

AVOYELLES WATER COMMISSION

Marksville, Louisiana

Financial Report

Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Avoyelles Water Commission
Marksville, Louisiana

I have audited the accompanying financial statements of the business-type activities and major fund of Avoyelles Water Commission (the Commission), a component unit of Avoyelles Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

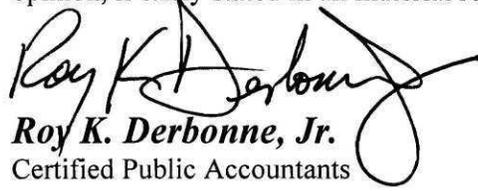
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Avoyelles Water Commission, as of December 31, 2011, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 16, 2012, on my consideration of the Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Avoyelles Water Commission has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Avoyelles Water Commission. Such information has

been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Roy K. Derbonne, Jr.
Certified Public Accountants

Alexandria, Louisiana
June 16, 2012

COMPONENT UNIT FINANCIAL STATEMENTS

AVOYELLES WATER COMMISSION
 Marksville, Louisiana
 Proprietary Fund Type-Enterprise Fund
 Utility Fund

Statement of Net Assets
 December 31, 2011

ASSETS

Current assets:	
Cash	\$ 873,325
Accounts Receivable (Net)	95,252
Investments	400,000
Prepaid Insurance	10,574
Total Current Assets	1,379,151
Noncurrent Assets:	
Restricted Assets:	
Interest-bearing Deposits	314,588
Prepaid Land Lease	28,182
Total Noncurrent Non-Capital Assets	342,770
Capital Assets:	
Total Capital Assets	12,704,311
Accumulated Depreciation	(2,158,228)
Total Fixed Assets	10,546,083
Land	10,000
Total Capital Assets	10,556,083
Total Assets	\$ 12,278,004

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities - (Payable From Current Assets)	
Accounts Payable	\$ 21,043
Payroll Taxes Payable	220
Salaries Payable	988
Total Current Liabilities - (Payable From Current Assets)	22,251
Current Liabilities - (Payable From Restricted Assets)	
Current Maturities of Long-Term Debt	189,455
Accrued Interest Payable	24,442
Total Current Liabilities - (Payable From Restricted Assets)	213,897
Total current liabilities	236,148
Noncurrent Liabilities - Note Payable (Net)	11,417,213
Total liabilities	11,653,361
Net assets (Deficit):	
Investment In Capital Assets, Net Of Related Debt	-
Unrestricted	624,643
Total Net Assets	624,643
Total Liabilities And Net Assets	\$ 12,278,004

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

AVOYELLES WATER COMMISSION
 Marksville, Louisiana
 Proprietary Fund Type-Enterprise Fund
 Utility Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended December 31, 2011

Operating Revenues:	
Water Sales and Fees	\$ 1,256,075
Operating Expenses:	
Audit Fees	3,200
Fuel	763
Contracting Services	4,278
Depreciation	464,921
Insurance	19,170
Rental Expense	303
Repairs	29,867
Salaries	28,640
Supplies	11,877
Payroll Taxes	2,638
Utilities	111,852
Telephone	3,602
Miscellaneous	4,162
Total Operating Expenses	<u>685,273</u>
Net Operating Income	570,802
Nonoperating revenues (Expenses):	
Interest Income	7,256
Interest expense	<u>(501,653)</u>
Total Nonoperating Revenues (Expenses)	<u>(494,397)</u>
Change In Net Assets	76,405
Net Assets, Beginning	<u>548,238</u>
Net assets, ending	<u>\$ 624,643</u>

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

AVOYELLES WATER COMMISSION
 Marksville, Louisiana
 Proprietary Fund Type-Enterprise Fund
 Utility Fund

Statement of Cash Flows
 Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts From Customers	\$ 1,254,542
Payments To Vendors	(177,442)
Payments To Employees	(31,147)
Net Cash Flows Provided From Operating Activities	<u>1,045,953</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Loans From Other Governments	362,647
Payment Of Principal On Bonds	(545,986)
Interest Paid On Bonds	(502,038)
Acquisition And Construction Of Capital Assets	(43,320)
Net cash flows used by capital and financing activities	<u>(728,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received On Cash And Investments	<u>7,256</u>
Net cash flows provided from investing activities	<u>7,256</u>
Increase In Cash And Cash Equivalents	324,512
Cash and cash equivalents, beginning of period	<u>863,401</u>
Cash And Cash Equivalents, End Of Period	<u>\$ 1,187,913</u>
Supplemental Disclosure:	
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:	
Net Operating Income	\$ 570,802
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activity:	
Amortization of Land Lease	303
Amortization of Bond Issue Costs	1,683
Depreciation	464,921
Increase in Accounts Receivable	(1,533)
Decrease in Prepaid Insurance	294
Increase in Accounts and Salaries Payable	9,444
Increase in Payroll Taxes Payable	39
Total Adjustments	<u>475,151</u>
Net Cash Provided by Operating Activities	<u>\$ 1,045,953</u>

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

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Avoyelles Water Commission (the Commission) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Commission applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Avoyelles Water Commission, which is a component unit of Avoyelles Parish Police Jury, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing potable drinking water to three municipalities. The Commission is governed by a board of directors composed of three members appointed by the Avoyelles Parish Police Jury. Each board of commissioner serves until he is replaced by the Police Jury. The commission began operations in January 2007.

This report is comprised of a proprietary fund that is administered by the Commission's board of directors. The accompanying financial statements present information only on the proprietary fund maintained by the Commission and do not present information on the Avoyelles Parish Police Jury and the general governmental services provided by that governmental unit.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a business. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Avoyelles Water Commission does not have governmental activities. Its operation is a business-type activity.

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements
(Continued)

C. Fund Accounting

The accounts of the Commission are organized and operated on the basis of a fund. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Commission maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements
(Continued)

exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

E. Assets, Liabilities and Equity

Cash and interest-bearing deposits

Interest-bearing deposits 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.

Investments

Under state law, the Commission may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union or the laws of the United States. The Commission may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As of December 31, 2011 the Commission has investments in Certificates of Deposit, in the amount of \$400,000.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures and equipment	7-10 years

Compensated Absences

The Commission has no set policy for accumulated vacation, sick pay or other benefits because the Commission has no employees. Therefore, no accruals for compensated absences have been made in these financial statements.

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements
(Continued)

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Commission uses unrestricted assets only when restricted assets are fully depleted.

F. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

The commission follows the policy of capitalizing interest as a component of the cost of construction. As of December 31, 2011, there was \$761,437 of interest charges capitalized during construction. During the year ended December 31, 2011, the Commission incurred \$25,381 that was charged to expense.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements
(Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2011, the Commission had cash and interest-bearing deposits (book balances) totaling \$1,187,913 in demand deposits and \$400,000 in certificates of deposit.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances are categorized below to give an indication of the level of risk assumed by the Commission at December 31, 2011.

Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) totaling \$1,166,538 is secured by federal deposit insurance and pledged securities of \$232,007, with a market value of \$725,600.

Even though pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

(3) Accounts Receivable

The accounts receivable amounted to current amounts due of \$95,252. The entire amount is deemed collectible.

(4) Restricted Assets - Proprietary Fund Type

Restricted assets of \$314,588 consist of \$157,243 in the sinking fund, \$157,243 in the depreciation fund, \$102 in the contingency fund at December 31, 2011.

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements
(Continued)

(5) Capital Assets

A summary of changes in property, plant and equipment at December 31, 2011 follows:

	Beginning Balance <u>1/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>12/31/11</u>
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Right of ways	165,132	-	-	165,132
Vehicles	4,925	-	-	4,925
Equipment	247,188	55,523	-	302,711
Distribution system	11,415,402	-	-	11,415,402
Construction in progress	8,961	2,423	-	11,384
Construction period interest	761,437	-	-	761,437
Total Fixed Assets	<u>12,613,045</u>	<u>57,946</u>	-	<u>12,670,991</u>
Less accumulated depreciation	<u>(1,231,976)</u>	<u>(461,331)</u>	-	<u>(1,693,307)</u>
Net Utility Fund property, plant and equipment	<u>\$ 11,381,069</u>	<u>\$ (403,385)</u>	<u>\$ -</u>	<u>\$ 10,977,684</u>

(6) Changes in Long-Term Debt

The following is a summary of debt transactions of the Commission for the year ended December 31, 2011:

	<u>Notes Payable</u>
Long-term debt payable at January 1, 2011	\$ 11,845,535
Long-term debt issued	362,647
Long-term debt retired	<u>(545,986)</u>
Long-term debt payable at December 31, 2010	<u>\$ 11,662,196</u>

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Notes to Financial Statements
(Continued)

Notes payable at December 31, 2011 is composed of the following notes:

\$6,916,000 USDA note dated June 13, 2007, bearing interest at 4.250% per annum. Final maturity date, December 13, 2044. Upon completion of construction, note will be amortized over thirty-seven and one-half years	\$ 6,542,902
\$5,876,000 USDA note dated June 20, 2007, bearing interest at 4.250% per annum. Final maturity date, June 20, 2044	5,119,294
Total	11,662,196
Less: Unamortized bond issue cost	(55,528)
Notes Payable at December 31, 2011	\$ 11,606,668

The annual requirements to amortize all notes outstanding at December 31, 2011 are as follows:

December 31	Principal	Interest	Total
2012	\$ 191,138	\$ 491,956	\$ 683,094
2013	199,421	483,673	683,094
2014	208,064	475,030	683,094
2015	217,081	466,013	683,094
2016	226,488	456,604	683,092
2017-2021	1,288,462	2,127,004	3,415,466
2022-2026	1,592,926	1,822,540	3,415,466
2027-2031	1,969,338	1,446,126	3,415,464
2032-2036	2,434,697	869,001	3,303,698
2037-2041	2,310,423	435,451	2,745,874
2042-2044	1,024,158	67,503	1,091,661
Totals	\$ 11,662,196	\$ 9,140,901	\$ 20,803,097

(8) Litigation

There is no litigation pending against the Avoyelles Water Commission at December 31, 2011.

(9) Risk Management

The Commission believes it has covered all risks with adequate insurance as of December 31, 2011.

(10) Compensation of Board Members

Board members were not compensated during the year ended December 31, 2011.

SUPPLEMENTAL INFORMATION

INTENAL CONTROL AND COMPLIANCE

Roy K. Derbonne, JR., LLC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Avoyelles Water Commission
Marksville, Louisiana

I have audited the financial statements of Avoyelles Water Commission, (the Commission) as of and for the year ended December 31, 2011, and have issued my report thereon dated June 16, 2012. I conducted my 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance and other matters that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. However, I noted instance of a deficiency in internal control over financial reporting described in the Schedule of Current Year and Prior Year Findings as IC-1-11.

This report is intended solely for the information and use of management, others within the Commission, Avoyelles Parish Police Jury, U.S. Department of Agriculture, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 16, 2012

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

PART I – SUMMARY OF AUDITOR’S RESULTS

Opinion

An unqualified opinion was issued on the financial statements for the Avoyelles Water Commission as of December 31, 2011.

PART II – FINANCIAL STATEMENT FINDINGS

Compliance and Other Matters

The results of the audit disclosed no instances of noncompliance with respect to compliance and other matters.

Internal Control

The results of the audit disclosed no instances of significant deficiencies in internal control.

The result of the audit did disclose one instance that was considered to be a material weakness in internal control, and this finding is reported in the Summary of Current and Prior Year Auditing Findings and Corrective Action Plan as IC-1-11, Segregation of Duties.

AVOYELLES WATER COMMISSION
Marksville, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2011

Finding – IC-1-11 Segregation of Duties

There is an inadequate segregation of duties, as the office manager prepares the bills, mail the bills, collects monies, makes deposits, post transactions to the general ledger and reconciles the Commission's bank accounts.

Recommendation

Commission should hire additional personnel to effect a segregation of duties.

Corrective Action Plan

Due to economic conditions it would not be cost effective to hire needed personnel to properly segregate the accounting functions, therefore there is no action required.

Prior Year Findings

Finding – IC-1-10 Segregation of Duties

There is an inadequate segregation of duties, as the office manager prepares the bills, mail the bills, collects monies, makes deposits, post transactions to the general ledger and reconciles the Commission's bank accounts.

Recommendation

Commission should hire additional personnel to effect a segregation of duties.

Corrective Action Plan

Due to economic conditions it would not be cost effective to hire needed personnel to properly segregate the accounting functions, therefore there is no action required.