

MILTON WATER SYSTEM, INC.

Milton, Louisiana

Financial Report

Years Ended June 30, 2023 and 2022

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KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Milton Water System, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Milton Water System, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Milton Water System, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Milton Water System, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2023, 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 the 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 Milton Water System Inc.'s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
October 4, 2023

FINANCIAL STATEMENTS

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 942,974	\$ 764,588
Investments	45,905	41,777
Accounts receivable	111,841	128,914
Prepaid expense	16,290	14,076
Other assets	<u>28,730</u>	<u>13,858</u>
Total current assets	<u>1,145,740</u>	<u>963,213</u>
Restricted assets:		
Cash and cash equivalents	393,695	382,170
Property, plant and equipment, net	<u>5,684,710</u>	<u>5,999,107</u>
Total assets	<u><u>\$ 7,224,145</u></u>	<u><u>\$ 7,344,490</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 70,855	\$ 142,004
Notes payable-current	62,769	60,759
Other payables	<u>80,979</u>	<u>34,508</u>
Total current liabilities	<u>214,603</u>	<u>237,271</u>
Long - term liabilities:		
Notes payable-long term	1,524,577	1,587,346
Customer deposits	<u>333,695</u>	<u>322,170</u>
Total long-term liabilities	<u>1,858,272</u>	<u>1,909,516</u>
Total liabilities	<u>2,072,875</u>	<u>2,146,787</u>
Net assets:		
Without donor restrictions	<u>5,151,270</u>	<u>5,197,703</u>
Total liabilities and net assets	<u><u>\$ 7,224,145</u></u>	<u><u>\$ 7,344,490</u></u>

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, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions -		
Revenues:		
Water sales	\$ 1,711,598	\$ 1,615,517
Member fees	-	455
Finance charges	28,516	25,677
Meter installation fees	82,198	131,764
Reconnect fees	40,090	34,098
Connection fees	17,080	23,537
NSF charges	3,125	2,627
Grant income	-	30,135
Investment income	21,145	6,138
Miscellaneous income	15,277	8,737
Total revenues	1,919,029	1,878,685
Expenses:		
Program services	1,502,676	1,376,562
Supporting services:		
Management and general	462,788	422,510
Total expenses	1,965,464	1,799,072
Excess of revenues over expenses	(46,435)	79,613
Other increases in net assets:		
Contributed assets	-	410,540
Change in net assets without donor restrictions	(46,435)	490,153
Net assets, beginning of year	5,197,705	4,707,550
Net assets, end of year	\$ 5,151,270	\$ 5,197,703

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, 2023 and 2022

	2023	2022
Program services:		
Auto and truck	\$ 5,456	\$ 3,579
Chemicals	2,578	3,187
Depreciation	376,736	369,217
Dottie expense	1,619	2,204
Insurance	29,059	22,266
Maintenance and supplies	8,437	9,368
Meter reading	61,985	59,788
Rent - equipment	8,400	8,400
Repairs and maintenance (equipment)	1,363	1,093
Repairs and maintenance (treatment)	6,408	6,651
Repairs and maintenance (line)	90,749	66,364
Repairs and maintenance (distribution)	-	6,996
Salaries	97,452	85,671
Taxes - payroll	5,769	6,801
Telephone	690	1,192
Supplies and tools	11,185	9,028
Training and education	219	682
Utilities	13,218	10,396
Water purchases	781,353	703,679
Total program services	\$ 1,502,676	\$ 1,376,562
Supporting services:		
Management and general		
Accounting	\$ 19,150	\$ 18,985
Bank charges	2,089	2,012
Depreciation	1,038	1,038
Dues and subscriptions	2,838	2,536
Insurance	75,187	81,120
Interest	57,661	56,417
Legal	4,897	4,162
Maintenance contract	2,451	2,321
Management fees	-	1,712
Miscellaneous	534	-
Office expense	15,501	14,875
Postage	43,123	38,744
Repairs and maintenance	11,364	13,431
Salaries	200,145	161,817
Taxes - payroll	16,922	12,698
Telephone	6,846	7,068
Utilities	3,042	3,574
Total supporting services	\$ 462,788	\$ 422,510

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (46,435)	\$ 79,613
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	377,774	370,255
(Increase) decrease in operating assets		
Accounts receivable	17,073	(16,593)
Prepaid expenses	(2,214)	(2,293)
Other assets	(14,872)	(7,911)
Unrealized (gains)/losses on investments	(4,126)	5,920
Increase (decrease) in operating liabilities		
Accounts payable	(71,149)	31,418
Accrued expenses and other payables	46,471	3,948
Customer deposits	11,525	11,260
Total adjustments	360,482	396,004
Net cash provided by operating activities	314,047	475,617
Cash flows from investing activities:		
Purchase of property, plant and equipment	(63,377)	(131,592)
Purchase of investments	-	(1,708)
Net cash used in investing activities	(63,377)	(133,300)
Cash flows from financing activities:		
Proceeds from notes payable	-	1,687,501
Principal paid on notes payable	(60,759)	(58,553)
Reduction of debt agreement	-	(1,678,819)
Net cash used by financing activities	(60,759)	(49,871)
Net (decrease) increase in cash and cash equivalents	189,911	292,446
Cash and cash equivalents, beginning of year	1,146,758	854,312
Cash and cash equivalents, end of year	\$ 1,336,669	\$ 1,146,758
Supplementary cash flow information:		
Interest paid	\$ 57,661	\$ 64,104
Contributed asset - Water lines	\$ -	\$ 410,540

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, 2023 and 2022

	<u>2023</u>	<u>2022</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	\$ 764,588	\$ 379,998
Cash and interest bearing deposits - restricted	<u>382,170</u>	<u>474,314</u>
Total cash and cash equivalents	<u>1,146,758</u>	<u>854,312</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	942,974	764,588
Cash and interest bearing deposits - restricted	<u>393,695</u>	<u>382,170</u>
Total cash and cash equivalents	<u>1,336,669</u>	<u>1,146,758</u>
Net (decrease) increase	<u>\$ 189,911</u>	<u>\$ 292,446</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:

	2023	2022
Designated for reserve accounts	<u>\$ 60,000</u>	<u>\$ 60,000</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.

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

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

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, 2023 and 2022, 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 \$377,774 and \$370,255 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

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, 2023				
Total Investments	<u>\$ 45,905</u>	<u>\$ 45,905</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2022				
Total Investments	<u>\$ 41,777</u>	<u>\$ 41,777</u>	<u>\$ -</u>	<u>\$ -</u>

Gains and losses are included in the State of Activities for the years ended June 30, 2023 and 2022 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 of change in circumstances that caused the transfer. For the years ended June 30, 2023 and 2022, 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,		
	2023	2022	2021
Accounts Receivable	<u>\$ 111,841</u>	<u>\$ 128,914</u>	<u>\$ 112,321</u>
Customer Deposits	<u>\$ 333,695</u>	<u>\$ 322,170</u>	<u>\$ 310,910</u>

(4) Accounts Receivable

The aging of the accounts receivable is as follows:

	2023	2022
Current	\$ 88,880	\$ 97,802
Over 30 Days	14,563	6,148
Over 60 Days	2,132	16,167
Over 90 days	<u>6,266</u>	<u>8,797</u>
Total	<u>\$ 111,841</u>	<u>\$ 128,914</u>

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(5) Restricted Assets

Restricted assets relate to funds transferred to separate accounts to meet the requirements of the loan agreements and customer deposits. The balance of restricted assets for June 30, 2023 and 2022 is as follows:

	2023	2022
Debt reserves	\$ 60,000	\$ 60,000
Customer deposits	<u>333,695</u>	<u>322,170</u>
Total	<u>\$ 393,695</u>	<u>\$ 382,170</u>

(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, 2023 and 2022 is as follows:

	2023	2022
Land	\$ 351,897	\$ 351,898
Construction in Progress	397,800	394,870
Water Treatment Plant	447,529	447,529
Waterwell	101,297	101,297
Ground Storage Reserve	27,794	27,794
Water Distribution System	7,567,133	7,567,133
Meters	1,504,481	1,444,033
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	10,844,089	10,780,712
Less: accumulated depreciation	<u>5,159,379</u>	<u>4,781,605</u>
Net Property, Plant and Equipment	<u>\$ 5,684,710</u>	<u>\$ 5,999,107</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.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(7) Notes Payable

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

	2023	2022
Note payable to CoBank, dated September 13, 2021, in the original amount not to exceed \$1,800,000, payable in two hundred forty monthly installments, including interest at 3.45 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 10/20/2041.	\$ 1,587,346	\$ 1,648,105
Total notes payable	1,587,346	1,648,105
Less: Current portion	62,769	60,759
Long-term debt	\$ 1,524,577	\$ 1,587,346

Notes payable at June 30, 2023, is scheduled to mature as follows:

Year	Principal Only
2024	\$ 62,769
2025	65,150
2026	67,466
2027	69,864
2028	72,224
2029 to 2033	402,067
2034 to 2038	478,823
2039 to 2042	368,983
	\$ 1,587,346

(8) Commitments and Contingencies

The Water System is involved in one lawsuit, and management, board members and counsel reasonably estimate there will be no minimal loss regarding any legal matters as of June 30, 2022.

(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, 2023 and 2022 exceed federally insured limits by \$380,751 and \$195,923.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(10) Board of Directors and compensation

The Board of Directors of the Water System for the year ended June 30, 2023 are as follows:

<u>Board Member</u>	<u>Term</u>	<u>Address</u>
President - Bob Bixenman	October 2022 - October 2025	PO Box 359, Milton, LA
Glen Gudiry	October 2020- October 2023	PO Box 398, Milton, LA
Larry Soileau	October 2021 - October 2024	122 Julie Drive, Lafayette, LA
Sinda Soileau	October 2022 October 2025	129 Julie Drive, Lafayette, LA
Lisa Noel	October 2020 - October 2023	221 Julie Drive, Lafayette, LA

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

(11) 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.

(12) Subsequent Events

The Water System has evaluated subsequent events through October 4, 2023, the date which the financial statements were available to be issued.

(13) 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 942,974	\$ 764,588
Investments	45,905	41,777
Accounts receivable	111,841	128,914
Prepaid expense	16,290	14,076
Other assets	<u>28,730</u>	<u>13,858</u>
Total current assets	<u>\$ 1,145,740</u>	<u>\$ 963,213</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.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(14) 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, 2023 and 2022 was \$14,018 and \$15,585, respectively. The Water System has also recognized as liability (included in other payable) for the years ended June 30, 2023 and 2022 in the amounts of \$27,176 and \$13,158, respectively.

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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

To the Board of Directors
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, 2023 and 2022, 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 4, 2023.

Report on 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on Milton Water System, Inc.'s response to the finding identified in our audit and described in the accompany schedule of findings and questioned costs. Milton Water System, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
October 4, 2023

Milton Water System, Inc.
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2023

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

A. Internal Control Over Financial Reporting

2023-001 Inadequate Segregation of Accounting Functions

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

CRITERIA: Committee of Sponsoring Organizations (COSO) *Internal Control-Integrated Framework* and the Louisiana Legislative Auditor's *Governmental Auditing Guide*.

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, 2023

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2022-001 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 2023-001.

B. Compliance

There were no compliance findings reported.