

**COLYELL COMMUNITY WATER ASSOCIATION, INC.
LIVINGSTON, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2020



**Hebert Johnson
& Associates, Inc.**
Certified Public Accountants

A Professional Accounting Corporation

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

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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, 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

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, 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 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 16, 2021, 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.

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
June 16, 2021

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

Statement A

**Statement of Financial Position
December 31, 2020**

Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 157,308
Accounts Receivable, Net	4,288
Unbilled Sales	51,751
Inventory	1,200
Prepaid Expenses	9,846
Total Current Assets	224,393
Restricted Assets	
Cash and Cash Equivalents	128,017
Investments:	
Member Deposits	52,140
Total Restricted Assets	180,157
Property, Plant and Equipment:	
Land	27,033
Property and Equipment, Net	1,534,380
Total Property, Plant and Equipment	1,561,413
Total Assets	\$ 1,965,963
 Liabilities and Net Assets	
Current Liabilities:	
Accounts Payable	\$ 5,920
Payroll Taxes Payable	4,492
Retainage Payable	20,912
Notes Payable-Current Portion	111,700
Total Current Liabilities	143,024
Noncurrent Liabilities:	
Member's Deposits	55,750
Notes Payable-Long Term	536,278
Total Noncurrent Liabilities	592,028
Total Liabilities	735,052
Net Assets:	
Without Donor Restrictions	1,230,911
Total Net Assets	1,230,911
Total Liabilities and Net Assets	\$ 1,965,963

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, 2020**

	Without Donor Restrictions
Operating Revenues:	
Water Sales	\$ 403,817
Penalties	16,681
Connections	13,785
DHH Fees	14,278
Miscellaneous	2,268
Total Operating Revenues	450,829
 Operating Expenses:	
Advertising	242
Bank Charges	2,044
Contract Labor	2,680
Depreciation	78,160
Dues and Subscriptions	600
Fuel	3,704
Insurance	19,643
Miscellaneous	725
Office Expenses	5,731
Payroll Taxes	11,582
Postage	5,293
Professional Fees	18,000
Repairs and Maintenance	18,157
Safe Drinking Water	13,564
Salaries	148,200
Software	2,775
Supplies	21,552
Telephone and Utilities	23,734
Total Operating Expenses	376,386
 Operating Income	74,443
 Nonoperating Revenue and (Expenses):	
FEMA Grant Revenue	58,526
Interest Income	166
Interest Expense and Fees	(28,607)
Total Nonoperating Revenues (Expenses)	30,085
 Change in Net Assets	104,528
Net Assets, Beginning	1,126,383
Net Assets, Ending	\$ 1,230,911

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, 2020**

Cash Flow From Operating Activities:

Change in Net Assets	\$ 104,528
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	78,160
Changes in Current Assets and Liabilities:	
(Increase) Decrease in Receivables, Net	2,093
(Increase) Decrease in Unbilled Sales	(842)
(Increase) Decrease in Prepaid Expense	1,702
Increase (Decrease) in Accounts Payable	(1,150)
Increase (Decrease) in Payroll Liabilities	158
Increase (Decrease) in Refundable Advances	(58,526)
Increase (Decrease) in Construction payable	(3,375)
Increase (Decrease) in Retainage Payable	19,862
Increase (Decrease) in Accrued Interest	(15,024)
Increase (Decrease) in Member's Deposits	1,396
Net Cash Provided by Operating Activities	128,982

Cash Flow From Investing Activities:

Increase in Investment in Certificates of Deposit	(139)
Redemption of Certificate of Deposit	104,127
Purchase of Fixed Assets	(207,684)
Net Cash Used by Investing Activities	(103,696)

Cash Flows From Capital and Related Financing Activities:

Principal Paid on Debt	(107,300)
Amortization	678
Net Cash Used in Capital and Related Financing Activities	(106,622)

Net Decrease in Cash and Cash Equivalents (81,336)

Cash and Cash Equivalents, Beginning of Year	<u>366,661</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 285,325</u></u>

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

Cash and Cash Equivalents, Unrestricted	\$ 157,308
Cash and Cash Equivalents, Restricted	<u>128,017</u>
Total Cash and Cash Equivalents	<u><u>\$ 285,325</u></u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest and admin fees were \$27,929

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, 2020**

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, 2020, Colyell provided service to a total of 1,115 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. Water Sales

ASU 2014-09, Revenue from Contracts with Customers, or Accounting Standards Codification Topic 606 ("ASC 606"), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition ("ASC 605") is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts including significant judgments and changes in judgments, as well as assets recognized from costs incurred to obtain or fulfill a contract. Revenue from contracts with members for monthly water sales is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing water to its customers. Revenue is recognized as performance obligations are satisfied, which is on a monthly basis, as billed. Generally, the Association bills members on the 1st day of each month and amounts being due by the 14th of each month.

D. Accounts Receivable

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

E. 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

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2020

exceptions, the Association is no longer subject to federal income tax examinations by tax authorities for years before 2018. Any interest and penalties assessed by income taxing authorities, if any, are not significant and would be included in the Statement of Activities.

F. 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

G. Compensated Absences

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

H. 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.

I. 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.

J. 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, 2020

K. 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.

L. 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, 2020 was \$52,140.

M. 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, 2020, all accounts were insured by the FDIC.

2. Financial Assets and Liquidity Resources

As of December 31, 2020, 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	\$ 157,308
Accounts Receivable, Net	<u>4,288</u>
Total Financial Assets Available within One Year	<u>161,596</u>

Total Financial Assets and Liquidity Resources	
Available within One Year	<u><u>\$ 161,596</u></u>

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2020

3. Restricted Assets

At December 31, 2020, the Association had restricted assets as follows:

Debt Service Sinking Account	\$ 44,464
Debt Service Reserve Account	36,966
Capital Additions and Contingencies Account	25,225
Customer Deposit Account	21,362
Customer Deposit Certificate of Deposit	52,140
	<u>\$ 180,157</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, 2020:

	<u>Beginning</u>	<u>Ending</u>
Accounts Receivable	\$ 8,880	\$ 6,788
Allowance for Uncollectible Accounts	<u>(2,500)</u>	<u>(2,500)</u>
Net Accounts Receivable	<u>\$ 6,380</u>	<u>\$ 4,288</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, 2021 billing and one half of the February 1, 2021 billing. Accrued unbilled sales totaled \$51,751 at December 31, 2020.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2020

5. Property, Plant and Equipment

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

	Balance				Balance	
	December 31,				December 31,	
Capital Assets:	2019	Additions	Deletions		2020	
Land	\$ 27,033	\$ -	\$ -		\$ 27,033	
Construction in Progress	46,662	-	(46,662)		-	
Water System and Equipment	2,605,775	3,789	-		2,609,564	
Building	51,707	250,557	-		302,264	
Total Capital Assets	2,731,177	254,346	(46,662)		2,938,861	
Less Accumulated Depreciation	(1,299,288)	(78,160)	-		(1,377,448)	
Total Capital Assets, Net	\$ 1,431,889	\$ 176,186	\$ -		\$ 1,561,413	

Depreciation expense for the year ended December 31, 2020 was \$78,160. Construction in Progress improvements to the water well that was damaged in the August 2016 flood. The Association received all of its funding from FEMA in the amount of \$105,188 to be used for the improvements to the damaged water well. All proceeds have been spent. The project was completed October 21, 2020.

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 \$5,422 as required by FASB ASC 835-30.

Description/Purpose	Original Amount	Interest Rate	Final Maturity	Balance December 31, 2020
2002 Expansion of Water System	\$ 948,600	3.45%	July 1, 2023	\$ 192,400
2009 Expansion of Water System	\$ 899,732	3.45%	July 1, 2028	\$ 461,000

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

**Notes to the Financial Statements
For the Year Ended December 31, 2020**

Changes in Long-Term Debt: Long-term debt liability activity for the year ended December 31, 2020 are as follows:

	Balance December 31,			Balance December 31,		Due Within One Year
	2019	Additions	Reductions	2020		
2002 Loan	\$ 251,700	\$ -	\$ 59,300	\$ 192,400	\$	61,700
2009 Loan	509,000	-	48,000	461,000		50,000
	<u>\$ 760,700</u>	<u>\$ -</u>	<u>\$ 107,300</u>	<u>\$ 653,400</u>	<u>\$</u>	<u>111,700</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
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>\$ 192,400</u>	<u>\$ 13,445</u>	<u>\$ 1,949</u>	<u>\$ 207,794</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
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	56,000	10,522	1,525	68,047
2025	59,000	8,590	1,245	68,835
2026-2028	190,000	13,282	1,925	205,207
	<u>\$ 461,000</u>	<u>\$ 74,864</u>	<u>\$ 10,850</u>	<u>\$ 546,714</u>

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:

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2020

- 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, 2020.

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, 2020 Members' Deposits amounted to \$55,750. The Association has deposited funds in a separate restricted certificate of deposit account of \$52,140 and a restricted bank account of \$21,362 at December 31, 2020.

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

At December 31, 2020, 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, 2020.

11. Subsequent Events

The Association evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 16, 2021 the date the financial statements were available to be issued and determined that no events occurred that require disclosure.

Supplementary Information

Colyell Community Water Association, Inc.
Livingston, Louisiana
For the Year Ended December 31, 2020

Schedule of Water Rates and Customers

	<u>Customers</u>	<u>Gallons</u>	<u>Rate</u>
Residential	1,093	0-2,000 Gallons	\$17
		Over 2,000 Gallons	\$3.50 per 1,000 gallons
Commercial	22	0-10,000 Gallons	\$30
	<u>1,115</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	\$ 403,817
Total Operating Revenues	\$ 450,829
Average Monthly Billing Per Customer	
Water Sales Average Monthly Billing Per User	\$ 31.33
Total Operating Revenue Average Monthly Billing Per User	\$ 34.98

Schedule of Insurance Policies

<u>Insurance Company</u>	<u>Coverage</u>	<u>Period</u>
Louisiana Workers Compensation Corporation	Workers' Compensation	07/28/20 - 07/28/21
C N A	Surety Bond	03/22/20 - 03/22/21
The Burlington Insurance Company	General Liability	11/14/20 - 11/14/21
Farm Bureau	Fire Policy	07/08/20 - 07/08/21
Farm Bureau	Vehicle Policy	12/04/20 - 06/04/21
Farm Bureau	Vehicle Policy	11/03/20 - 05/03/21
Farm Bureau	Equipment Utility Tractor	11/13/20 - 05/13/21
Farm Bureau	Equipment Back Hoe	06/18/20 - 06/18/21
The Burlington Insurance Company	Directors and Officers Liability	05/24/20 - 05/24/21

**Colyell Community Water Association, Inc.
Livingston, Louisiana
For the Year Ended December 31, 2020**

Schedule of Compensation Paid to Board Members

Board Member	2020
Hulon Taylor	\$ 350
Charles McCon	\$ 350
Calton Watts	\$ -
Daniel Piper	\$ 750
Otis Taylor	\$ 300
Luvawn Andrews	\$ 250
Carlton Toby McCon	\$ 350

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

Manager: Carlton Edwards

Purpose	Amount
Salary	\$ 34,847
Travel	-
Reimbursements	-
Total Payments	<u>\$ 34,847</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

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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
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, 2020, 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 16, 2021.

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 as 2020-1.

Colyell Community Water Association's Response to Findings

Colyell Community Water Association's response to the findings identified in our audit described in the accompanying schedule of current year audit findings and responses. Colyell Community Water Association'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 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,

Chris Johnson

Hebert Johnson & Associates, Inc.
A Professional Accounting Corporation
Albany, Louisiana
June 16, 2021

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

**Schedule of Current Year Audit Findings and Responses
For the Year Ended December 31, 2020**

We have audited the basic financial statements of Colyell Community Water Association, Inc. as of and for the year ended December 31, 2020 and have issued our report thereon dated June 16, 2021. 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, 2020 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

2020-1 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.

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Cause:

Although water sales did increase in 2020, the Association's expenses also increased with the growing customer base.

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. With the growing customer base management expects to be in compliance next year. The Association is expected to pay off the 2002 Loan in 2023. Responsible Party Carlton Edwards (225) 698-3739.