

COLYELL COMMUNITY WATER ASSOCIATION, INC.
LIVINGSTON, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

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

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December 31, 2016

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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Directors
Colyell Community Water Association, Inc.
Livingston, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Colyell Community Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Colyell Community Water Association, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colyell Community Water Association, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colyell Community Water Association's internal control over financial reporting and compliance.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
June 27, 2017

Colyell Community Water Association, Inc.
Livingston, Louisiana

Statement A

Statement of Financial Position
December 31, 2016

Assets

Current Assets:

Cash and Cash Equivalents	\$ 65,111
Investments	103,521
Accounts Receivable, Net	4,213
Unbilled Sales	47,219
Inventory	1,200
Prepaid Expenses	11,224
Total Current Assets	232,488

Restricted Assets

Cash and Cash Equivalents	173,600
Investments:	
Member Deposits	51,761
Total Restricted Assets	225,361

Property, Plant and Equipment:

Land	27,033
Property and Equipment, Net	1,572,057
Total Property, Plant and Equipment	1,599,090

Total Assets	\$ 2,056,939
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 5,702
Payroll Taxes Payable	2,392
Accrued Interest	20,925
Notes Payable-Current Portion	95,800
Total Current Liabilities	124,819

Noncurrent Liabilities:

Member's Deposits	52,650
Notes Payable-Long Term	955,566
Total Noncurrent Liabilities	1,008,216
Total Liabilities	1,133,035

Net Assets:

Unrestricted	923,904
Total Net Assets	923,904
Total Liabilities and Net Assets	\$ 2,056,939

The accompanying notes are an integral part of this statement.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Statement B

Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted
Operating Revenues:	
Water Sales	\$ 338,877
Penalties	12,892
Connections	9,163
Miscellaneous	1,876
Total Operating Revenues	362,808
 Operating Expenses:	
Advertising	660
Bank Charges	2,094
Conferences	395
Contract Labor	3,550
Depreciation	79,484
Dues and Subscriptions	3,419
Fuel	6,744
Insurance	16,445
Miscellaneous	366
Office Expenses	5,472
Payroll Taxes	9,002
Postage	4,802
Professional Fees	17,552
Repairs and Maintenance	20,703
Salaries	115,482
Software	2,230
Supplies	31,800
Telephone and Utilities	22,033
Total Operating Expenses	342,233
 Operating Income	 20,575
 Nonoperating Revenue and (Expenses):	
Interest Income	580
Interest Expense and Fees	(44,341)
Total nonoperating Revenues (Expenses)	(43,761)
 Change in Net Assets	 (23,186)
Net Assets, Beginning	947,090
Net Assets, Ending	\$ 923,904

The accompanying notes are an integral part of this statement.

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

Statement C

**Statement of Cash Flows
For the Year Ended December 31, 2016**

Cash Flow From Operating Activities:

Change in Net Assets	\$ (23,186)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	79,484
Changes in Current Assets and Liabilities:	
(Increase) Decrease in Receivables, Net	(5,731)
(Increase) Decrease in Prepaid Expense	13
Increase (Decrease) in Other Liabilities	3,180
Increase (Decrease) in Accrued Interest	(1,813)
Increase (Decrease) in Member's Deposits	450
Net Cash Provided by Operating Activities	52,397

Cash Flow From Investing Activities:

Increase in Investment in Certificates of Deposit	(539)
Remption of Certificate of Deposit	103,386
Purchase of Fixed Assets	(64,108)
Net Cash Provided by Investing Activities	38,739

Cash Flows From Capital and Related Financing Activities:

Principal Paid on Debt	(91,800)
Amortization	678
Net Cash Used in Capital and Related Financing Activities	(91,122)

Net Increase in Cash and Cash Equivalents 14

Cash and Cash Equivalents, Beginning of Year	238,697
Cash and Cash Equivalents, End of Year	\$ 238,711

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

Cash and Cash Equivalents, Unrestricted	\$ 65,111
Cash and Cash Equivalents, Restricted	173,600
Total cash and Cash Equivalents	\$ 238,711

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest and admin fees were \$45,477

The accompanying notes are an integral part of this statement.

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

**Notes to the Financial Statements
For the Year Ended December 31, 2016**

Business Organization

Colyell Community Water Association, Inc. (“the Association”) was incorporated on May 21, 1973, as a nonprofit corporation. The Association was organized to provide water distribution services to residents of the Colyell Community in Livingston Parish. At December 31, 2016, Colyell provided service to a total of 1,053 Customers.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The Association is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable. At December 31, 2016, all of the Association’s net assets are considered unrestricted.

B. Basis Accounting

The financial statements of Colyell Community Water Association, Inc. are maintained on an accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. This method recognizes revenues when earned, and expenses when incurred.

C. Accounts Receivable

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

D. Income Taxes

The Association files income tax returns in the U.S. federal jurisdiction. The Association is a non-profit association formed under Section 501(C) 12 of the Internal Revenue Code. With few exceptions, the Association is no longer subject to federal income tax examinations by tax authorities for years before 2013. Any interest and penalties assessed by income taxing authorities, if any, are not significant and would be included in the Statement of Activities.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2016

E. Property, Plant and Equipment

Property, plant and equipment are stated at cost and do not purport to represent replacement or realizable values. The cost of depreciable property, plant and equipment is charged to earnings over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments of \$500 or more are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Depreciation of all depreciable property, plant and equipment is computed using the straight-line method over the following lives:

<u>Description</u>	<u>Estimated Lives</u>
Water System	10 - 40 Years
Equipment	5 - 10 Years
Land	Not applicable

F. Compensated Absences

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

G. Statement of Cash Flows

For the purposes of the statement of cash flows, Colyell Community Water Association, Inc. considers all bank accounts and certificates of deposit with an initial maturity of ninety days or less when purchased to be cash equivalents for purposes of reporting cash flows.

H. Restricted Assets

Certain resources set aside for the repayment of the notes payable and a capital addition and contingency account, are classified as restricted assets because their use is limited by applicable bond covenants.

I. Use of Estimates

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

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2016

J. Inventory

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventories consist of chemicals and water supplies.

K. Investments

The Association maintains investments in certificates of deposit with an initial maturity of more than 90 days. The fair value of the certificates of deposit at December 31, 2016 was \$155,282.

2. Restricted Assets

At December 31, 2016, the Association had restricted assets as follows:

Debt Service Sinking Account	\$ 82,171
Debt Service Reserve Account	55,257
Capital Additions and Contingencies Account	19,317
Customer Deposit Account	16,855
Customer Deposit Certificate of Deposit	<u>51,761</u>
	<u>\$ 225,361</u>

3. Receivables

The following is a summary of receivables at December 31, 2016:

Accounts Receivable	\$ 6,713
Allowance for Uncollectible Accounts	<u>(2,500)</u>
Net Accounts Receivable	<u>\$ 4,213</u>

Estimated unbilled sales are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is equal to one hundred percent of the January 1, 2017 billing and one half of the February 1, 2017 billing. Accrued unbilled sales totaled \$47,219 at December 31, 2016.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2016

4. Property, Plant and Equipment

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

	Balance December 31,				Balance December 31,	
Capital Assets:	2015	Additions	Deletions		2016	
Land	\$ 17,033	\$ 10,000	\$ -		\$ 27,033	
Water System and Equipment	2,586,144	12,293	-		2,598,437	
Building	10,700	41,815	-		52,515	
Total Capital Assets	<u>2,613,877</u>	<u>64,108</u>	<u>-</u>		<u>2,677,985</u>	
Less Accumulated Depreciation	(999,411)	(79,484)	-		(1,078,895)	
Total Capital Assets, Net	<u>\$ 1,614,466</u>	<u>\$ (15,376)</u>	<u>\$ -</u>		<u>\$ 1,599,090</u>	

Depreciation expense for the year ended December 31, 2016 was \$79,874.

5. Notes Payable

The Association has entered into two loan agreements with the State of Louisiana for construction costs and upgrades to the Association's water system. The Association has pledged revenues derived from these assets to pay the debt service of these loans. On June 27, 2002, the Association borrowed \$948,600 and on March 1, 2009, the Association borrowed \$899,732. These loans are collateralized by the receivables, land and water system improvements of the Association.

Description/Purpose	Original Amount	Interest Rate	Final Maturity	Balance December 31, 2016
2002 Expansion of Water System	\$ 948,600	3.45%	July 1, 2023	\$ 416,500
2009 Expansion of Water System	\$ 899,732	3.45%	July 1, 2028	\$ 643,000

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2016

Changes in Long-Term Debt: Long-term debt liability activity for the year ended December 31, 2016 are as follows:

	Balance December 31,			Balance December 31,		Due Within
	2015	Additions	Reductions	2016	One Year	
2002 Loan	\$ 467,300	\$ -	\$ 50,800	\$ 416,500	\$ 52,800	
2009 Loan	684,000	-	41,000	643,000	43,000	
	<u>\$ 1,151,300</u>	<u>\$ -</u>	<u>\$ 91,800</u>	<u>\$ 1,059,500</u>	<u>\$ 95,800</u>	

The debt service requirements to maturity for the 2002 DHH loan are as follows:

Year Ending December 31,	0.5% Admin.			
	Principal	Interest	Fee	Total
2017	\$ 52,800	\$ 14,369	\$ 2,083	\$ 69,252
2018	54,900	12,548	1,818	69,266
2019	57,100	10,654	1,544	69,298
2020	59,300	8,684	1,259	69,243
2021	61,700	6,638	962	69,300
2022-2023	130,700	6,807	987	138,494
	<u>\$ 416,500</u>	<u>\$ 59,700</u>	<u>\$ 8,653</u>	<u>\$ 484,853</u>

The debt service requirements to maturity for the 2009 DHH loan are as follows:

Year Ending December 31,	0.5% Admin.			
	Principal	Interest	Fee	Total
2017	\$ 43,000	\$ 22,184	\$ 3,215	\$ 68,399
2018	45,000	20,700	3,000	68,700
2019	46,000	19,148	2,775	67,923
2020	48,000	17,560	2,545	68,105
2021	50,000	15,905	2,305	68,210
2022-2026	282,000	52,233	7,570	341,803
2027-2028	129,000	6,728	975	136,703
	<u>\$ 643,000</u>	<u>\$ 154,458</u>	<u>\$ 22,385</u>	<u>\$ 819,843</u>

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2016

Compliance with Loan Covenants

So long as the Note is outstanding, the Company through its Board of Directors obligates itself to fix, establish, maintain, levy and collect such rates, rents or other charges for services and facilities of the System and all parts thereof and to revise the same from time to time whenever necessary to always provide user fees in each fiscal year sufficient to meet all requirements of the Loan Documents and at least to:

- a) pay the reasonable and necessary expenses of operating and maintaining the system in such Fiscal Year;
- b) pay all the principal and interest maturing on any prior lien obligations in each Fiscal Year;
- c) pay all the principal and interest and the Administrative Fee maturing on the Note in each Fiscal Year and make all required deposits to the funds and accounts to the extent that such payments are not provided for from other sources of pledged revenues;
- d) provide an additional amount equal to at least one hundred twenty-five percent (125%) of the principal and interest maturing on the Note in each Fiscal Year;

6. Members' Deposits

Members' deposits are paid by customers upon application for utility services and are returnable to them upon termination of service. The Association has established a separate bank account for member deposits.

At December 31, 2016 Members' Deposits amounted to \$52,650. The Association has deposited funds in a separate restricted certificate of deposit account. The balance in this account at December 31, 2016 is \$51,761.

7. Litigation

At December 31, 2016 there is no litigation pending against the Association.

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

At December 31, 2016, the Association has no plan or provision for compensated absences, pension plan or other post-employment benefits.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2016

9. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. To handle such risk of loss, the Association maintains commercial liability and surety bond insurance policies. There were no significant reductions in insurance coverage during the year ending December 31, 2016.

10. Change in Presentation of Debt Issuance Costs

In 2016, the Organization retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt as of December 31, 2016 was previously reported in the statement of financial position as \$1,059,500 with the associated \$8,134 unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as expense in the statement of activities.

	<u>2016</u>	<u>2015</u>
Note Payable to Department of Health and Hospitals	\$ 1,059,500	\$ 1,151,300
Less: Unamortized debt issuance costs	8,134	8,812
Long-term debt, less unamortized debt issuance costs	1,051,366	1,142,488
Less current portion	95,800	91,800
Total long-term debt, less current portion	\$ 955,566	\$ 1,050,688

11. Subsequent Events

The Association evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 27, 2017 the date the financial statements were available to be issued. No events were noted that require disclosure in the financial statements.

Supplementary Information

Colyell Community Water Association, Inc.
Livingston, Louisiana
For the Year Ended December 31, 2016

Schedule of Water Rates and Customers

	<u>Customers</u>	<u>Gallons</u>	<u>Rate</u>
Residential	1,047	0-2000 Gallons	\$17
		Over 2,000 Gallons	\$3.50 per 1,000 gallons
Commercial	6	0-10,000 Gallons	\$25
	<u>1,053</u>	Over 10,000 Gallons	\$3.50 per 1,000 gallons

**Schedule of Aggregate Dollar Billed For Services and
Average Monthly Billing Per User**

Water Sales	\$ 338,877
Total Operating Revenues	\$ 362,808
Average Monthly Billing Per Customer	
Water Sales Average Monthly Billing Per User	\$ 26.82
Total Operating Revenue Average Monthly Billing Per User	\$ 28.71

Schedule of Insurance Policies

<u>Insurance Company</u>	<u>Coverage</u>	<u>Period</u>
Louisiana Workers Compensation Corporation	Workers' Compensation	07/28/16- 07/28/17
CAN	Surety Bond	03/22/16 -03/22/17
First Financial Company	General Liability	11/14/16 -11/14/17
Farm Bureau	Fire Policy	07/08/16- 07/08/17
Farm Bureau	Vehicle Policy	12/04/16- 06/04/17
Farm Bureau	Vehicle Policy	11/03/16- 05/03/17
Farm Bureau	Equipment Utility Tractor	11/13/16- 05/13/17
Farm Bureau	Equipment Back Hoe	06/18/16- 06/18/17
Farm Bureau	Mobile Home Insurance	09/10/16- 09/10/17
Great American Insurance Group	Directors and Officers Liability	05/24/16- 05/24/17

**Colyell Community Water Association, Inc.
Livingston, Louisiana
For the Year Ended December 31, 2016**

Schedule of Compensation Paid to Board Members

Board Member	2016
Hulon Taylor	\$ 650
Charles McCon	\$ 650
Calton Watts	\$ -
Daniel Piper	\$ 1,300
Dennis Piper	\$ -
Luvawn Andrews	\$ 550
Kenny Morrison	\$ -
Carlton Toby McCon	\$ -

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

Manager: Carlton Edwards

Purpose	Amount
Salary	\$ 34,716
Travel	604
Reimbursements	352
Total Payments	\$ <u>35,672</u>

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance And
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

CHARLES P. HEBERT, CPA

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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of Directors
Colyell Community Water Association, Inc.
Livingston, LA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Colyell Community Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colyell Community Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colyell Community Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Colyell Community Water Association, Inc.'s internal control.

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

Colyell Community Water Association, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colyell Community Water Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Year Audit Findings and Responses as 2016-1.

Colyell Community Water Association's Response to Findings

Colyell Community Water Association's response to the finding identified in our audit is described in the accompanying Schedule of Current Year Audit Findings and Responses. Colyell Community Water Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Colyell Community Water Association, Inc.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
June 27, 2017

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

**Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2016**

2015-1 Loan Covenant Requirements

Condition:

Utility rates were not sufficient to provide an amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the note for each Fiscal Year after paying the necessary expenses of operating and maintaining the water system.

Recommendation:

We recommend management increase user fees to a rate that is sufficient to provide an additional amount that is equal to at least one hundred twenty-five percent (125%) of the principal and interest maturing on the Note in each fiscal year.

Resolved:

See Finding 2016-1

Colyell Community Water Association, Inc.
Livingston, Louisiana

Schedule of Current Year Audit Findings and Responses
For the Year Ended December 31, 2016

We have audited the basic financial statements of Colyell Community Water Association, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated June 27, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2016 resulted in an unmodified opinion.

Section I. Summary of Auditor's Report

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness, No Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, Yes

b. Federal Awards

Not Applicable

Was a management letter issued? No

Section II Financial Statement Findings

Compliance

2016-1 Loan Covenant Requirements

Criteria:

The Company must maintain user fees sufficient to provide an amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the note for each Fiscal Year after paying the necessary expenses of operating and maintaining the water system.

Condition:

Utility rates were not sufficient to provide an amount equal to at least one hundred twenty-five percent of the principal and interest maturing on the note for each Fiscal Year after paying the necessary expenses of operating and maintaining the water system.

Colyell Community Water Association, Inc.
Livingston, Louisiana

Schedule of Current Year Audit Findings and Responses
For the Year Ended December 31, 2016

Cause:

On September 28, 2015, Colyell Community Water Association, Inc. submitted an application to the Louisiana Public Service Commission to request a rate increase in order to meet the DHH loan covenant requirements. The application and supporting documentation was reviewed by a Public Service Commission auditor who was prepared to make a recommendation for a rate increase to be voted on at the March 2016 board meeting. After discussing the rate increase with Public Service Commissioners and staff, Colyell management decided to amend the application to cover additional cost that were not previously considered. However due to current legislation recently adopted by the Louisiana Legislature effective August 1, 2016, the Louisiana Public Service Commission will no longer exercise jurisdiction over private nonprofit water utilities. The Public service commission will take no action on pending rate requests. Effective August 1, 2016 Colyell is under the jurisdiction of the Department of Health and Hospitals. At the end of 2016, DHH gave the Association permission to increase its utility rates. The Association increased its utility rates in October 2016.

Effect:

The Association is not in compliance with bond covenants.

Recommendation:

No recommendation necessary. Management has increased its rates in October 2016.

Management's Response:

Management has increased its rates in October 2016. The increase in rates should be sufficient to meet the loan covenant requirements.

The responsible party is Carlton Edwards, Manager (225) 698-3739.