

MILTON WATER SYSTEM, INC.

Milton, Louisiana

Financial Report

Years Ended June 30, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5
Statements of cash flows	6-7
Notes to financial statements	8-14
SUPPLEMENTARY INFORMATION	
Statements of functional expenses	16
Schedule of insurance in force	17
Schedule of number of utility customers	18
INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS	
Independent Auditors' 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>	20-21
Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan	22-23

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA
Alan M. Taylor, CPA
Albert R. Leger, CPA, PFS, CSA*
Marshall W. Guidry, CPA
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®*
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Jane R. Hebert, CPA
Deirdre L. Stock, CPA
Karen V. Fontenot, CPA
Tabby A. LeMay, CPA
Seth C. Noms, CPA
Shayne M. Breaux, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandria, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O. Chapman, CPA* 2006

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Milton Water System, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milton Water System, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017, on our consideration of the Milton Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Milton Water System, Inc.'s internal control over financial reporting and compliance.

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

Abbeville, Louisiana
September 21, 2017

FINANCIAL STATEMENTS

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 833,295	\$ 858,450
Accounts receivable	94,022	76,022
Prepaid expense	17,980	24,365
Other assets	1,840	700
Total current assets	947,137	959,537
Restricted assets:		
Cash and cash equivalents	207,697	217,917
Property, plant and equipment, net	4,511,078	4,462,262
Total assets	\$5,665,912	\$5,639,716
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 55,627	\$ 26,025
Accrued interest payable	5,357	5,013
Notes payable-current	49,965	48,912
Other payables	13,694	3,156
Total current liabilities	124,643	83,106
Long - term liabilities:		
Notes payable-long term	2,175,536	2,432,181
Customer deposits	44,293	42,633
Total long-term liabilities	2,219,829	2,474,814
Total liabilities	2,344,472	2,557,920
Net assets:		
Designated for reserve accounts	365,127	358,477
Unrestricted	2,956,313	2,723,319
Total net assets	3,321,440	3,081,796
Total liabilities and net assets	\$5,665,912	\$5,639,716

The accompanying notes are an integral part of this statement.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Changes in unrestricted net assets -		
Revenues:		
Water sales	\$1,335,343	\$1,302,071
Member fees	11,034	10,397
Finance charges	26,761	25,823
Meter installation fees	98,020	93,240
Reconnect fees	47,854	48,125
NSF charges	1,950	1,625
Grant Income	20,277	-
Interest earned	1,591	977
Gain (Loss) on disposal	(3,284)	(1,540)
Miscellaneous income	168,045	75,571
Total revenues	1,707,591	1,556,289
Expenses:		
Program services	1,097,841	1,076,416
Supporting services:		
Management and general	370,106	375,665
Total expenses	1,467,947	1,452,081
Excess of revenues over expenses	239,644	104,208
Other increases in net assets:		
Contributed assets	-	90,276
Increase in unrestricted net assets	239,644	194,484
Net assets, beginning of year	3,081,796	2,887,312
Net assets, end of year	\$3,321,440	\$3,081,796

The accompanying notes are an integral part of this statement.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 239,644	\$ 104,208
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	259,434	250,701
Customer contribution in aid of construction transfer in	125,781	-
Customer contribution in aid of construction transfer out	(125,781)	-
(Increase) decrease in operating assets		
Accounts receivable	(18,000)	6,904
Prepaid expenses	6,385	(11,881)
Increase (decrease) in operating liabilities		
Accounts payable	29,602	(46,427)
Accrued expenses and other payables	10,882	(1,584)
Customer deposits	<u>1,660</u>	<u>1,725</u>
Total adjustments	<u>293,247</u>	<u>200,978</u>
Net cash provided by operating activities	<u>532,891</u>	<u>305,186</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	<u>(312,674)</u>	<u>(99,290)</u>
Cash flows from financing activities:		
Principal paid on notes payable	<u>(255,592)</u>	<u>(134,991)</u>
Net (decrease) increase in cash and cash equivalents	(35,375)	70,905
Cash and cash equivalents, beginning of year	<u>1,076,367</u>	<u>1,005,462</u>
Cash and cash equivalents, end of year	<u>\$ 1,040,992</u>	<u>\$ 1,076,367</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 124,474</u>	<u>\$ 133,118</u>
Contributed asset - Water lines	<u>\$ -</u>	<u>\$ 90,276</u>

(continued)

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of financial position:		
Cash and cash equivalents, beginning of period -		
Cash and interest bearing deposits - unrestricted	\$ 858,450	\$ 789,270
Cash and interest bearing deposits - restricted	<u>217,917</u>	<u>216,192</u>
Total cash and cash equivalents	<u>1,076,367</u>	<u>1,005,462</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	833,295	858,450
Cash and interest bearing deposits - restricted	<u>207,697</u>	<u>217,917</u>
Total cash and cash equivalents	<u>1,040,992</u>	<u>1,076,367</u>
Net (decrease) increase	<u>\$ (35,375)</u>	<u>\$ 70,905</u>

The accompanying notes are an integral part of this statement.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Operations

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

B. Financial Statement Presentation

The Water System has adopted the provisions of FASB Accounting Standards Codification 958-205. FASB Accounting Standards Codification 958-205 requires the Water System to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted assets.

The financial statements of The Water System have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below, in Note 1 C through J, to enhance the usefulness of the financial statements to the reader.

C. Cash and Cash Equivalents

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

D. Allocation of Functional Expenses

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

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

E. Income Taxes

The Water System is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Water System and recognize a tax liability (or asset) if the Water System has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Water System, and has concluded that as of June 30, 2017 and 2016, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Water System is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

F. Property and Equipment

The cost of property and equipment, which have an acquisition cost of \$500 or more are capitalized. Property and equipment are valued at historical cost and are being depreciated on a straight-line basis. Depreciation expense totaled \$259,434 and \$250,701 for the years ended June 30, 2017 and 2016, respectively.

G. Bad Debts

Generally accepted accounting principles require the accrual of uncollectible receivables through an allowance account. Uncollectible amounts due from water system customers are written-off using the direct charge-off method. An allowance amount would be immaterial at June 30, 2017 and 2016.

H. Vacation, Sick Leave, and Compensated Absences

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

I. Statement of Cash Flows

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

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

J. Use of Estimates

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

(2) Accounts Receivable

The Water System is owed \$94,022 and \$76,022 by its customers at June 30, 2017 and 2016, respectively. The aging of the accounts receivable is as follows:

	2017	2016
Current	\$ 82,701	\$ 53,127
Over 30 Days	1,607	16,892
Over 60 Days	311	1,355
Over 90 days	9,403	4,648
Total	\$ 94,022	\$ 76,022

(3) Restricted Assets

Restricted assets relate to funds transferred to separate accounts to meet the requirements of the U.S.D.A. loan agreement and customer deposits. The balance of restricted assets for June 30, 2017 and 2016 is as follows:

	2017	2016
USDA reserves	\$ 163,404	\$ 175,284
Customer deposits	44,293	42,633
Total	\$ 207,697	\$ 217,917

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(4) Property, Plant and Equipment

All costs associated with the construction of the water system are included in this account. The Water System follows a policy of capitalizing interest as a part of property, plant and equipment constructed. A schedule of property, plant and equipment for the periods ended June 30, 2017 and 2016 is as follows:

	2017	2016
Land	\$ 2,698	\$ 2,698
Water Treatment Plant	438,188	438,188
Waterwell	78,807	78,807
Ground Storage Reserve	27,794	27,794
Water Distribution System	5,790,388	5,609,539
Meters	1,074,873	991,977
Treatment Equipment	3,155	3,155
Equipment and/or Building	3,500	3,500
Filtering System	328,912	328,912
Furniture and Fixtures	32,087	32,087
Vehicles	72,759	45,440
Total	7,853,161	7,562,097
Less: accumulated depreciation	3,342,083	3,099,835
Net Property, Plant and Equipment	\$ 4,511,078	\$ 4,462,262

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

(5) Notes Payable

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

	2017	2016
Note payable to the United States Department of Agriculture Farmers Home Association, dated April 17, 1998, in the original amount of \$200,000, payable in monthly installments of \$990, including interest at 5.125 percent annum, secured by a pledge of revenues and accounts receivable from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 4/17/2038.	\$ -	\$ 150,248

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

	<u>2017</u>	<u>2016</u>
Note payable to the United States Department of Agriculture Farmers Home Association, dated February 3, 2000, in the original amount of \$1,500,000, payable in monthly installments of \$8,055, including interest at 5.75 percent annum, secured by a pledge of revenues and accounts receivable from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 2/3/2040.	1,158,996	1,214,940
 Note payable to the United States Department of Agriculture Farmers Home Association, dated December 29, 2008, in the original amount of \$1,225,000, payable in monthly installments of \$5,562, including interest at 4.5 percent annum, secured by a pledge of revenues and accounts receivable from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 12/28/2049.	<u>1,066,505</u>	<u>1,115,905</u>
Total notes payable	2,225,501	2,481,093
Less: Current portion	<u>49,965</u>	<u>48,912</u>
Long-term debt	<u>\$2,175,536</u>	<u>\$2,432,181</u>

Notes payable at June 30, 2017, is scheduled to mature as follows:

Year	Principal Only
2018	49,965
2019	49,627
2020	52,309
2021	55,138
2022	58,123
2023-2027	341,434
2028-2032	444,877
2033-2037	580,169
2038-2042	377,488
2043-2047	<u>216,371</u>
	<u>\$ 2,225,501</u>

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(6) Commitments and Contingencies

The Water System is involved in one lawsuit, and management, board members and counsel reasonably estimate there will be no monetary loss regarding any legal matters as of June 30, 2017.

(7) Concentration of Credit Risk

The Water System maintains bank accounts at three separate institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at the 2017 and 2016 year ends exceeded federally insured limits by \$111,617 and \$369,264, respectively.

(8) Related Party Transactions

The Water System paid \$3,606 and \$3,606 for June 30, 2017 and 2016, respectively, in insurance premiums to a company that is owned by a family member of a board member of The Water System.

(9) Operating Lease

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

(10) Board of Directors

The Board of Directors of The Water System for 2017 is as follows:

<u>Board Member</u>	<u>Term</u>	<u>Address</u>
President - Sinda Soileau	January 2016 - January 2019	129 Julie Drive, Lafayette, LA
Vice President - Gertrude Boudreaux	October 2014 - October 2017	1805 E Milton Ave., Lafayette, LA
Larry Soileau	February 2016 - February 2019	122 Julie Drive, Lafayette, LA
Betty Guillory	October 2016 - October 2019	911 E. Milton Ave., Lafayette, LA
Linda Desromeaux	October 2014 - October 2017	100 E Angus Drive, Youngsville, LA

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(11) Agency Transactions

The Water System acts as an intermediary to facilitate the transfer of “customer contribution in aid of construction” payments between subdivision developers and a local government. These payments are to be used by the local government for improvements to its water system. For June 30, 2017 and 2016 the amount transferred was \$125,781 and \$56,063, respectively.

(12) Concentrations

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

(13) Subsequent Events

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

(14) Recent Accounting Pronouncements

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

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organization that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Water System is evaluating the potential impact of the amendment on the Water System’s financial statements.

SUPPLEMENTARY INFORMATION

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Functional Expenses
Years Ended June 30, 2017 and 2016

	2017	2016
Program services:		
Auto and truck	\$ 14,538	\$ 3,700
Chemicals	1,761	1,750
Customer service and repairs	795	814
Depreciation	259,217	250,331
Dottie expense	1,931	1,676
Insurance	32,953	20,444
Maintenance and supplies	1,203	1,614
Meter reading	49,752	46,953
Rent - equipment	8,400	8,400
Repairs and maintenance (equipment)	5,478	1,460
Repairs and maintenance (treatment)	10,044	4,704
Repairs and maintenance (line)	47,116	101,827
Salaries	107,569	84,536
Taxes - payroll	8,646	6,527
Telephone	1,401	1,489
Supplies and tools	13,603	10,157
Training and education	565	120
Utilities	7,972	8,101
Water purchases	524,879	521,813
Total program services	\$1,097,841	\$1,076,416
Supporting services:		
Management and general		
Accounting	\$ 19,340	\$ 18,720
Advertising	66	-
Bank charges	1,381	1,523
Depreciation	217	370
Dues and subscriptions	2,875	3,213
Insurance	15,161	18,750
Interest	124,818	131,654
Legal	4,013	4,827
Management fees	11,583	18,806
Miscellaneous	321	833
Office expense	11,514	9,635
Postage	29,225	28,847
Repairs and maintenance	8,150	9,980
Salaries	123,634	111,536
Taxes - payroll	9,816	8,957
Telephone	5,838	5,586
Utilities	2,154	2,428
Total supporting services	\$ 370,106	\$ 375,665

The accompanying notes are an integral part of this statement.

Milton Water System, Inc.
Milton, Louisiana

Schedule of Insurance in Force
(Unaudited)
June 30, 2017

Policy Issuer	Policy Period	Type Of Insurance Coverage
Stiel Insurance of Acadiana, Inc.	1/17/17 to 1/17/18	General Liability \$3,000,000 General Aggregate \$1,000,000 Personal and Advertising \$1,000,000 Professional \$1,000,000 Employee Benefits \$1,000,000 Wrongful Acts \$1,000,000 Employment Injury \$1,000,000 Rental Property \$10,000 Medical Expense Commercial Property \$331,836 Building & Contents Crime Policy \$25,000 Employee Dishonesty \$10,000 Office Contents \$10,000 Computer Fraud
Quality Plus Insurance Company	7/24/17 to 7/24/18	Automobile \$500,000 Bodily injury & property damage
Louisiana's Worker's Compensation	9/1/16 to 9/1/17	Worker's Compensation \$100,000 Bodily Injury by Accident \$100,000 Bodily Injury by Disease
Western Surety Company	6/12/17 to 6/12/18	Surety Crime Policy Bond \$20,000 Customer Service \$175,284 Office Manager \$175,284 Operations Manager \$175,284 Board of Directors - President \$175,284 Board of Directors - Treasurer

Milton Water System, Inc.
Milton, Louisiana

Schedule of Number of Utility Customers
(Unaudited)
June 30, 2017

The Water System has a total of 3,725 customers at June 30, 2017, comprised of residential, commercial and wholesale customers, some of which are inactive. A summary of customers is as follows:

<u>Customers</u>	<u>Active</u>	<u>Inactive</u>	<u>Total</u>
Residential	3,649	5	3,654
Commercial	65	-	65
Wholesale	<u>6</u>	<u>-</u>	<u>6</u>
Total	<u>3,720</u>	<u>5</u>	<u>3,725</u>

The water rates of the System at June 30, 2017 are as follows:

	<u>Milton Side:</u>	<u>Lafayette Side:</u>
Residential rates (3/4" pipe):		
Rate for the first 2,000 gallons	\$ 12.65	\$ 16.93
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.18
Residential rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 19.93
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.18
Commercial rates (3/4" pipe):		
Rate for the first 2,000 gallons	\$ 12.65	\$ 16.93
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.18
Commercial rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 19.93
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.18
School rates:		
Rate for the first 2,000 gallons	\$ 78.45	\$ 82.73
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.18
2" Meter rates:		
Rate for the first 2,000 gallons	\$ 18.65	\$ 22.93
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.18

Wholesale rates:

Factor of \$4.18 above the cost of water purchased from the City of Lafayette.

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

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA
Alan M. Taylor, CPA
Albert R. Leger, CPA, PFS, CSA*
Marshall W. Guidry, CPA
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®*
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Jane R. Hebert, CPA
Deidre L. Stock, CPA
Karen V. Fontenot, CPA
Tabby A. LeMay, CPA
Seth C. Noms, CPA
Shayne M. Breaux, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandria, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O. Chapman, CPA* 2006

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Milton Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Milton Water System Inc.'s Response to Findings

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

Purpose of this Report

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

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

Abbeville, Louisiana
September 21, 2017

Milton Water System, Inc.
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2017

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

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of Accounting Functions

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

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

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

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.07 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

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

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

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

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

Milton Water System, Inc.
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2017

B. Compliance

There are no compliance findings to be reported.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2016-001 Inadequate Segregation of Accounting Functions

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

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

CURRENT STATUS: Unresolved. See item 2017-001.

B. Compliance

There were no compliance findings reported.