

**MILTON WATER SYSTEM, INC.**

Milton, Louisiana

Financial Report

Years Ended June 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Milton Water System, Inc.  
Milton, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Milton Water System, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milton Water System, Inc., as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 14 to the financial statements, Milton Water System, Inc. implemented the provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Additionally, as described in Note 15 to the financial statements the Milton Water System, Inc. has restated its prior period net assets due to errors discovered in the prior year. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of the Milton Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Milton Water System, Inc.'s internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
October 17, 2019

**FINANCIAL STATEMENTS**

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 364,567	\$ 885,258
Accounts receivable	111,854	126,926
Prepaid expense	18,966	10,318
Other assets	3,227	1,264
Total current assets	498,614	1,023,766
Restricted assets:		
Cash and cash equivalents	442,851	210,951
Property, plant and equipment, net	4,710,340	4,440,111
Total assets	\$ 5,651,805	\$ 5,674,828
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 39,316	\$ 37,895
Accrued interest payable	4,638	4,889
Notes payable-current	64,338	59,388
Other payables	13,095	14,528
Total current liabilities	121,387	116,700
Long - term liabilities:		
Notes payable-long term	1,892,382	1,990,679
Customer deposits	279,447	236,865
Total long-term liabilities	2,171,829	2,227,544
Total liabilities	2,293,216	2,344,244
Net assets:		
Without donor restrictions	3,358,589	3,330,584
Total liabilities and net assets	\$ 5,651,805	\$ 5,674,828

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

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Activities  
Years Ended June 30, 2019 and 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions -		
Revenues:		
Water sales	\$ 1,397,641	\$ 1,414,946
Finance charges	22,907	24,690
Meter installation fees	66,650	93,380
Reconnect fees	37,656	39,398
Connection Fees	20,944	31,150
NSF charges	2,192	2,425
Grant Income	-	38,277
Interest earned	3,940	1,671
Gain (Loss) on disposal	(1,047)	(65)
Miscellaneous income	578	11,626
Total revenues	1,551,461	1,657,498
Expenses:		
Program services	1,152,160	1,141,151
Supporting services:		
Management and general	371,297	359,387
Total expenses	1,523,457	1,500,538
Excess of revenues over expenses	28,004	156,960
Other increases in net assets:		
Contributed assets	-	41,502
Change in net assets without donor restrictions	28,004	198,462
Net assets, beginning of year (restated)	3,330,584	3,132,122
Net assets, end of year	\$ 3,358,589	\$ 3,330,584

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

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Functional Expenses  
Years Ended June 30, 2019 and 2018

	2019	2018
Program services:		
Auto and truck	\$ 2,632	\$ 2,672
Chemicals	2,336	1,301
Customer service and repairs	185	114
Depreciation	268,747	266,419
Dottie expense	2,117	1,621
Insurance	36,375	38,652
Maintenance and supplies	4,391	6,891
Meter reading	52,912	51,618
Rent - equipment	9,800	8,400
Repairs and maintenance (equipment)	1,595	1,458
Repairs and maintenance (treatment)	6,438	4,678
Repairs and maintenance (line)	41,246	41,531
Salaries	102,653	105,492
Taxes - payroll	8,111	8,315
Telephone	1,439	1,339
Supplies and tools	5,431	11,866
Training and education	120	710
Utilities	6,834	8,292
Water purchases	598,798	579,782
Total program services	\$ 1,152,160	\$ 1,141,151
Supporting services:		
Management and general		
Accounting	\$ 19,625	\$ 20,435
Advertising	150	-
Bank charges	1,589	1,627
Depreciation	695	217
Dues and subscriptions	5,528	873
Insurance	22,935	19,643
Interest	98,807	108,501
Legal	8,476	4,292
Management fees	15,405	3,559
Miscellaneous	616	595
Office expense	8,008	8,349
Postage	32,011	30,991
Repairs and maintenance	12,031	13,113
Salaries	125,138	129,099
Taxes - payroll	10,070	10,261
Telephone	6,493	5,798
Utilities	2,577	2,034
Total supporting services	\$ 371,297	\$ 359,387

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

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 28,004	\$ 156,960
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	269,442	266,636
Loss on disposal	1,047	65
(Increase) decrease in operating assets		
Accounts receivable	15,072	(32,904)
Prepaid expenses	(8,648)	7,662
Other assets	(1,963)	576
Increase (decrease) in operating liabilities		
Accounts payable	1,421	(17,732)
Accrued expenses and other payables	(1,684)	366
Customer deposits	42,582	3,254
Total adjustments	317,269	227,923
Net cash provided by operating activities	345,273	384,883
Cash flows from investing activities:		
Purchase of property, plant and equipment	(540,717)	(154,232)
Cash flows from financing activities:		
Principal paid on notes payable	(93,347)	(175,434)
Net (decrease) increase in cash and cash equivalents	(288,791)	55,217
Cash and cash equivalents, beginning of year	1,096,209	1,040,992
Cash and cash equivalents, end of year	\$ 807,418	\$ 1,096,209
Supplementary cash flow information:		
Interest paid	\$ 99,058	\$ 108,969
Contributed asset - Water lines	\$ -	\$ 41,502

(continued)

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

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Cash Flows (Continued)  
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of financial position:		
Cash and cash equivalents, beginning of period -		
Cash and interest bearing deposits - unrestricted	\$ 885,258	\$ 833,295
Cash and interest bearing deposits - restricted	<u>210,951</u>	<u>207,697</u>
Total cash and cash equivalents	<u>1,096,209</u>	<u>1,040,992</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	364,567	885,258
Cash and interest bearing deposits - restricted	<u>442,851</u>	<u>210,951</u>
Total cash and cash equivalents	<u>807,418</u>	<u>1,096,209</u>
Net (decrease) increase	<u>\$ (288,791)</u>	<u>\$ 55,217</u>

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

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Operations

Milton Water System, Inc. (The Water System) was incorporated January 10, 1974, under the provisions of non-profit corporation laws under the State of Louisiana. The water system was organized to construct, maintain, and operate a private water system that provides water to its members. Members elect directors who appoint or elect officers to manage the organization. The organization was granted non-profit status, by the Internal Revenue Service under IRS Code 501 (c)(12).

B. Financial Statement Presentation

The Water System reports information regarding its financial position and activities according to two classes of net assets: Net Assets without Donor Restrictions and Net Assets with Donor Restrictions.

The financial statements of The Water System have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

C. Cash and Cash Equivalents

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

D. Allocation of Functional Expenses

Direct expenses are charged to program or support based on specific identification.

E. Revenue Recognition

Water sales are recorded or accrued when earned. Substantially all other revenues are recorded when received.

F. Net Assets

The net assets of the Water System and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature. These restrictions will be satisfied by actions of the Water System or by the passage of time.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Water System. These net assets may be used at the discretion of the Water System’s management and board of directors.

The Water System’s board of directors has designated, from net assets without donor restrictions for the following purpose:

	2019	2018
Designated for reserve accounts	<u>\$ 163,404</u>	<u>\$ 366,041</u>

G. Income Taxes

The Water System is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Water System and recognize a tax liability (or asset) if the Water System has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Water System, and has concluded that as of June 30, 2019 and 2018, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Water System is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

H. Property and Equipment

The cost of property and equipment, which have an acquisition cost of \$500 or more are capitalized. Property and equipment are valued at historical cost and are being depreciated on a straight-line basis. Depreciation expense totaled \$269,442 and \$266,636 for the years ended June 30, 2019 and 2018, respectively.

I. Bad Debts

Generally accepted accounting principles require the accrual of uncollectible receivables through an allowance account. Uncollectible amounts due from water system customers are written-off using the direct charge-off method. An allowance amount would be immaterial at June 30, 2019 and 2018.

J. Vacation, Sick Leave, and Compensated Absences

The Water System allows one regular workweek of paid vacation after one year as a full-time employee and increased vacation each additional year of service. Vacation is normally taken in the year accrued, but one week of unused vacation days may be carried over to the next year. Accrued vacation is payable at termination of employment. Accrued vacation will not be accrued because it is immaterial. Sick leave may not be carried over and is not payable at termination of employment; it is recorded as an expense of the period in which paid.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

K. Statement of Cash Flows

The Water System considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

L. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to use estimates and make assumptions regarding certain types of assets, liabilities, support, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

M. Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 financial statement presentation.

(2) Accounts Receivable

The aging of the accounts receivable is as follows:

	<u>2019</u>	<u>2018</u>
Current	\$ 83,372	\$ 87,926
Over 30 Days	15,336	28,445
Over 60 Days	3,080	1,052
Over 90 days	<u>10,066</u>	<u>9,503</u>
Total	<u>\$ 111,854</u>	<u>\$ 126,926</u>

(3) Restricted Assets

Restricted assets relate to funds transferred to separate accounts to meet the requirements of the U.S.D.A. loan agreement and customer deposits. The balance of restricted assets for June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
USDA reserves	\$ 163,404	\$ 163,404
Customer deposits	<u>279,447</u>	<u>47,547</u>
Total	<u>\$ 442,851</u>	<u>\$ 210,951</u>

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(4) Property, Plant and Equipment

All costs associated with the construction of the water system are included in this account. The Water System follows a policy of capitalizing interest as a part of property, plant and equipment constructed. A schedule of property, plant and equipment for the periods ended June 30, 2019 and 2018 is as follows:

	2019	2018
Land	\$ 351,898	\$ 2,698
Construction in Progress	110,338	-
Water Treatment Plant	447,529	438,188
Waterwell	101,297	101,297
Ground Storage Reserve	27,794	27,794
Water Distribution System	5,880,693	5,880,693
Meters	1,135,806	1,120,972
Treatment Equipment	3,155	3,155
Equipment and/or Building	3,500	3,500
Filtering System	328,912	328,912
Furniture and Fixtures	37,832	32,087
Vehicles	72,759	72,759
Total	8,501,513	8,012,055
Less: accumulated depreciation	3,791,173	3,571,944
Net Property, Plant and Equipment	\$ 4,710,340	\$ 4,440,111

Depreciation of property, plant and equipment is computed over the estimated useful lives of the respective assets on a straight-line basis. All property, plant and equipment is pledged as collateral for notes payable listed in Note 5.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(5) Notes Payable

The Water System's note payable balances consisted of the following:

	2019	2018
Note payable to the United States Department of Agriculture Farmers Home Association, dated February 3, 2000, in the original amount of \$1,500,000, payable in monthly installments of \$8,055, including interest at 5.75 percent annum, secured by a pledge of revenues and accounts receivable from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 2/3/2040.	\$ 997,985	\$ 1,054,852
 Note payable to the United States Department of Agriculture Farmers Home Association, dated December 29, 2008, in the original amount of \$1,225,000, payable in monthly installments of \$5,562, including interest at 4.5 percent annum, secured by a pledge of revenues and accounts receivable from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 12/28/2049.	<u>958,735</u>	<u>995,215</u>
Total notes payable	1,956,720	2,050,067
Less: Current portion	<u>64,338</u>	<u>59,388</u>
Long-term debt	<u>\$ 1,892,382</u>	<u>\$ 1,990,679</u>

Notes payable at June 30, 2019, is scheduled to mature as follows:

Year	Principal Only
2020	\$ 64,338
2021	67,820
2022	71,493
2023	75,369
2024	79,457
2025-2029	466,915
2030-2034	608,701
2035-2039	330,996
2040-2044	<u>191,631</u>
	<u>\$ 1,956,720</u>

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(6) Commitments and Contingencies

The Water System is involved in two lawsuits, and management, board members and counsel reasonably estimate there will be no monetary loss regarding any legal matters as of June 30, 2019.

(7) Concentration of Credit Risk

The Water System maintains bank accounts at three separate institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at June 30, 2019 and 2018 exceeded federally insured limits by \$8,612 and \$32,378, respectively.

(8) Operating Lease

The Water System leases a building in Milton, Louisiana, under an operating lease. The term of the operating lease is for one year and rental payments are \$700 per month.

(9) Board of Directors

The Board of Directors of the Water System for the year ended June 30, 2019 are as follows:

<u>Board Member</u>	<u>Term</u>	<u>Address</u>
President - Sinda Soileau	January 2016 - January 2019	129 Julie Drive, Lafayette, LA
Glen Gudiry	October 2017 - October 2020	PO Box 398, Milton, LA
Larry Soileau	February 2016 - February 2019	122 Julie Drive, Lafayette, LA
Bob Bixenman	July 2019 - July 2022	PO Box 359, Milton, LA
Lisa Noel	October 2017 - October 2020	221 Julie Drive, Lafayette, LA

(10) Concentrations

The Water System purchases the majority of its water from a local government. Without these purchases, The Water System would not be able to provide water to its customers.

(11) Subsequent Events

The Water System has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(12) Liquidity and Availability of Resources

The Water Systems financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 364,567
Accounts receivable	111,854
Prepaid expense	18,966
Other assets	<u>3,227</u>
Total current assets	<u>\$ 498,614</u>

Certain assets are restricted by lenders for specific purposes and, therefore, are not available for general expenditure. As part of the Water System's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Water System does not intend to spend from its restricted assets other than amounts appropriated for general expenditures as part of its annual appropriation process, amounts from its restricted assets could be made available if necessary.

(13) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be more entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective for annual periods beginning after December 15, 2018 and is not expected to have a significant impact on the Water System's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organization that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Water System is evaluating the potential impact of the amendment on the Water System's financial statements.

The FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which made the following changes that may affect the Water System: Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

or debt extinguishment costs should be classified as cash flows for financing activities. The amendments in this ASU will be effective for entities other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Water System does not expect the guidance to have a material impact on its financial statements.

In November 2016, the FASB issued Accounting Standards update No. 2016-18, Statement of Cash Flows (Topic 230). The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. The amendment is effective for fiscal years beginning after December 15, 2018. The Water System is evaluating the potential impact of the amendment on the Water System’s financial statements.

(14) Change in Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Water System has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Water System’s financial statements: the temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions; the unrestricted net asset class has been renamed net assets without donor restrictions; the format of the statement of cash flows has changed due to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements; and the financial statements include a new disclosure about liquidity and availability of resources (Note 12).

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Designated for reserve accounts	\$ 366,041	\$ -
Unrestricted	2,964,543	-
Net assets without donor restrictions	<u>-</u>	<u>3,330,584</u>
Total	<u>\$ 3,330,584</u>	<u>\$ 3,330,584</u>

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(15) Prior Period Adjustment

In order to properly account for the Tenant Deposit liability, the following changes were made:

<u>Accounts Adjusted</u>	<u>Net assets without donor restrictions</u>	<u>Customer deposits liability</u>
July 1, 2018 Balance, as reported	\$ 3,321,440	\$ 47,547
Prior period adjustment:		
Increase (Decrease)	<u>(189,318)</u>	<u>189,318</u>
July 1, 2018 Balance, as restated	<u>\$ 3,132,122</u>	<u>\$ 236,865</u>

**SUPPLEMENTARY INFORMATION**

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Insurance in Force  
(Unaudited)  
June 30, 2019

Policy Issuer	Policy Period	Type Of Insurance Coverage
Stiel Insurance of Acadiana, Inc.	1/17/19 to 1/17/20	General Liability \$3,000,000 General Aggregate \$1,000,000 Personal and Advertising \$1,000,000 Professional \$1,000,000 Employee Benefits \$1,000,000 Wrongful Acts \$1,000,000 Employment Injury \$1,000,000 Rental Property \$10,000 Medical Expense Commercial Property \$331,836 Building & Contents Crime Policy \$25,000 Employee Dishonesty \$10,000 Office Contents \$10,000 Computer Fraud
Quality Plus Insurance Company	7/1/19 to 6/30/20	Automobile \$500,000 Bodily injury & property damage
AmTrust North American Insurance Company	7/24/18 to 6/30/19	Automobile \$500,000 Bodily injury & property damage
Louisiana's Worker's Compensation	9/1/18 to 9/1/19	Worker's Compensation \$100,000 Bodily Injury by Accident \$100,000 Bodily Injury by Disease
Western Surety Company	6/12/18 to 6/12/19	Surety Crime Policy Bond \$20,000 Customer Service \$50,000 Office Manager \$50,000 Operations Manager \$50,000 Board of Directors - President \$50,000 Board of Directors - Treasurer

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Number of Utility Customers  
(Unaudited)  
June 30, 2019

The Water System has a total of 3,905 customers at June 30, 2019, comprised of residential, commercial and wholesale customers. A summary of customers is as follows:

<u>Customers</u>	<u>Active</u>	<u>Inactive</u>	<u>Total</u>
Residential	3,839	-	3,839
Commercial	52	-	52
Wholesale	<u>14</u>	<u>-</u>	<u>14</u>
Total	<u>3,905</u>	<u>-</u>	<u>3,905</u>

The water rates of the System at June 30, 2019 are as follows:

	<u>Milton Side:</u>	<u>Lafayette Side:</u>
Residential rates (3/4" pipe):		
Rate for the first 2,000 gallons	\$ 12.65	\$ 17.16
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.41
Residential rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 20.16
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.41
Commercial rates (3/4" pipe):		
Rate for the first 2,000 gallons	\$ 12.65	\$ 17.16
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.41
Commercial rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 20.16
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.41
School rates:		
Rate for the first 2,000 gallons		\$ 78.45
Rate per 1,000 gallons thereafter		\$ 1.82
2" Meter rates:		
Rate for the first 2,000 gallons		\$ 23.16
Rate per 1,000 gallons thereafter		\$ 4.41

Wholesale rates:

Factor of \$4.41 above the cost of water purchased from the City of Lafayette.

The Water System charges a 10% penalty of the total water charge for those customers paying their bill after the due date.

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

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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  
Milton Water System, Inc.  
Milton, Louisiana

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 Milton Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Milton Water System, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Milton Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Milton 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 Milton Water System, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Milton Water System Inc.'s Response to Findings**

The Milton Water System Inc.'s response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
October 17, 2019

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2019

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of Accounting Functions

CONDITION: The Milton Water Systems, Inc. did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Milton Water System, Inc. does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board members have determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

B. Compliance

There are no compliance findings to be reported.

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2019

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of Accounting Functions

CONDITION: The Milton Water System, Inc. did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Based upon the cost-benefit of additional personnel, it would not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 2018-001.

2018-002 Customer deposits misappropriation

CONDITION: Milton Water System, Inc. discovered a misappropriation of customer deposits. The total misappropriation was \$20,190.60, \$14,175.63 was determined too old and uncollectible. The other \$6,014.97 was collected during the year.

RECOMMENDATION: The Water System should take steps to ensure that all customer deposits are deposited in the Water System's bank accounts. The Water System should also adopt and implement policies and procedures that require all customer deposits be reviewed for accuracy by an employee and/or board member independent of the accounting function on a regular basis.

CURRENT STATUS: Resolved

B. Compliance

There were no compliance findings reported.