

**WESTON WATER SYSTEM, INC.
JONESBORO, LOUISIANA**

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020**

Weston Water System, Inc.
Jonesboro, Louisiana

Annual Financial Report
December 31, 2020

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	-	1-2
Financial Statements:		
Statement of Financial Position	A	4
Statement of Activities	B	5
Statement of Functional Expenses	C	6
Statement of Cash Flows	D	7
Notes to Financial Statements	-	9-13
Other Supplementary Information:		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	E	15
Other Reports:		
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 <i>Government Auditing Standards</i>	F	17-18
Schedule of Audit Results	G	19

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

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Roger M. Cunningham, CPA - A Professional Corporation
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Weston Water System, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Weston Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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.

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 Weston Water System, Inc. as of December 31, 2019, 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 of Weston Water System, Inc. taken as a whole. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 15, to supplement the financial statements. This schedule 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 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 24, 2021, on our consideration of Weston 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 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 Weston Water System, Inc.'s internal control over financial reporting and compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 24, 2021

FINANCIAL STATEMENTS

Weston Water System, Inc.
Statement of Financial Position
December 31, 2020

Assets-	
Current Assets-	
Cash & Cash Equivalents	\$ 206,990
Accounts Receivable	62,409
Grant Receivable	<u>60,614</u>
Total Current Assets	<u>\$ 330,013</u>
Non-Current Assets-	
Restricted Assets	\$ 134,220
Meter Deposits	930
Property, Buildings & Equipment, Net	<u>3,032,058</u>
Total Non-Current Assets	<u>\$3,167,208</u>
Total Assets	<u>\$3,497,221</u>
Liabilities-	
Current Liabilities-	
Accounts Payable	\$ 10,755
Grant Payable	68,806
Current Portion of Long-Term Debt	<u>46,012</u>
Total Current Liabilities	<u>\$ 125,573</u>
Non-Current Liabilities-	
Customers' Meter Deposits	\$ 39,622
Long-Term Debt, Net of Current Portion	<u>1,025,475</u>
Total Non-Current Liabilities	<u>\$1,065,097</u>
Total Liabilities	<u>\$1,190,670</u>
Net Assets-	
Without Donor Restrictions	<u>\$2,306,551</u>
Total Liabilities & Net Assets	<u>\$3,497,221</u>

See independent auditor's report and notes to financial statements.

Weston Water System, Inc.
Statement of Activities
Year Ended December 31, 2020

REVENUES WITHOUT DONOR RESTRICTIONS:	
Water Sales	\$ 340,002
Reconnect Fees	<u>2,450</u>
Total Revenues without Donor Restrictions	\$ <u>342,452</u>
Expenses-	
Program Services	\$ 306,098
Management and General	<u>14,302</u>
Total Expenses	\$ <u>320,400</u>
Operating Income	\$ <u>22,052</u>
Other Increases in Net Assets-	
Interest Income	\$ 304
Insurance Recovery	25,085
Forgiveness of Debt	<u>162,000</u>
Total Other Increases in Net Assets	\$ <u>187,389</u>
Change in Net Assets without Donor Restrictions	\$ 209,441
Net Assets-Beginning of Year	<u>2,097,110</u>
Net Assets-End of Year	<u>\$2,306,551</u>

See independent auditor's report and notes to financial statements.

Weston Water System, Inc.
Statement of Functional Expenses
For Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Labor	\$ 0	\$ 1,200	\$ 1,200
Office	0	2,136	2,136
Insurance	9,056	0	9,056
Management Fees	105,527	0	105,527
Repairs & Maintenance	23,581	0	23,581
Interest Expense	32,650	0	32,650
Utilities	24,034	0	24,034
Legal & Accounting	0	3,668	3,668
Depreciation	111,250	0	111,250
Taxes & Licenses	0	7,182	7,182
Dues & Subscriptions	0	116	116
Total	<u>\$306,098</u>	<u>\$14,302</u>	<u>\$320,400</u>

See independent auditor's report and notes to financial statements.

Weston Water System, Inc.
Statement of Cash Flows
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in Net Assets	\$ 209,441
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities-	
Depreciation	111,250
(Increase)/Decrease in Receivables	(63,494)
Increase/(Decrease) in Accrued Expenses	(3,562)
Increase/(Decrease) in Payables	<u>68,704</u>
Net Cash Provided by Operating Activities	\$ <u>322,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Property & Equipment	\$ <u>(540,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loan Proceeds	\$ 378,000
Principal Paid on Debt	<u>(35,802)</u>
Net Cash Used by Financing Activities	\$ <u>342,198</u>
Net Increase in Cash and Cash Equivalents	\$ 124,537
Cash and Cash Equivalents-Beginning of Year	<u>216,673</u>
Cash and Cash Equivalents-End of Year	\$ <u>341,210</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:	
Current Assets-	
Cash and Cash Equivalents	\$ 206,990
Restricted Assets-	
Cash and Cash Equivalents	<u>134,220</u>
Total Cash and Cash Equivalents	\$ <u>341,210</u>

SUPPLEMENTAL DISCLOSURE

Cash payments for interest during the year ended December 31, 2020 totaled \$32,650.

See independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2020

INTRODUCTION

The Weston Water System, Inc. (the “Water System”) is a not-for-profit corporation on a non-stock basis under the provisions of Title 12, Sections 201-209, of the Louisiana Revised Statutes on January 11, 1966. The Water System was formed for the mutual benefit of its members to construct, maintain, and operate a private water system providing a supply of water to its membership. Persons who are owners or part owners, or have a substantial possessory interest in property who desire to be served by the System’s water system shall be admitted as members. The voting power and property rights and interest of each member whose fees are fully paid and who is in good standing shall be equal and each member shall be entitled to one (1) vote only regardless of the number of membership certificates held.

The Water System serves the Weston community between Jonesboro and Caney Lake traveling east to west and between Wyatt and Nine Pines Road traveling north to south. The Weston Water System, Inc. has three stations, Blankenship, Highway 4, and Caney Lake Booster. The Water System serves approximately 500 to 600 residential and commercial customers.

1. Summary of Significant Accounting Policies:

A. Method of Accounting-

The accompanying financial statements of the Water System have been prepared in conformity with generally accepted accounting principles (GAAP) utilizing the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenses are generally recognized when the related liability is incurred. Purchases of various operating supplies are regarded as expenses at the time purchased.

B. Financial Statement Presentation-

The Water System has adopted FASB Accounting Standard Update 2016-14 “*Not-for-Profit Organizations (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*”. Under FASB ASU 2016-14, the Water System is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Water System is required to present a statement of cash flows.

C. Cash and Cash Equivalents-

Cash and cash equivalents include amounts in time deposits and those investments with original maturities of 180 days or less. For purposes of the statement of cash flows, cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts.

D. Receivables-

Accounts receivable consists of amounts due from members for water service provided prior to year-end. All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. As of December 31, 2020, all receivables were expected to be collected; therefore, there was no allowance for doubtful accounts.

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2020

E. Property & Equipment-

Expenditures for routine maintenance, repairs, and other renewals of items are charged to expense as incurred. Expenditures for property and equipment and for renewals and betterments, which extend the originally estimated economic life of the assets, are capitalized and carried at historical costs. Generally, items under \$1,000 are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 5 to 10 years for furniture, fixtures, machinery and equipment, 20 to 25 for the water distribution system, and 20 to 40 years for buildings and improvements.

F. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents:

The Water System may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

At December 31, 2020, the Water System had cash and cash equivalents (book balances) as follows:

Checking Accounts	\$270,003
Savings Accounts	46,207
Certificates of Deposit	<u>25,000</u>
Total	<u>\$341,210</u>

The bank balances of \$342,151 were secured from risk by \$275,000 of federal deposit insurance; however, the Water System was not fully insured by FDIC at fiscal year-end.

Cash and cash equivalents are stated at cost, which approximates market.

3. Restricted Assets:

Certain resources of the Weston Water System, Inc. are classified as restricted assets on the balance sheet because their use is limited by bond ordinances, or because they represent customers' deposits being held by the fund. At December 31, 2020, the Water System had the following restricted assets:

Cash-Member Meter Deposit	\$ 34,493
Cash-Debt Service Fund	28,520
Cash-Reserve Fund	10,400
Cash-Capital Additions	35,807
Certificate of Deposit	<u>25,000</u>
Total	<u>\$134,220</u>

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2020

4. Property & Equipment:

Depreciable assets and depreciation activity as of and for the year ended December 31, 2020, is summarized as follows:

	Balance <u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2020</u>
Capital Assets not Depreciated-				
Land	\$ 15,829	\$ 0	\$0	\$ 15,829
Construction in Progress	0	0	0	0
Capital Assets Depreciated-				
Buildings & Improvements	6,427	0	0	6,427
Equipment	37,092	0	0	37,092
Distribution System	3,695,992	540,000	0	4,235,992
Less: Accumulated Depreciation	<u>(1,152,032)</u>	<u>(111,250)</u>	<u>0</u>	<u>(1,263,282)</u>
Total Capital Assets, Net	<u>\$ 2,603,308</u>	<u>\$ 428,750</u>	<u>\$0</u>	<u>\$ 3,032,058</u>

Depreciation expense for the year ended December 31, 2020 was \$111,250.

5. Notes Payable:

- In May 2010, the Water System borrowed \$685,000 from Jackson Parish Bank which was secured by land and the distribution system. The terms of this loan are repayment to be made over 20 years at \$4,620 per month at 5.256% interest. On March 18, 2014 a modification to the loan was made and the monthly payments changed to \$4,065 per month at 5.25% interest, which will extend the date of completion from May 5, 2030 to May 5, 2034.
- Series 2014 Bonds, also referred to as the Safe Drinking Water Revolving Loan Fund, in the amount of \$405,000, of which \$121,500 of the principal will be forgiven, were authorized during the year ended December 31, 2014 to fund the rehabilitation of Water Well #5. As of December 31, 2016, total bond proceeds were issued. The terms of the loan are annual principal payments and semi-annual interest payments for 20 years at 2.95% interest.
- Series 2020 Bonds, also referred to as the Safe Drinking Water Revolving Loan Fund, in the amount of \$540,000, of which \$162,000 of the principal will be forgiven, were authorized during the year ended December 31, 2020 to install a granulated active carbon (GAC) plant at the Blankenship Facility; piping and valves to integrate existing Hwy 4 Facility to Blankenship. As of December 31, 2020, total bond proceeds were issued. The terms of the loan are annual principal payments and semi-annual interest payments for 30 years at 1.95% interest.

The annual debt service requirements to maturity for these loans are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 46,012	\$ 37,644	\$ 83,656
2022	47,358	35,769	83,127
2023	49,775	33,808	83,583
2024	51,269	31,755	83,024
2025	54,843	29,597	84,440
Thereafter	<u>822,230</u>	<u>172,737</u>	<u>994,967</u>
Total	<u>\$1,071,487</u>	<u>\$341,310</u>	<u>\$1,412,797</u>

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2020

The following is a summary of changes in long-term debt for the year ended December 31, 2020:

	<u>Balance</u> <u>01-01-20</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance</u> <u>12-31-20</u>
General Obligation	\$487,789	\$ 0	\$(23,802)	\$ 463,987
Revenue Bonds	<u>241,500</u>	<u>378,000</u>	<u>(12,000)</u>	<u>607,500</u>
Total	<u>\$729,289</u>	<u>\$378,000</u>	<u>\$(35,802)</u>	<u>\$1,071,487</u>

6. Income Taxes:

Weston Water System, Inc. is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

7. Litigation and Claims:

Management of the Weston Water System, Inc. is not aware of any litigation or claims against it at December 31, 2020.

8. Asset Liquidity:

The Water System regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Water System considers all expenses related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenses. The Water System anticipates revenues to be sufficient to meet its general expense needs.

The Water System does not consider assets including deposits and fixed assets to be available for general expense. Fixed assets cannot be liquidated due to self-imposed restrictions.

As of December 31, 2020, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 341,210
Receivables	123,023
Fixed Assets, net of accumulated depreciation	<u>3,032,058</u>
Total financial assets, period end	\$3,496,291
Less, those unavailable for general expenses within one year, due to:	
Restricted Cash	134,220
Fixed Assets, net of accumulated depreciation	<u>3,032,058</u>
Financial assets available to meet cash needs for general expenses within one year	\$ <u>330,013</u>

Weston Water System, Inc.
Notes to Financial Statements
December 31, 2020

9. Contingencies:

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. There were no significant adverse effects from COVID-19 on the Water System's financial position during 2020. Although not expected, the Water System's future cash flows could be affected by an economic slowdown that results from measures taken to contain the spread of the virus. The duration and impact of the pandemic remains unclear at this time.

10. Subsequent Events:

Management has evaluated events through June 24, 2021, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER SUPPLEMENTARY INFORMATION

Weston Water System, Inc.
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2020

Agency Head Name: Lyman Hall, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0
Benefits – Insurance	0
Benefits – Retirement	0
Benefits – SS/Medicare	0
Car Allowance	0
Cell Phone	0
Dues	0
Vehicle Rental	0
Per Diem	1,200
Reimbursements	0
Travel	0
Housing	0
Unvouchered Expenses	0
Special Meals	0
Other	<u>0</u>
Total	<u>\$1,200</u>

OTHER REPORTS

T | C | B | T
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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 of
Weston Water System, Inc.

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 Weston Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control over Financial Reporting

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

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

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 a certain deficiency in internal control, described in the accompanying schedule of audit results as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Weston Water System, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Weston Water System's Response to Findings

Weston Water System's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Weston Water 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 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 purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 24, 2021

Weston Water System, Inc.
Schedule of Audit Results
December 31, 2020

I. Summary of Audit Results

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of Weston Water System, Inc. as of and for the year ended December 31, 2020.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness, identified as finding *2020-001 – Segregation of Duties*.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control-

2020-001 Segregation of Duties

Criteria – Proper internal controls dictate that duties be segregated so that no one individual performs or controls all duties related to the accounting system, including customer billing.

Condition – In reviewing the internal control structure, we noted that the Water System does not have adequate segregation of duties with respect to all areas of the accounting function, including customer billing.

Cause – The Water System does not have a sufficient number of individuals to adequately separate accounting or billing duties.

Effect – Without adequate segregation of duties and oversight, intentional or unintentional errors could be made and not detected within the accounting system.

Recommendation – Keeping in mind the limited number of individuals to which the duties can be assigned, and since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

Management's Response – The contract accountant will provide the Board with a monthly adjustment report, a detailed aging report showing bills due in 30 days, 60 days, and 90+ days for all customers. In addition, the contract accountant will reconcile the payment report from the water billing system to the bank statement deposits monthly.