

AVOYELLES WATER COMMISSION

Moreauville, Louisiana

Financial Report

Year Ended December 31, 2020

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KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Avoyelles Water Commission
Moreauville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Avoyelles Water Commission ("Commission"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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 opinions 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Avoyelles Water Commission, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021, on our consideration of the Commission'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 solely 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 effectiveness of the Commission'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 the Commission's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
April 22, 2021

BASIC FINANCIAL STATEMENTS

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Net Position
Proprietary Fund - Enterprise Fund
December 31, 2020

ASSETS

Current assets:	
Cash and interest-bearing deposits	\$ 695,230
Certificates of deposit	1,143,658
Receivables, net	119,702
Prepaid items	<u>9,402</u>
Total current assets	<u>1,967,992</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	55,147
Prepaid land lease	25,454
Capital assets	
Nondepreciable	175,132
Depreciable, net	<u>8,809,108</u>
Total noncurrent assets	<u>9,064,841</u>
Total assets	<u>11,032,833</u>

LIABILITIES

Current liabilities:	
Accounts and other payables	8,197
Accrued liabilities	2,707
Bonds payable	320,000
Accrued interest payable	<u>11,857</u>
Total current liabilities	342,761
Noncurrent liabilities:	
Bonds payable	<u>9,299,544</u>
Total liabilities	<u>9,642,305</u>

NET POSITION

Restricted for debt service	55,147
Unrestricted	<u>1,335,381</u>
Total net position	<u>\$ 1,390,528</u>

The accompanying notes are an integral part of this statement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Enterprise Fund
For the Year Ended December 31, 2020

Operating revenues:	
Charges for services -	
Water sales and fees	<u>\$ 1,409,216</u>
Operating expenses:	
Personnel costs	84,616
Payroll taxes	6,687
Legal and professional fees	18,787
Fuel and oil	2,288
Contracting services	21,469
Depreciation	536,304
Insurance	20,793
Repairs and maintenance	52,750
Rent and utilities	105,134
Supplies	90,281
Lease expense	303
Other	<u>11,987</u>
Total operating expenses	<u>951,399</u>
Operating income	<u>457,817</u>
Nonoperating revenues (expenses):	
Bond issue costs	(306,468)
Interest income	29,604
Interest expense	(293,713)
Miscellaneous income	<u>1,489</u>
Total nonoperating revenues (expenses)	<u>(569,088)</u>
Change in net position	(111,271)
Net position, beginning	<u>1,501,799</u>
Net position, ending	<u>\$ 1,390,528</u>

The accompanying notes are an integral part of this statement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Cash Flows
Proprietary Fund - Enterprise Fund
For the Year Ended December 31, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 1,406,191
Payments to suppliers	(326,813)
Payments to employees	<u>(91,176)</u>
Net cash provided by operating activities	<u>988,202</u>
Cash flows from capital and related financing activities:	
Purchases and construction of capital assets	(93,682)
Miscellaneous income	1,489
Proceeds from debt issuance	9,883,386
Bond issuance costs	(306,468)
Interest and fiscal charges paid on long-term debt	(302,452)
Principal paid on long-term debt	<u>(10,090,914)</u>
Net cash used by capital and related financing activities	<u>(908,641)</u>
Cash flows from investing activities:	
Interest received	29,604
Purchase of interest-bearing deposits with maturity in excess of ninety days	<u>(143,658)</u>
Net cash used by investing activities	<u>(114,054)</u>
Net decrease in cash and interest-bearing deposits	(34,493)
Cash and interest-bearing deposits, beginning of period	<u>784,870</u>
Cash and interest-bearing deposits, end of period	<u><u>\$ 750,377</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 457,817
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	536,304
Changes in assets and liabilities:	
Increase in accounts receivable	(3,025)
Decrease in prepaid expenses	303
Decrease in accounts payables	(3,324)
Increase in accrued liabilities	<u>127</u>
Net cash provided by operating activities	<u><u>\$ 988,202</u></u>

(continued)

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Statement of Cash Flows
Proprietary Fund - Enterprise Fund
For the Year Ended December 31, 2020

Reconciliation of cash and interest-bearing deposits per statement
of cash flows to the statement of net position:

Cash and interest-bearing deposits, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 733,406
Cash and interest-bearing deposits - restricted	<u>51,464</u>
Total cash and interest-bearing deposits, beginning of period	<u>784,870</u>
 Cash and interest-bearing deposits, end of period -	
Cash and interest-bearing deposits - unrestricted	695,230
Cash and interest-bearing deposits - restricted	<u>55,147</u>
Total cash and interest-bearing deposits, end of period	<u>750,377</u>
 Net change in cash and interest-bearing deposits	 <u>\$ (34,493)</u>

The accompanying notes are an integral part of this statement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Avoyelles Water Commission (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Commission's accounting policies are described below.

A. Financial Reporting Entity

The Avoyelles Water Commission was created under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing potable drinking water to three municipalities and began operations in 2007. The Commission was created by an intergovernmental agreement formed between the Village of Moreauville, Avoyelles Ward Three Waterworks District and the City of Marksville. The Commission is governed by a board of directors composed of three members. One member is appointed by each of the following governmental entities: The Village of Moreauville, Avoyelles Ward Three Waterworks District and the City of Marksville. Each commissioner serves until replaced by the entity that he or she represents.

B. Basis of Presentation

Fund Financial Statements

The accounts of the Commission are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses, and transfers.

Major funds are determined as funds whose revenues, expenditures/expenses, assets and deferred outflows of resources or liabilities and deferred inflows of resources are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Commission.

Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Commission maintains only one fund and it is described below:

Proprietary Fund –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary fund maintained by the Commission is the Enterprise Fund.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Enterprise Fund –

The Enterprise Fund is used to report activities for which a fee is charged to external users. This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 *“Accounting and Financial Reporting for Nonexchange Transactions”*.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest- bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all cash on hand, demand accounts, savings accounts, and certificates of deposits of the Water Commission. For the purpose of proprietary fund statement of cash flows, “cash and interest-bearing deposits” include all demand and savings accounts, certificates of deposit and short-term investments with an original maturity of three months or less when purchased.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Receivables

Receivables consist of all revenues earned at year-end but not yet received. Enterprise fund activities report customer's utility service receivables as its major receivable. This receivable is reported net of an allowance for doubtful accounts, if any.

At December 31, 2020, all accounts were considered collectible and therefore no allowance was established.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Total interest expense incurred by the Commission during the year was \$293,713 none of which was capitalized.

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings and distribution system	30-40 years
Equipment	7-10 years

Compensated Absences

The Commission has no set policy for accumulated vacation, sick pay or other benefits. The Commission currently employs four part-time individuals who do not accumulate any vacation or sick leave, therefore, at December 31, 2020, no liability exists for compensated absences.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in the financial statements. The long-term debt consists primarily of bonds payable.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

Equity Classifications

In the proprietary fund, equity is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.
- c. Unrestricted net position consists of all other net assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

It is the Commission's policy to use restricted amounts first when both restricted and unrestricted net position is available unless, prohibited by legal or contractual provisions.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

E. Revenues and Expenses

Operating and Nonoperating Revenues and Expenses

In the proprietary fund, operating revenues are those revenues produced as a result of providing services and producing and delivering goods and/or services. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are those expenses not directly related to the production of revenue and include items such as interest expense and losses on disposal of assets.

The principal operating revenues of the Commission's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Expenses

Expenses are classified by function for business-type activities and are further classified as operating and nonoperating.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects or revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Cash and interest-bearing deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Custodial credit risk for deposits is the risk that in an event of the failure of a depository financial institution, the Commission's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

The Commission does not have a policy for custodial credit risk; however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposits balance (bank balances) at December 31, 2020, and the related federal insurance and pledged securities:

Bank balances	<u>\$ 1,898,289</u>
Insured	\$ 500,000
Uninsured and collateral held by pledging bank not in the Commission's name	<u>1,398,289</u>
Total	<u>\$ 1,898,289</u>

(3) Accounts Receivable

Receivables at December 31, 2020 in the amount of \$119,702 were charges for services. The entire amount is considered current.

(4) Restricted Assets

Restricted assets on December 31, 2020 consisted of cash and interest-bearing deposits totaling \$55,147 held in the Debt Service Fund account.

(5) Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Right of ways	<u>165,132</u>	<u>-</u>	<u>-</u>	<u>165,132</u>
Total capital assets not being depreciated	<u>175,132</u>	<u>-</u>	<u>-</u>	<u>175,132</u>
Capital assets being depreciated:				
Buildings	49,990	-	-	49,990
Equipment	453,707	93,682	72,500	474,889
Distribution system	<u>14,523,222</u>	<u>-</u>	<u>-</u>	<u>14,523,222</u>
Total capital assets being depreciated	<u>15,026,919</u>	<u>93,682</u>	<u>72,500</u>	<u>15,048,101</u>

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

	Balance Beginning	Additions	Deletions	Balance Ending
Less accumulated depreciation				
Buildings	5,236	1,494	-	6,730
Equipment	366,844	27,838	72,500	322,182
Distribution system	5,403,109	506,972	-	5,910,081
Total accumulated depreciation	5,775,189	536,304	72,500	6,238,993
Total capital assets being depreciated, net	9,251,730	(442,622)	-	8,809,108
Capital assets, net	\$ 9,426,862	\$ (442,622)	\$ -	\$ 8,984,240

Depreciation expense was charged to business-type activities in the amount of \$536,304.

(6) Changes in Long-Term Debt

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

	Balance Beginning	Additions	Payments	Balance Ending	Due Within One Year
Direct Placements:					
USDA note payable	\$ 5,675,264	\$ -	\$ (5,675,264)	\$ -	\$ -
USDA note payable	4,151,808	-	(4,151,808)	-	-
Water Revenue Refunding Bonds, Series 2020	-	9,410,000	(260,000)	9,150,000	320,000
Unamortized, Bond premium	-	495,079	(3,842)	491,237	-
Bond discount	-	(21,693)	-	(21,693)	-
	\$ 9,827,072	\$ 9,883,386	\$ (10,090,914)	\$ 9,619,544	\$ 320,000

The Water Revenue Refunding Bonds, Series 2020 dated February, 2020 are due in annual payments of \$ \$260,000 to \$530,000, bearing annual interest at 2.63% to 3.00%, and are secured by water revenues. The bond agreement requires the Commission to maintain customer utility rates to provide net revenues equal to or greater than 115% of the principal and interest obligated to be paid in the current fiscal year. Failure to make punctual principal and interest payments, to perform or observe any other of the bond covenants, agreements, or conditions for a period of thirty (30) days after receiving written notice and/or filing a petition or otherwise seeking relief under any federal or state bankruptcy law or similar law are considered events of default. Upon the happening and continuance of an event of default bondholders are entitled to exercise all rights and powers for which provision is made under Louisiana law. However, under no circumstances may the payment of principal or interest of any of the bonds be accelerated under the bond agreement.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

The annual requirements to amortize all debt outstanding at December 31, 2020 is as follows:

Year ending, December 31,	Direct Placement Debt				
	Principal	Premium	Discount	Interest	Total
2021	\$ 320,000	\$ 10,253	\$ -	\$ 269,738	\$ 599,991
2022	330,000	16,055	-	260,138	606,193
2023	340,000	21,648	-	250,238	611,886
2024	350,000	27,118	-	240,038	617,156
2025	360,000	32,004	-	229,538	621,542
2026-2030	1,965,000	180,234	-	979,240	3,124,474
2031-2035	2,285,000	121,996	-	665,890	3,072,886
2036-2040	2,175,000	81,928	(4,338)	306,480	2,559,070
2041-2044	1,025,000	-	(17,354)	67,724	1,075,370
Total	<u>\$ 9,150,000</u>	<u>\$ 491,236</u>	<u>\$ (21,692)</u>	<u>\$ 3,269,024</u>	<u>\$ 12,888,568</u>

(7) Bond Refunding

On February 25, 2020, the Commission issued \$9,410,000 of Water Revenue Refunding Bonds, Series 2020 bearing interest at 2.63% to 3.00% per annum to refund \$9,410,000 of outstanding USDA notes bearing interest at 4.25% per annum. The Series 2020 bonds maturing between 2020 to 2039 were issued at a premium of \$495,079 while the bonds maturing between 2040 to 2044 were issued at a discount of \$21,692.

As a result of the refunding, the Commission reduced its total future debt service requirements by \$2,425,250, resulting in an economic gain, (difference between the present value of the debt service payments on the notes and bonds) of \$1,406,290.

(8) Flow of Funds: Restrictions of Use – Water Revenues

Revenues derived from water sales are partially pledged to retire the Water Revenue Refunding Bonds, Series 2020 (Bonds). The bond resolution adopted by the Commission requires the establishment and maintenance of the Series 2020 Debt Service Fund account. The moneys in the account are to be held separate and apart from all other funds of the Commission by the paying agent to pay promptly and fully the principal of and interest on the Bonds and any additional parity bonds issued hereafter.

On or before the fifth (5th) day of each month one sixth (1/6th) of the interest falling due on the next interest payment date as well as one twelfth (1/12th) of the principal falling due on the next principal payment date of the Bonds and any additional parity bonds, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due, shall be transferred to the debt service fund account.

AVOYELLES WATER COMMISSION
Moreauville, Louisiana

Notes to Basic Financial Statements

(9) Compensation of Board Members

A detail of the compensation paid to commission officials for the year ended December 31, 2020 follows:

President:	
Penn Lemoine	\$ 1,080
Board Members:	
Albin Lemoine	1,080
John Lemoine	780
	<u>\$ 2,940</u>

The President is considered the agency head. The Commission did not pay any benefits on his behalf for the year ended December 31, 2020, except the amount disclosed above.

(10) Economic Dependency

The Commission sells potable water to four governmental agencies. These sales provide the Commission with their total operating revenue. If the Commission were to lose any of these agencies as customers, their ability to continue operations and service its outstanding debt may be threatened.

(11) Risk Management

The Commission is exposed to risks of loss in the areas of damage to and destruction of assets, injuries to employees and natural disasters. These risks of loss are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(12) Litigation

There is no litigation pending against the Commission at December 31, 2020.

**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

The Board of Commissioners
Avoyelles Water Commission
Moreauville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and major fund of the Avoyelles Water Commission ("Commission"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

The Avoyelles Water Commission's Response to Findings

The Commission'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 Commission'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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
April 22, 2021

AVOYELLES WATER COMMISSION

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2020

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

A. Internal Control Over Financial Reporting

2020-001 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: 2012

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principle, as applicable to governmental entities in the financial statement preparation process.

CRITERIA: The Commission's internal control over financial reporting includes policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The cause of the condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related supporting transactions may reflect a departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receives annual training related to their job duties and we carefully review the financial statements, related notes, and all proposed adjustments. All questions are adequately addressed by our auditors which allows us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk caused by this finding.

AVOYELLES WATER COMMISSION

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2020

2020-002 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Avoyelles Water Commission 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 Commission 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 Commission concurs with the audit finding. Due to the size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are made to segregate duties where feasible. In an effort to establish more sound controls the Board of Commissioners monitors activity and account balances in all funds.

AVOYELLES WATER COMMISSION

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2020

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2019-001 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principle, as applicable to governmental entities in the financial statement preparation process.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2020-001.

2019-002 Inadequate Segregation of Functions

CONDITION: The Avoyelles Water Commission did not have adequate segregation of functions within the accounting system.

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.

CURRENT STATUS: Unresolved. See item 2020-002.

2019-003 Policies and Procedures

Fiscal year finding initially occurred: 2018

CONDITION: The Avoyelles Water Commission has not adopted written policies and procedures for budgets, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, travel and expense reimbursements, ethics, and debt service.

RECOMMENDATION: Management should adopt formal written policies and procedures for each of the functions noted above.

CURRENT STATUS: Resolved.