

**MILTON WATER SYSTEM, INC.**

Milton, Louisiana

Financial Report

Years Ended June 30, 2021 and 2020

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# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Brad E. Kolder, CPA, JD\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Phone (225) 293-8300

1428 Metro Dr.  
Alexandria, LA 71301  
Phone (318) 442-4421

450 E. Main St.  
New Iberia, LA 70560  
Phone (337) 367-9204

200 S. Main St.  
Abbeville, LA 70510  
Phone (337) 893-7944

1201 David Dr.  
Morgan City, LA 70380  
Phone (985) 384-2020

434 E. Main St.  
Ville Platte, LA 70586  
Phone (337) 363-2792

332 W. Sixth Ave.  
Oberlin, LA 70655  
Phone (337) 639-4737

Victor R. Slaven, CPA\* - retired 2020

\* A Professional Accounting Corporation

[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

## INDEPENDENT AUDITOR'S 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, 2021 and 2020 and the related statements of activities, functional expenses 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.

### *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 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, 2021 and 2020, 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 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 25, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Milton Water System, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Milton Water System, Inc.'s internal control over financial reporting and compliance.

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

Abbeville, Louisiana  
October 25, 2021

## **FINANCIAL STATEMENTS**

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 379,998	\$ 526,054
Investments	45,989	-
Accounts receivable	112,321	104,579
Prepaid expense	11,783	12,643
Other assets	5,947	1,463
Total current assets	556,038	644,739
Restricted assets:		
Cash and cash equivalents	474,314	489,397
Property, plant and equipment, net	5,827,230	5,633,734
Total assets	\$6,857,582	\$6,767,870
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 110,586	\$ 47,436
Accrued interest payable	7,687	5,894
Notes payable-current	78,303	72,906
Other payables	22,873	13,587
Total current liabilities	219,449	139,823
Long - term liabilities:		
Notes payable-long term	1,619,673	1,724,975
Customer deposits	310,910	295,647
Total long-term liabilities	1,930,583	2,020,622
Total liabilities	2,150,032	2,160,445
Net assets:		
Without donor restrictions	4,707,550	4,607,425
Total liabilities and net assets	\$6,857,582	\$6,767,870

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Activities  
Years Ended June 30, 2021 and 2020

	2021	2020
Changes in Net Assets Without Donor Restrictions -		
Revenues:		
Water sales	\$ 1,599,517	\$ 1,490,177
Finance charges	24,277	18,213
Meter installation fees	163,800	89,525
Reconnect fees	22,393	18,172
Connection fees	26,300	18,053
NSF charges	2,758	2,174
Grant income	54,325	-
Investment income	10,075	4,611
Gain (Loss) on disposal	-	(6,264)
Miscellaneous income	4,390	5,833
Total revenues	1,907,835	1,640,494
Expenses:		
Program services	1,337,359	1,149,414
Supporting services:		
Management and general	470,351	374,949
Total expenses	1,807,710	1,524,363
Excess of revenues over expenses	100,125	116,131
Other increases in net assets:		
Contributed assets	-	832,000
Change in net assets without donor restrictions	100,125	948,131
Net assets, beginning of year	4,607,425	3,659,294
Net assets, end of year	\$ 4,707,550	\$ 4,607,425

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Functional Expenses  
Years Ended June 30, 2021 and 2020

	2021	2020
Program services:		
Auto and truck	\$ 2,600	\$ 2,600
Bad debt	2,210	-
Chemicals	2,003	2,806
Depreciation	326,347	285,876
Dottie expense	2,170	1,777
Insurance	22,145	36,607
Maintenance and supplies	2,030	2,767
Meter reading	51,050	53,842
Rent - equipment	8,400	8,400
Repairs and maintenance (equipment)	45,895	18
Repairs and maintenance (treatment)	14,040	7,952
Repairs and maintenance (line)	51,413	19,944
Repairs and maintenance (distribution)	-	11
Salaries	77,593	72,077
Taxes - payroll	6,109	5,758
Telephone	1,586	1,503
Supplies and tools	8,274	6,076
Training and education	910	-
Utilities	7,337	8,270
Water purchases	705,247	633,130
Total program services	\$ 1,337,359	\$ 1,149,414
Supporting services:		
Management and general		
Accounting	\$ 17,345	\$ 18,135
Bank charges	1,656	1,956
Depreciation	1,038	1,037
Dues and subscriptions	3,941	2,909
Insurance	56,050	29,740
Interest	92,292	100,055
Legal	34,452	6,122
Maintenance contract	2,228	-
Management fees	16,178	9,838
Miscellaneous	21,151	1,043
Office expense	7,572	8,270
Postage	33,717	32,555
Repairs and maintenance	13,046	13,593
Salaries	148,702	129,832
Taxes - payroll	11,282	10,483
Telephone	6,986	6,804
Utilities	2,715	2,577
Total supporting services	\$ 470,351	\$ 374,949

The accompanying notes are an integral part of the basic financial statements.



MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 100,125	\$ 116,131
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	327,385	286,913
Loss on disposal	-	6,264
(Increase) decrease in operating assets		
Accounts receivable	(7,742)	7,275
Prepaid expenses	860	6,321
Other assets	(4,484)	1,764
Unrealized (gains)/losses on investments	(2,620)	-
Increase (decrease) in operating liabilities		
Accounts payable	63,150	8,120
Accrued expenses and other payables	11,079	1,748
Customer deposits	15,263	16,200
Total adjustments	402,891	334,605
Net cash provided by operating activities	503,016	450,736
Cash flows from investing activities:		
Purchase of property, plant and equipment	(520,881)	(83,864)
Purchase of investments	(43,369)	-
Net cash used in investing activities	(564,250)	(83,864)
Cash flows from financing activities:		
Principal paid on notes payable	(99,905)	(158,839)
Net (decrease) increase in cash and cash equivalents	(161,139)	208,033
Cash and cash equivalents, beginning of year	1,015,451	807,418
Cash and cash equivalents, end of year	\$ 854,312	\$ 1,015,451
Supplementary cash flow information:		
Interest paid	\$ 90,499	\$ 98,799
Contributed asset - Water lines	\$ -	\$ 832,000

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.  
Milton, Louisiana

Statements of Cash Flows (Continued)  
Years Ended June 30, 2021 and 2020

	2021	2020
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	\$ 526,054	\$ 364,567
Cash and interest bearing deposits - restricted	<u>489,397</u>	<u>442,851</u>
Total cash and cash equivalents	<u>1,015,451</u>	<u>807,418</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	379,998	526,054
Cash and interest bearing deposits - restricted	<u>474,314</u>	<u>489,397</u>
Total cash and cash equivalents	<u>854,312</u>	<u>1,015,451</u>
Net (decrease) increase	<u>\$ (161,139)</u>	<u>\$ 208,033</u>

The accompanying notes are an integral part of the basic financial statements.

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 financial statements of The Water System have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified on the existence of donor-imposed restrictions. Accordingly, net assets of the Water System and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Water System’s management and board of directors.

*Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met, either (1) incurring expenses to satisfying the restricted purpose (purpose restricted, and/or passage of time or other events (time restricted), or (2) will never expire (perpetual in nature). When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Water System’s board of directors has designated, from net assets without donor restrictions for the following purpose:

	2021	2020
Designated for reserve accounts	<u>\$ 163,404</u>	<u>\$ 193,750</u>

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.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

D. Investments

Investments are carried at fair value. The Water System reports investment income and gains restricted by donors as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

E. Allocation of Functional Expenses

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

F. Revenue Recognition

The Water System recognizes revenues on the accrual basis of accounting. Revenues from water sales are recognized at the time services are rendered. The performance obligations for substantially all services relate to contracts with terms of one year or less. As a result, the Water System does not separately disclose aggregate amounts of fully or partially unsatisfied performance obligations as of the end of the year.

G. 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, 2021 and 2020, 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.

H. 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 \$327,385 and \$286,913 for the years ended June 30, 2021 and 2020, respectively.

I. 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, 2021 and 2020.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

J. 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.

K. 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.

L. 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) Investments

FASB provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in inactive markets, quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize that use of unobservable inputs.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, The Milton Water System's assets at fair value as of:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2021				
Total Investments	\$ 45,989	\$ 45,989	\$ -	\$ -

Gains and losses are included in the State of Activities for the years ended June 30, 2021 and are reported in Investments in the Statement of Net Position.

The Milton Water System's policy is to recognize transfers between Level 1 and 2 and into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2021, there are no significant transfers between Levels 1 and 2 and no transfers into or out of Level 3.

(3) Contract Balances

The timing of revenue recognition, billings and cash collections result in billed accounts receivables (contract assets). The Water System requires customers deposits resulting in contract liabilities. The beginning and ending contract balances are as follows:

	June 30,		
	2021	2020	2019
Accounts Receivable	\$ 112,321	\$ 104,579	\$ 111,854
Customer Deposits	\$ 310,910	\$ 295,647	\$ 279,447

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(4) Accounts Receivable

The aging of the accounts receivable is as follows:

	<u>2021</u>	<u>2020</u>
Current	\$ 76,850	\$ 81,484
Over 30 Days	6,480	12,134
Over 60 Days	21,066	5,074
Over 90 days	<u>7,925</u>	<u>5,887</u>
Total	<u>\$ 112,321</u>	<u>\$ 104,579</u>

(5) 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
USDA reserves	\$ 163,404	\$ 193,750
Customer deposits	<u>310,910</u>	<u>295,647</u>
Total	<u>\$ 474,314</u>	<u>\$ 489,397</u>

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(6) 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 351,898	\$ 351,898
Construction in Progress	411,672	112,878
Water Treatment Plant	447,529	447,529
Waterwell	101,297	101,297
Ground Storage Reserve	27,794	27,794
Water Distribution System	7,132,690	7,039,313
Meters	1,319,542	1,190,832
Treatment Equipment	3,155	3,155
Equipment and/or Building	3,500	3,500
Filtering System	328,912	328,912
Furniture and Fixtures	37,832	37,832
Vehicles	<u>72,759</u>	<u>72,759</u>
Total	10,238,580	9,717,699
Less: accumulated depreciation	<u>4,411,350</u>	<u>4,083,965</u>
Net Property, Plant and Equipment	<u>\$ 5,827,230</u>	<u>\$ 5,633,734</u>

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.



Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(7) Notes Payable

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

	2021	2020
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.	\$ 845,690	\$ 907,367
 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>852,286</u>	<u>890,514</u>
Total notes payable	1,697,976	1,797,881
Less: Current portion	<u>78,303</u>	<u>72,906</u>
Long-term debt	<u>\$ 1,619,673</u>	<u>\$ 1,724,975</u>

Notes payable at June 30, 2021, is scheduled to mature as follows:

Year	Principal Only
2022	\$ 78,303
2023	52,569
2024	85,410
2025	90,045
2026	94,935
2027 to 2030	434,242
2031 to 2035	541,858
2036 to 2040	292,735
2041	<u>27,879</u>
	<u>\$ 1,697,976</u>

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(8) Commitments and Contingencies

The Water System is involved in two lawsuits, and management, board members and counsel reasonably estimate there will be no monetary loss regarding any legal matters as of June 30, 2021.

(9) 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 June 30, 2021 did not exceed federally insured limits and Cash at June 30, 2020 exceeded federally insured limits by \$72,077.

(10) 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.

(11) Board of Directors and compensation

The Board of Directors of the Water System for the year ended June 30, 2021 are as follows:

<u>Board Member</u>	<u>Term</u>	<u>Address</u>
President - Sinda Soileau	October 2019 - October 2022	129 Julie Drive, Lafayette, LA
Glen Gudiry	October 2020- October 2023	PO Box 398, Milton, LA
Larry Soileau	October 2019 - October 2022	122 Julie Drive, Lafayette, LA
Bob Bixenman	July 2019 - July 2022	PO Box 359, Milton, LA
Lisa Noel	July 2019 - July 2022	221 Julie Drive, Lafayette, LA

The Water System is governed by the Board of Directors, which are not compensated.

(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 October 25, 2021, the date which the financial statements were available to be issued.

Milton Water System, Inc.  
Milton, Louisiana

Notes to Financial Statements

(14) Liquidity and Availability of Resources

The Water System's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 379,998	\$ 526,054
Investments	45,989	-
Accounts receivable	112,321	104,579
Prepaid expense	11,783	12,643
Other assets	<u>5,947</u>	<u>1,463</u>
Total current assets	<u>\$ 556,038</u>	<u>\$ 644,739</u>

Certain assets are restricted by lenders for specific purposes and, therefore, are not available for general expenditure. As part of the Water System's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Water System does not intend to spend from its restricted assets other than amounts appropriated for general expenditures as part of its annual appropriation process, amounts from its restricted assets could be made available if necessary.

(15) Deferred Compensation Contracts

The Water System has established a deferred compensation contract with a certain key employee. The agreement provides for a lump sum cash benefit upon his normal retirement date or his beneficiary upon death. Provisions for these benefits are charged to operations ratably over the employee's expected term of employment. The net amount of deferred compensation paid to cover key employees for years ended June 30, 2021 and 2020 was \$8,539 and \$0, respectively. The Water System has also recognized a liability (included in other payable) for the years ended June 30, 2021 and 2020 in the amounts of \$8,539 and \$0, respectively.

(16) Recent Accounting Pronouncements

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, 2021, 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

Schedule of Insurance in Force  
(Unaudited)  
June 30, 2021

Policy Issuer	Policy Period	Type Of Insurance Coverage
Stiel Insurance of Acadiana, Inc.	1/17/21 to 1/17/22	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 \$356,836 Building & Contents Crime Policy \$25,000 Employee Dishonesty \$10,000 Office Contents \$10,000 Computer Fraud
AmGUARD Insurance Company	7/24/20 to 7/24/21	Automobile \$500,000 Bodily injury & property damage
Louisiana's Worker's Compensation	9/1/20 to 9/1/21	Worker's Compensation \$100,000 Bodily Injury by Accident \$100,000 Bodily Injury by Disease
Western Surety Company	6/26/21 to 6/26/22	Surety Crime Policy Bond \$20,000 Customer Service \$50,000 Office Manager \$50,000 Operations Manager \$50,000 Board of Directors - President \$50,000 Board of Directors - Treasurer

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Number of Utility Customers  
(Unaudited)  
June 30, 2021

The Water System has a total of 4,153 customers at June 30, 2021, comprised of residential, commercial and wholesale customers. A summary of customers is as follows:

<u>Customers</u>	<u>Active</u>	<u>Inactive</u>	<u>Total</u>
Residential	4,081	-	4,081
Commercial	55	-	55
Wholesale	<u>17</u>	<u>-</u>	<u>17</u>
Total	<u>4,153</u>	<u>-</u>	<u>4,153</u>

The water rates of the System at June 30, 2021 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	\$ 17.29
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.54
Residential rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 20.29
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.54
Commercial rates (3/4" pipe):		
Rate for the first 2,000 gallons	\$ 12.65	\$ 17.29
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.54
Commercial rates (1" pipe):		
Rate for the first 2,000 gallons	\$ 15.65	\$ 20.29
Rate per 1,000 gallons thereafter	\$ 1.82	\$ 4.54
School rates:		
Rate for the first 2,000 gallons		\$ 78.58
Rate per 1,000 gallons thereafter		\$ 1.95
2" Meter rates:		
Rate for the first 2,000 gallons	\$18.65	\$ 23.16
Rate per 1,000 gallons thereafter	\$1.82	\$ 4.41
Wholesale rates:		
Factor of \$4.54 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, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Brad E. Kolder, CPA, JD\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Stephen J. Anderson, CPA\*  
Christine C. Doucet, CPA  
Wanda F. Arcement, CPA, CVA  
Bryan K. Joubert, CPA  
Matthew E. Margaglio, CPA  
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Phone (225) 293-8300

1428 Metro Dr.  
Alexandria, LA 71301  
Phone (318) 442-4421

450 E. Main St.  
New Iberia, LA 70560  
Phone (337) 367-9204

200 S. Main St.  
Abbeville, LA 70510  
Phone (337) 893-7944

1201 David Dr.  
Morgan City, LA 70380  
Phone (985) 384-2020

434 E. Main St.  
Ville Platte, LA 70586  
Phone (337) 363-2792

332 W. Sixth Ave.  
Oberlin, LA 70655  
Phone (337) 639-4737

Victor R. Slaven, CPA\* - retired 2020

\* A Professional Accounting Corporation

WWW.KCSRCPAS.COM

## 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  
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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2021.

### 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) as a basis for designing 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 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 financial statements. 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Abbeville, Louisiana  
October 25, 2021

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2021

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

A. Internal Control Over Financial Reporting

2021-001 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.”

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: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board members have determined that it is not cost effective to achieve complete segregation of duties within the accounting department. Management will attempt to use current staff and board members to segregate accounting functions as much as possible.

B. Compliance

There are no compliance findings to be reported.

Milton Water System, Inc.  
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2021

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2020-001 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 2021-001.

B. Compliance

There were no compliance findings reported.