompanying financial statements of Hebert Water System, Inc. (a 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.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebert 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

My audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head and the Schedule of Prior Year Findings are presented for the purpose of additional analysis and are 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 my 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*, I have also issued my report dated June 3, 2021, on my consideration of Hebert Water System, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hebert 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 Hebert Water System, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
June 3, 2021

FINANCIAL STATEMENTS

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current assets:

Cash	\$344,699
Accounts receivable (net of allowance for uncollectible accounts)	31,934
Grant receivable	<u>12,309</u>
Total current assets	388,942

Assets with contractual restrictions/board designations:

Investments - certificates of deposit	88,160
Prepaid lease	4,400
Property, plant, and equipment (net of accumulated depreciation)	<u>1,246,605</u>

TOTAL ASSETS \$1,728,107

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$34,960
Payroll withholdings payable	3,866
Accrued interest payable	129
Current portion of loan payable	<u>31,663</u>
Total current liabilities	70,618

Long-term liabilities - loan payable	<u>317,611</u>
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Total liabilities	388,229
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Net assets without donor restrictions	<u>1,339,878</u>
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TOTAL LIABILITIES AND NET ASSETS \$1,728,107

See accompanying notes.

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Operating Revenue:	
Water sales	\$436,208
Connect fees	3,050
Tap fees	9,250
Reconnect fees	400
Transfer fees	6,800
Other	466
Total operating revenue	<u>456,174</u>
Operating Expenses:	
Salaries	135,639
Payroll taxes	10,415
Repairs and maintenance	7,194
Electricity	19,734
Insurance	14,780
Supplies and materials	26,276
Dues and fees	6,356
Contract labor	3,700
Office expense	8,636
Audit	3,031
Telephone	5,189
Truck and car expense	22,674
Lease expense	200
Convention or meeting expense	1,323
Safe drinking water fee	11,768
Collection expense	4,589
Depreciation	62,933
Other	3,782
Total operating expenses	<u>348,219</u>
Operating Income	<u>107,955</u>
Non-Operating Revenue (Expenses):	
Interest income	2,309
Interest expense	(16,465)
State grant	420,629
Total non-operating revenue (expenses)	<u>406,473</u>
Increase in Net Assets	514,428
Net Assets at Beginning of Year	825,450
Net Assets at End of Year	<u>\$1,339,878</u>

See accompanying notes.

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	<u>\$514,428</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	62,933
Increase in accounts receivable	(8,642)
Decrease in prepaid lease	200
Increase in accounts and taxes payable	5,280
Interest income	(2,309)
Interest expense	16,465
State grant	<u>(420,629)</u>
Total adjustments	<u>(346,702)</u>
Net cash provided by operating activities	<u>167,726</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal on long-term debt	(30,904)
Interest on long-term debt	<u>(16,477)</u>
Net cash used by financing activities	<u>(47,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	2,309
Increase in investments	(2,262)
Construction/purchase of property, plant and equipment	(615,565)
State grant receipts	<u>431,269</u>
Net cash used by investing activities	<u>(184,249)</u>
NET DECREASE IN CASH	(63,904)
CASH AT BEGINNING OF YEAR	<u>408,603</u>
CASH AT END OF YEAR	<u><u>\$344,699</u></u>

See accompanying notes.

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Hebert Water System, Inc. (“ the water system”), is a nonprofit organization domiciled in Columbia, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Hebert Water System, Inc., provides water to members residing within the territorial boundaries of the water system. The water system has approximately 1039 members and 3 full-time employees.

B. INVESTMENTS

At December 31, 2020, the water system’s investments consisted of a nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost.

C. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from members for water service provided prior to year end. Receivables are generally shown net of an allowance for uncollectible accounts. These statements contain no provision for uncollectible accounts. The water system is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole. Nonpayment of customer accounts within ten days from the due date are subject to a 5% late penalty. Accounts not paid by the 5th of the following month are cut-off. Past due accounts are written off when they are considered uncollectible by management.

D. FIXED ASSETS

Major improvements to the water system and equipment costing \$500 or more and that is expected to have a useful life of at least five years is capitalized by the water system. Fixed assets are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of 40 years for the water production and

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Notes to the Financial Statements (Continued)

distribution system, 10 to 40 years for buildings, and 3 to 15 years for equipment. Depreciation expense for the year ended December 31, 2020 was \$62,933.

E. STATE GRANT

The accounting and reporting of grants is determined by the underlying substance of the transaction. A grant may be accounted for as contribution, an exchange transaction, or a combination of the two. If it is determined to be a contribution, a grant may be considered a conditional or an unconditional grant.

The water system has adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides clarified guidance on evaluating whether grant funds should be accounted for as a contribution or an exchange transaction based on whether the grantor is receiving value in return for the resources transferred to the grantee. Grant funds are considered contributions if the grantor does not receive commensurate value in exchange for the assets transferred. ASU 2018-08 also provides guidance to determine whether grants funds that are accounted for as contributions are considered conditional or unconditional. Grant funds are considered conditional if the grantee must overcome one or more barriers before it is entitled to the funds and a right of return to the grantor exists for funds transferred. For conditional grants, revenue is recognized in the period the condition or conditions are met. For grants that are considered unconditional, revenue is recognized in the period the grant funds are received.

For the year ended December 31, 2020, the water system received funding under a cooperative endeavor agreement with the State of Louisiana. The agreement provides for \$500,000 in capital outlay funds for the water system's improvement projects. The capital outlay grant is accounted for as a contribution and is considered conditional because the funds must be used solely for the purposes specified in the agreement and are disbursed to the water system as expenses are incurred.

F. INCOME TAX STATUS

Hebert Water System, Inc., is a not-for-profit organization that is exempt from federal income taxes under Section 501c (12) of the Internal Revenue Code.

The water system's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ending 2017, 2018, and 2019 are subject to examination by the IRS, generally

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Notes to the Financial Statements

for three years after they are filed.

G. ESTIMATES

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

H. INTEREST COSTS

The following provides disclosure on interest costs for the year ended December 31, 2020:

Total interest cost expensed	\$16,465
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$16,465</u>

I. FUNCTIONAL ALLOCATION OF EXPENSES

Hebert Water System, Inc.'s, only activity is to provide water service to its members. All costs incurred by Hebert Water System, Inc., are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2020, the water system had cash and investments - certificates of deposit (book balances) as follows:

Petty cash	\$545
Checking accounts	300,402
Savings accounts	43,752
Certificates of deposit	<u>88,160</u>
Total	<u>\$432,859</u>

These deposits are stated at cost, which approximates market. At December 31, 2020, the water

HEBERT WATER SYSTEM, INC.
 Columbia, Louisiana
 Notes to the Financial Statements

system has \$435,382 in deposits (collected bank balances). These deposits are secured from risk by \$381,912 of federal deposit insurance and \$172,919 of pledged securities held by an unaffiliated bank in the name of the fiscal agent bank.

3. RECEIVABLES

Receivables at December 31, 2020 consist of the following:

Water sales	\$31,934
State grant	12,309
Less - allowance for uncollectible accounts	<u>NONE</u>
Net	<u>\$44,243</u>

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, connect fees, tap fees, reconnect fees, and transfer fees 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 10th of the following month. The receivable for water fees was \$23,292 at the beginning of the year and \$31,934 at the end of the year. All other fees are recognized when the customer pays the fee.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual restrictions or board designations within one year of the balance sheet date:

Financial assets at December 31, 2020	\$477,102
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions:	
Debt service	(47,380)
Construction	(12,309)
Board designations - debt service	<u>(40,780)</u>

HEBERT WATER SYSTEM, INC.
 Columbia, Louisiana
 Notes to the Financial Statements

Financial assets available to meet cash needs for general expenditure,
 within one year \$376,633

6. PREPAID LEASE

In April of 2003, the water system entered into a lease agreement for the existing water well site. The lease agreement is for 40 years at \$200 per year. The lease was paid in advance for a total of \$8,000. Lease expense of \$200 is recognized each year.

7. FIXED ASSETS

A summary of fixed assets at December 31, 2020 follows:

Production and distribution system, land, buildings and equipment	\$2,048,382
Construction in progress - new office building	608,695
Less accumulated depreciation	<u>(1,410,472)</u>
Net	<u>\$1,246,605</u>

8. LOAN PAYABLE

During the year ended December 31, 2019, the water system entered into a loan agreement with Communities Unlimited, Inc., by signing a promissory note for \$380,979. The proceeds from the loan were used to payoff two existing loans with the United States Department of Agriculture - Rural Development. The note bears interest at 4.5% and will be repaid in 120 monthly installments of \$3,948 each beginning November 28, 2019. The loan is secured by the pledge of the water system's revenues.

The following is a summary of loans payable transactions for the year ended December 31, 2020:

Loans payable at January 1, 2020	\$380,178
Additions	NONE
Reductions	<u>(30,904)</u>
Loan payable at December 31, 2020	<u>\$349,274</u>

The annual requirements to amortize the loan outstanding at December 31, 2020, are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$31,663	\$15,717	\$47,380
2022	33,088	14,292	47,380

HEBERT WATER SYSTEM, INC.
 Columbia, Louisiana
 Notes to the Financial Statements

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$34,577	\$12,803	\$47,380
2024	36,133	11,247	47,380
2025	37,759	9,621	47,380
2026 - 2030	<u>176,054</u>	<u>21,039</u>	<u>197,093</u>
Total	<u>\$349,274</u>	<u>\$84,719</u>	<u>\$433,993</u>

**9. ASSETS WITH CONTRACTUAL RESTRICTIONS/
 BOARD DESIGNATIONS**

The loan agreement with Communities Unlimited, Inc., for the loan discussed in note 8 above, requires the water system to set aside a certain amount in a reserve account. At December 31, 2020, the water system was required to have \$47,380 set aside in a reserve account. The water system had \$88,160 in a reserve fund certificate of deposit at December 31, 2020.

10. CONCENTRATION OF INDEBTEDNESS

As discussed in note 8, all of the water system's debt is with Communities Unlimited, Inc. The water system's revenues are pledged as collateral for this debt.

11. SUBSEQUENT EVENTS

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. There were no significant adverse effects from COVID-19 on the water system's financial position during 2020. Although not expected, the water system's future cash flows could be affected by an economic slowdown that results from measures taken to contain the spread of the virus. The water system has determined that the potential impact of COVID-19 is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020, have not been adjusted to reflect this potential impact. The duration and impact of the COVID-19 pandemic remains unclear at this time.

In March 2021, the water system obtained a loan in the amount of \$52,000 to make major repairs to the water system.

Hebert Water System, Inc., has evaluated subsequent events through June 3, 2021, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Supplemental Information
As of and For the Year Ended December 31, 2020

**COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits and Other Payments to Agency Head is presented in compliance with Louisiana Revised Statute 24:513 A (3).

PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended December 31, 2020

BOARD COMPENSATION

Agency Head - Dale Sellers - President

NONE

HEBERT WATER SYSTEM, INC.
Columbia, LouisianaSchedule of Prior Year Findings
For the Year Ended December 31, 2020

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Status of Finding</u>
N/A	2009	Inadequate Segregation of Accounting Duties	Unresolved - see 2020-001 in current year findings.

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**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***

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Hebert Water System, Inc. (a 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 ended then ended, and the related notes to the financial statements, and have issued my report thereon dated June 3, 2021.

Internal Control Over Financial Reporting

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

BOARD OF DIRECTORS
HEBERT WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2020

My 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. I did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2020-001 that I consider to be a material weakness.

Compliance and Other Matters

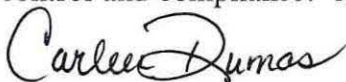
As part of obtaining reasonable assurance about whether Hebert Water System Inc.'s financial statements are free from material misstatement, I performed tests of Hebert Water System Inc.'s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

Hebert Water System, Inc.'s Response to Findings

Hebert Water System, Inc.'s response to the finding identified in my audit is described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Hebert Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Calhoun, Louisiana
June 3, 2021

HEBERT WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2020

Section I - Summary of Auditor's Reports

Financial Statements

1. Type of auditor's report issued - Unmodified.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - No
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

2020-001. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The accounting duties of billing, collecting, depositing, and posting customer payments to customers accounts is performed by one office employee. This employee is also responsible for posting billing adjustments to customer accounts.

Cause: Limited number of employees due to the small size of the water system.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

Management's Planned

Corrective Action:

It is not economically feasible to correct this deficiency based on the size of the water system and its limited revenues.