

MILTON WATER SYSTEM, INC.

Milton, Louisiana

Financial Report

Years Ended June 30, 2015 and 2014

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
Allen J LaBry, 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
Alan M Taylor, CPA
Kelly M Doucet, CPA
Mandy B Self, CPA
Paul L Delcambre, Jr., CPA
Jane R Hebert, CPA
Derdre L Stock, CPA
Karen V Fontenot, 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 Iberna, 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, 2015 and 2014 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, 2015 and 2014, 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 17 and 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 October 5, 2015, 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
October 5, 2015

FINANCIAL STATEMENTS

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 789,270	\$ 677,906
Accounts receivable	82,926	94,945
Prepaid expense	12,484	9,544
Other assets	700	700
Total current assets	885,380	783,095
Restricted assets:		
Cash and cash equivalents	216,192	183,443
Property, plant and equipment, net	4,524,937	3,943,304
Total assets	\$5,626,509	\$4,909,842
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 72,452	\$ 75,327
Accrued interest payable	6,477	6,657
Notes payable-current	60,867	170,645
Other payables	3,276	3,854
Total current liabilities	143,072	256,483
Long - term liabilities:		
Notes payable-long term	2,555,217	2,538,224
Customer deposits	40,908	38,068
Total long-term liabilities	2,596,125	2,576,292
Total liabilities	2,739,197	2,832,775
Net assets:		
Designated for reserve accounts	323,212	145,375
Unrestricted	2,564,100	1,931,692
Total net assets	2,887,312	2,077,067
Total liabilities and net assets	\$5,626,509	\$4,909,842

The accompanying notes are an integral part of this statement.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Activities
Years Ended June 30, 2015 and 2014

	2015	2014
Changes in unrestricted net assets -		
Revenues:		
Water sales	\$1,199,925	\$1,202,074
Member fees	10,791	8,085
Finance charges	25,540	23,535
Meter installation fees	129,885	69,800
Reconnect fees	48,000	41,304
NSF charges	1,200	1,025
Interest earned	881	786
Miscellaneous income	<u>62,669</u>	<u>17,752</u>
Total revenues	<u>1,478,891</u>	<u>1,364,361</u>
Expenses:		
Program services	907,329	854,825
Supporting services	<u>365,906</u>	<u>359,283</u>
Total expenses	<u>1,273,235</u>	<u>1,214,108</u>
Excess of revenues over expenses	205,656	150,253
Other increases in net assets:		
Contributed assets	<u>604,589</u>	<u>160,482</u>
Increase in net assets	810,245	310,735
Net assets, beginning of year	<u>2,077,067</u>	<u>1,766,332</u>
Net assets, end of year	<u>\$2,887,312</u>	<u>\$2,077,067</u>

The accompanying notes are an integral part of this statement.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 205,656	\$ 150,253
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	233,304	209,981
(Increase) decrease in operating assets		
Accounts receivable	12,019	(5,574)
Accrued interest receivable	-	1
Meter inventory	-	10,156
Prepaid expenses	(2,940)	(1,426)
Increase (decrease) in operating liabilities		
Accounts payable	(2,875)	5,232
Accrued expenses and other payables	(758)	(9,876)
Customer deposits	2,840	920
Total adjustments	<u>241,590</u>	<u>209,414</u>
Net cash provided by operating activities	<u>447,246</u>	<u>359,667</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	<u>(210,348)</u>	<u>(78,462)</u>
Net cash used in investing activities	<u>(210,348)</u>	<u>(78,462)</u>
Cash flows from financing activities:		
Principal paid on notes payable	(175,544)	(84,574)
Proceeds from issuance of debt	<u>82,759</u>	<u>-</u>
Net cash used by financing activities	<u>(92,785)</u>	<u>(84,574)</u>
Net increase in cash and cash equivalents	144,113	196,631
Cash and cash equivalents, beginning of year	<u>861,349</u>	<u>664,718</u>
Cash and cash equivalents, end of year	<u>\$ 1,005,462</u>	<u>\$ 861,349</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 135,512</u>	<u>\$ 142,837</u>
Contributed asset - Water lines	<u>\$ 604,589</u>	<u>\$ 160,482</u>

(continued)

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Cash Flows (Continued)
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</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	\$ 677,906	\$ 488,944
Cash and interest bearing deposits - restricted	<u>183,443</u>	<u>175,774</u>
Total cash and cash equivalents	<u>861,349</u>	<u>664,718</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	789,270	677,906
Cash and interest bearing deposits - restricted	<u>216,192</u>	<u>183,443</u>
Total cash and cash equivalents	<u>1,005,462</u>	<u>861,349</u>
Net increase	<u>\$ 144,113</u>	<u>\$ 196,631</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 Milton Water System, Inc. 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 K, 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. Inventory

Inventory, which consists primarily of water meters, is valued at the lower of cost or market. Cost is determined on the first-in, first-out basis.

E. 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 (Continued)

F. 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, 2015 and 2014, 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. Management believes it is no longer subject to income tax examinations for years prior to 2011.

G. 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 \$233,304 and \$209,981 for the years ended June 30, 2015 and 2014, respectively.

H. 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, 2015 and 2014.

I. 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.

J. 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 (Continued)

K. 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 \$82,926 and \$94,945 by its customers at June 30, 2015 and 2014, respectively. The aging of the accounts receivable is as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ 56,886	\$ 79,952
Over 30 Days	13,503	12,369
Over 60 Days	7,506	513
Over 90 days	<u>5,029</u>	<u>2,111</u>
Total	<u>\$ 82,924</u>	<u>\$ 94,945</u>

(3) Restricted Assets

Restricted assets relate to funds transferred to separate accounts to meet the requirements of the U.S.D.A. loan agreement and customer deposits. The balance of restricted assets for June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
USDA reserves	\$ 175,284	\$ 145,375
Customer deposits	<u>40,908</u>	<u>38,068</u>
Total	<u>\$ 216,192</u>	<u>\$ 183,443</u>

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements (Continued)

(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, 2015 and 2014 is as follows:

	2015	2014
Land	\$ 2,698	\$ 2,698
Water Treatment Plant	436,995	435,217
Waterwell	78,807	78,807
Ground Storage Reserve	27,794	27,794
Water Distribution System	5,514,151	4,807,391
Meters	897,992	796,567
Treatment Equipment	3,155	2,578
Equipment and/or Building	3,500	3,500
Filtering System	328,912	328,912
Furniture and Fixtures	35,320	30,846
Vehicles	45,440	45,440
Total	7,374,764	6,559,750
Less: accumulated depreciation	2,849,827	2,616,446
Net Property, Plant and Equipment	\$ 4,524,937	\$ 3,943,304

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:

	2015	2014
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 from the Water System, a mortgage on the real estate, and personal property owned or purchase by the Water System, and maturing 4/17/2038.	\$ 156,796	\$ 160,535

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements (Continued)

	2015	2014
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 from the Water System, a mortgage on the real estate, and personal property owned or purchase by the Water System, and maturing 2/3/2040.	1,246,267	1,270,505
Note payable to Gulf Coast Bank, dated September 8, 2004, in the original amount of \$58,035, payable in one hundred nineteen monthly installments of \$350 and one installment of \$35,024, including interest at 3.90 percent annum, secured by a pledge of revenues from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 9/8/2014.	-	35,375
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 4.57 percent annum, secured by a pledge of revenues from the Water System, a mortgage on the real estate, and personal property owned or purchase by the Water System, and maturing 12/28/2049.	1,135,161	1,150,448
Note payable to Gulf Coast Bank, dated January 7, 2010, in the original amount of \$150,017, payable in fifty-nine monthly installments of \$1,578 and one installment of \$86,227, including interest at 4.75 percent annum, secured by a pledge of revenues from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 12/3/2014.	-	92,006
Note payable to Gulf Coast Bank, dated January 21, 2015, in the original amount of \$82,759, payable in sixty monthly installments of \$1,528, including interest at 4.00 percent annum, secured by a pledge of revenues from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 2/3/2020.	77,860	-
Total notes payable	2,616,084	2,708,869
Less: Current portion	60,867	170,645
Long-term debt	\$2,555,217	\$2,538,224

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements (Continued)

Notes payable at June 30, 2015, is scheduled to mature as follows

<u>Year</u>	<u>Principal Only</u>
2016	60,867
2017	62,441
2018	65,602
2019	68,927
2020	66,131
2021 - 2025	318,398
2026 - 2030	414,465
2031 - 2035	539,954
2036 - 2040	603,628
2041 - 2045	260,337
2046 - 2049	155,334
	<u>\$ 2,616,084</u>

(6) Commitments and Contingencies

Milton Water System, Inc. 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, 2015.

(7) Concentration of Credit Risk

Milton Water System, Inc. maintains bank accounts at two separate institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at the 2015 and 2014 year ends exceeded federally insured limits by \$453,964 and \$102,258, respectively.

(8) Related Party Transactions

Milton Water System, Inc. paid \$3,606 and \$3,606 for June 30, 2015 and 2014, respectively, in insurance premiums to a company that is owned by a family member of a board member of Milton Water System, Inc.

(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.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements (Continued)

(10) Board of Directors

The Board of Directors of the Water System for 2015 is as follows:

<u>Board Member</u>	<u>Term</u>	<u>Address</u>
President - Scott Foster	October 2013 - October 2016	1012 Gallet Road, Youngsville, LA
Vice President - Gertrude Boudreaux	October 2014 - October 2017	1805 E Milton Ave., Lafayette, LA
Sinda Soileau	October 2014 - October 2017	129 Julie Drive, Lafayette, LA
Betty Guillory	October 2013 - October 2016	911 E. Milton Ave., Lafayette, LA
Linda Desromeaux	October 2014 - October 2017	100 E Angus Drive, Youngsville, LA

(11) Subsequent Events

The company has evaluated subsequent events through October 5, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Functional Expenses
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Program services:		
Auto and truck	\$ 2,837	\$ 2,792
Chemicals	979	1,272
Customer service and repairs	290	46
Depreciation	232,678	209,888
Dottie expense	1,624	1,605
Insurance	20,388	24,144
Maintenance and supplies	3,096	1,491
Meter reading	42,529	41,478
Rent - equipment	8,400	8,400
Repairs and maintenance (equipment)	4,550	10,050
Repairs and maintenance (treatment)	5,617	5,528
Repairs and maintenance (line)	42,341	36,983
Salaries	77,789	72,818
Taxes - payroll	6,061	5,709
Telephone	1,606	1,416
Supplies and tools	11,801	10,427
Training and education	-	343
Utilities	7,243	8,607
Water purchases	<u>437,500</u>	<u>411,828</u>
Total program services	<u>\$ 907,329</u>	<u>\$ 854,825</u>
Supporting services:		
Accounting	\$ 19,705	\$ 16,535
Bank charges	1,149	1,000
Depreciation	626	93
Dues and subscriptions	1,816	2,061
Insurance	24,060	13,946
Interest	135,332	142,223
Legal	4,750	2,625
Management fees	6,057	5,856
Miscellaneous	733	844
Office expense	9,892	9,391
Postage	27,553	26,355
Repairs and maintenance	11,610	15,026
Salaries	105,058	105,438
Taxes - payroll	8,401	8,511
Telephone	5,044	5,183
Utilities	<u>4,036</u>	<u>4,196</u>
Total supporting services	<u>\$ 365,906</u>	<u>\$ 359,283</u>

The accompanying notes are an integral part of this statement.

Milton Water System, Inc.
Milton, Louisiana

Schedule of Insurance in Force
(Unaudited)
June 30, 2015

<u>Policy Issuer</u>	<u>Policy Period</u>	<u>Type Of Insurance Coverage</u>
Stiel Insurance of Acadiana, Inc.	1/17/15 to 1/17/16	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
America First Insurance Company	7/24/14 to 7/24/15	Automobile \$500,000 Bodily injury & property damage
Louisiana's Worker's Compensation	9/1/14 to 9/1/15	Worker's Compensation \$100,000 Bodily Injury by Accident \$100,000 Bodily Injury by Disease
Western Surety Company	6/12/15 to 6/12/16	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, 2015

The Water System has a total of 3,511 customers at June 30, 2015, 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	3,428	11.0	3,439
Commercial	66	-	66
Wholesale	<u>6</u>	<u>-</u>	<u>6</u>
Total	<u>3,500</u>	<u>11</u>	<u>3,511</u>

The water rates of the System at June 30, 2015 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	\$ 16.49
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 3.74
Residential rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 19.49
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 3.74
Commercial rates (3/4" pipe):		
Rate for the first 2,000 gallons	\$ 12.65	\$ 16.49
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 3.74
Commercial rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 19.49
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 3.74
School rates:		
Rate for the first 2,000 gallons	\$ 78.45	\$ 82.29
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 3.74
2" Meter rates:		
Rate for the first 2,000 gallons	\$ 18.65	\$ 22.49
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 3.74

Wholesale rates:

Factor of \$3.84 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 Scroggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA
Allen J. LaBry, 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
Alan M. Taylor, 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

* A Professional Accounting Corporation

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

450 East Main Street
New Iberna, 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, 2015 and 2014, 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 October 5, 2015.

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 2015-001 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.

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

Abbeville, Louisiana
October 5, 2015

Milton Water System, Inc.
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2015

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

A. Internal Control Over Financial Reporting

2015-001 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, 2015

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2014-001 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 2015-001.