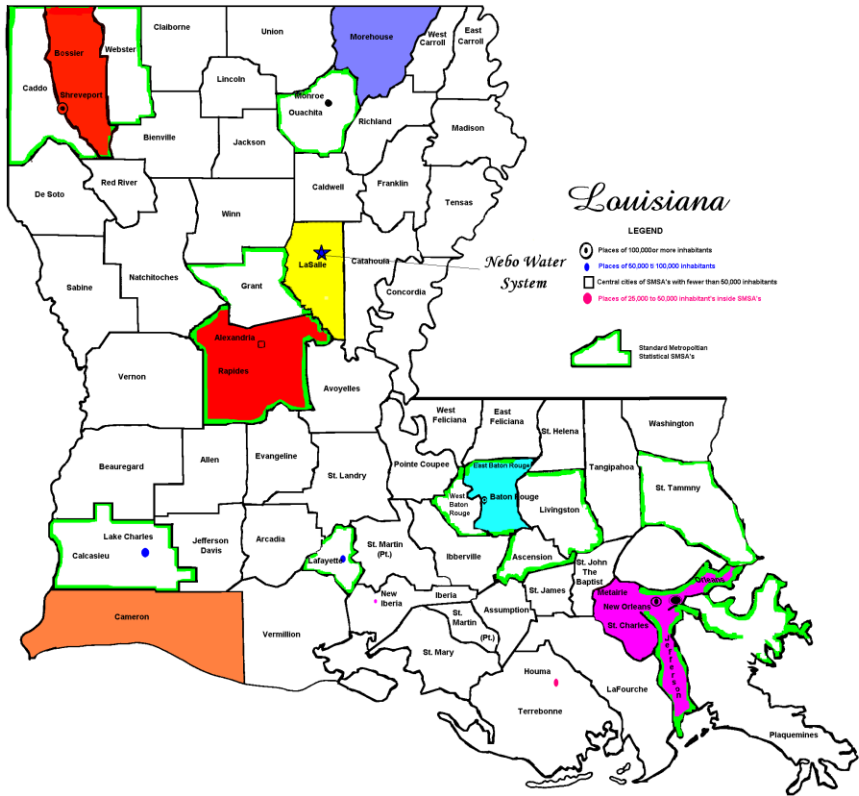


NEBO WATER SYSTEM INC.

**Financial Statements
December 31, 2023**

NEBO WATER SYSTEM INC. JENA, LOUISIANA



* The Nebo Water System Inc. is a nonprofit corporation established under the laws of the State of Louisiana on January 27, 1971, to provide water to residents of the Nebo Community. The system is governed by a Board of Directors elected by the membership. The directors receive no pay or fees for their services to the system.

**NEBO WATER SYSTEM INC.
TABLE OF CONTENTS**

December 31, 2023

	EXHIBIT	PAGE NO.
Independent Auditor's Report		1-3
Statement of Financial Position.....	A	4
Statement of Activities.....	B	5
Statement of Functional Expenses.....	C	6
Statement of Cash Flow.....	D	7
Notes to the Basic Financial Statements.....		8-15
<u>Other Information</u>		
Schedule of Compensation Benefits and Other Payments		17
<u>Supplemental Information</u>		
Schedule of Expenditures of Federal Awards.....		19
Notes to the Schedule of Expenditures of Federal Awards.....		20
<u>Other Reports</u>		
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 <i>Government Auditing Standards</i>		22-23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....		24-25
Schedule of Findings and Questioned Cost.....		26-27
Management Letter Comments.....		28
Management's Summary of Prior Year Findings.....		29
Agreed-Upon Procedures Report.....		30-39

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MEMBERS

American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

Association of
Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

Members of the Board of
Nebo Water System, Inc.
P.O. Box 624
Harrisonburg, LA 71340

Report on the Audit of the Financial Statements Opinions

We have audited the accompanying financial statements of the Nebo Water System Inc. (nonprofit organization), as of and for the year ended December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Nebo Water System Inc., as of December 31, 2023, and the changes in its net assets and its cash flows for the year 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 Nebo Water System, Inc. and to meet our 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 the 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 the Nebo 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 opinion. 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 Nebo 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 Nebo Water System Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nebo Water System's basic financial statements. The Schedule of Compensation, Benefits and other Payments to Agency Head or Chief Executive Officer and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and other Payments to Agency Head or Chief Executive Officer and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2024, on our consideration of the Nebo 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 Nebo 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 Nebo Water System Inc. office's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated August 12, 2024, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

The Vercher Group

August 12, 2024
Jena, Louisiana

NEBO WATER SYSTEM INC.
Statement of Financial Position
December 31, 2023

ASSETS	<u>2023</u>
CURRENT ASSETS	
Cash	\$ 1,060,346
Accounts Receivable, Net	26,135
TOTAL CURRENT ASSETS	<u>1,086,481</u>
RESTRICTED ASSETS	
Debt Service Reserve	123,416
Depreciation Short-Lived Assets	37,655
TOTAL RESTRICTED ASSETS	<u>161,071</u>
NON-CURRENT ASSETS	
Capital Assets	5,054,174
Land	29,140
Less Accumulated Depreciation	(491,556)
TOTAL NON-CURRENT ASSETS	<u>4,591,758</u>
TOTAL ASSETS	<u>5,839,310</u>
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	272,952
Notes Payable-Current Portion	54,555
TOTAL CURRENT LIABILITIES	<u>327,507</u>
LONG-TERM DEBT	
Notes Payable-Current Portion	3,133,983
TOTAL LONG-TERM DEBT	<u>3,133,983</u>
TOTAL LIABILITIES	<u>3,461,490</u>
NET ASSETS	
Net Assets Without Donor Restrictions	2,377,820
TOTAL NET ASSETS	<u>2,377,820</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 5,839,310</u>

The accompanying notes are an integral part of this statement.

NEBO WATER SYSTEM INC.
Statement of Activities
December 31, 2023

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2023</u>
REVENUES	
Water Sales & Other Charges	\$ 346,996
Capital Grant	1,088,686
Interest Income	<u>1,376</u>
TOTAL REVENUES	<u>1,437,058</u>
EXPENSES	
Program Services	379,828
Supporting Services	<u>-0-</u>
TOTAL EXPENSES	<u>379,828</u>
INCREASE/DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,057,230
NET ASSETS, BEGINNING	<u>1,320,590</u>
NET ASSETS, ENDING	<u>\$ 2,377,820</u>

The accompanying notes are an integral part of this statements.

NEBO WATER SYSTEM INC.
Statement of Functional Expenses
December 31, 2023

	2023
PROGRAM SERVICES:	
Advertising	\$ 23
Management Fees	52,440
Depreciation Expense	103,276
Dues and Subscriptions	4,230
Insurance	7,801
Legal & Professional	3,255
Interest Expense	68,380
Contract Other	16,586
Office Expense	8,043
Repairs & Maintenance	24,601
Reconnects	3,220
Telephone	623
Other Operating Expenses	4,549
Utilities	29,001
Chemicals	53,800
TOTAL PROGRAM SERVICES	379,828
SUPPORTING SERVICES:	-0-
TOTAL SUPPORTING SERVICES	\$ -0-

The accompanying notes are an integral part of this statements.

NEBO WATER SYSTEM INC.
Statement of Cash Flow
For December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 352,464
Receipts from Interest Earned on Investments	1,376
Receipts from Grants	1,088,686
Payments to Suppliers	(81,882)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,360,644
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Additions to Capital Assets	(1,087,820)
Principal payment of Long-Term Debt	(62,824)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(1,150,644)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	210,000
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	1,011,417
CASH & CASH EQUIVALENTS, END OF YEAR	1,221,417
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	1,060,346
Debt Service Revenue	123,416
Depreciation Short-Lived Assets	37,655
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,221,417
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,057,230
Depreciation Expense	103,276
(Increase) Decrease in Accounts Receivable	2,468
Increase (Decrease) in Accounts Payable	270,597
Increase (Decrease) in Accrued Interest	(72,927)
TOTAL ADJUSTMENTS	303,414
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,360,644

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

NEBO WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

Nebo Water System is a nonprofit corporation established under the laws of the State of Louisiana on January 27, 1971, to provide water to residents of the Nebo Community. The system is governed by a board of directors elected by the membership. The directors receive no pay or fees for their services to the system. The corporation is exempt from federal income taxes under (section 501(c) (04)) of nonprofit tax laws.

The books of the system are maintained on the cash basis of accounting and adjusted to the accrual basis of accounting at year-end for financial reporting purposes. The accounting and reporting methods used for the water system are those used to account for operations that are financed and operated in a manner similar to a private business enterprise, 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 through user charges.

B. FINANCIAL STATEMENT REPRESENTATION

The water system has adopted the provision of FASB Accounting Standard Update 2015-14 “*Not-for-Profit- Organizations (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*”. Under FASB ASU 2016-14, the water system is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the water system is required to present a statement of cash flows.

The financial statements of the water system have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below.

C. NET ASSETS

The net assets of the water system and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature. These restrictions will be satisfied by actions of the Water System or by the passage of time.

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

NEBO WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

D. INCOME TAXES

The water system is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United State 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 December 31, 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.

E. STATEMENT OF CASH FLOWS

The water system considers all highly liquid investment with a maturity of three months or less at the date of acquisition to be cash equivalents.

F. CASH & INVESTMENTS (CDS IN EXCESS OF 90 DAYS)

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

Amounts on deposit are secured by the following pledges:

<u>Description</u>		<u></u>
FDIC (Category 1)	\$	500,000
Total Securities	\$	500,000

Deposits were **NOT** fully secured as of December 31, 2023.

The water system maintains bank accounts at two institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and up to \$250,000 for noninterest bearing accounts.

G. COMPENSATED ABSENCES & RETIREMENT PLANS

The system does not compensate unused vacation and sick leave. System employees are covered under the social security system.

NEBO WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable columns in the basic financial statements. Capital assets are capitalized at historical cost. The entity maintains a threshold level of \$1,000 or more for capitalizing capital assets.

All fixed assets are recorded at cost and are depreciated using the straight-line method over the following useful lives:

Water System & Building	40-50 Yrs.
Equipment & Workover	5-15 Yrs.

I. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowance for bad debts. The allowance account has been established at approximately 5% of accounts receivable. Detail accounts receivables follow:

Accounts Receivable	\$ 26,135
Accounts Receivable (Net)	<u>\$ 26,135</u>

NOTE 2 – PLANT, PROPERTY, & EQUIPMENT

Changes in plant, property, and equipment are as follows:

	Balance 12-31-22	Additions	Deletions	Balance 12-31-23
Fixed Assets *	\$ 3,995,495	\$ 1,087,819	\$ -0-	\$ 5,083,314
Accumulated Depreciation	(388,280)	(103,276)	-0-	(491,556)
Net Total	<u>\$ 3,607,215</u>	<u>\$ 984,543</u>	<u>\$ -0-</u>	<u>\$ 4,591,758</u>

* Fixed assets include land in the amount of \$29,140 that is not being depreciated.

The system's assets are pledged as security for the system's debt.

NOTE 3 – ACCOUNTS PAYABLE AND ACCRUALS

At December 31, 2023, the water system's payables consisted of the following:

Accounts Payables	\$ 8,740
Contractors Payable	264,212
Total	<u>\$ 272,952</u>

NEBO WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

NOTE 4 – ASSET LIQUIDITY

The water system regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the water system considers all expenses related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenses. The water system anticipates revenues to be sufficient to meet its general expense needs.

The water system does not consider assets including deposits and fixed assets to be available for general expense. Fixed assets cannot be liquidated due to donor and self-imposed restrictions.

As of December 31, 2023, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and Cash Equivalents	\$	1,060,346
Receivables		26,135
Fixed Assets, Net of Accumulated Depreciation		<u>4,591,758</u>
Total Financial Assets, Period End		<u>5,678,239</u>
Less, those unavailable for general expenses within one year, due to:		
Restricted Cash		(161,071)
Fixed Assets, Net of Accumulated Depreciation		<u>(4,591,758)</u>
Financial assets available to meet cash needs for general expenses within one year	\$	<u>925,410</u>

NOTE 5 – RESTRICTED ASSETS & RESTRICTED NET ASSETS

Net assets have been restricted as follows:

Debt Service Reserve Fund	\$	123,416
Depreciation Short-Lived Assets		<u>37,655</u>
Total Restricted Net Assets	\$	<u>161,071</u>

NOTE 6 – PENSION PLAN

The Nebo Water System, Inc. does not have any employees.

NEBO WATER SYSTEM INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
CONTINUED**

NOTE 7 – LONG-TERM LOAN

Nebo Water System, Inc. received a Loan from USDA to improve the water distribution system. The Note is as follows:

USDA Loan 91-01

Date of Loan	10/05/2021
Maturity	Project is Complete
Interest Rate	<u>2.125%</u>
2023 Beginning Balance	\$ 2,997,000
2023 Principle	(58,516)
2023 Additions	<u>-0-</u>
2023 Ending Balance	\$ <u>2,938,484</u>
2023 Interest	\$ 135,949
Monthly Payments	\$ 9,441

USDA Loan 91-02

Date of Loan	10/05/2021
Maturity	Project is Complete
Interest Rate	<u>2.125%</u>
2023 Beginning Balance	\$ 254,363
2023 Principle	(4,309)
2023 Additions	<u>-0-</u>
2023 Ending Balance	\$ <u>250,054</u>
2023 Interest	\$ 5,363
Monthly Payments	\$ 806

NEBO WATER SYSTEM INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
CONTINUED**

The annual requirements to amortize all debt outstanding as of December 31, 2023, are as follows:

Year Ending December 31,	USDA 91-01	USDA 91-02	Total
2024	58,516	4,309	62,825
2025	58,516	4,309	62,825
2026	58,516	4,309	62,825
2027	58,516	4,309	62,825
2028	58,516	4,309	62,825
2029-2033	292,580	21,545	314,125
2034-2037	292,580	21,545	314,125
2038-2042	292,580	21,545	314,125
2043-2047	292,580	21,545	314,125
2048-2052	292,580	21,545	314,125
2053-2047	292,580	21,545	314,125
2058-2062	292,580	21,545	314,125
2063-2067	292,580	21,545	314,125
2068-2072	292,580	21,545	314,125
2073-2077	12,684	34,604	47,288
Total	\$ 2,938,484	\$ 250,054	3,188,538

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The water system is currently not involved in any lawsuits as of August 12, 2024.

NOTE 9 – THE BOARD MEMBERS' NAMES & ADDRESSES ARE AS FOLLOWS:

Chance Willis
President
149 Little Jordon Rd
Jena, LA 71342
318-452-8057

Curt Ainsworth
Vice President
130 Shirley Lane
Jena, LA 71342
318-419-8792

Jessica Marks
Board Member
8437 Hwy 127 S
Jena, LA 71342
882-315-0131

Landon LeMay
Board Member
193 Knotts Landing Loop
Jena, LA 71432
318-787-7465

Steve Sanders
Board Member
120 Rosie Lane
Jena, LA 71432
318-312-1430

Board members are paid \$-0- for their services.

NEBO WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

NOTE 10 – THE SYSTEM HAS THE FOLLOWING WATER RATES AND NUMBER OF MEMBERS

Residential Water Flat Rate -	\$59.00 per month up to 2000 gallons.
Residential Water Bulk Rate -	\$4.00/1,000 gallons per month.
Commercial Water Flat Rate -	\$64.00 per month up to 2000 gallons.
Commercial Water Bulk Rate -	\$4.00/1000 gallons per month.
Commercial Water Flat Rate -	\$77.00 per month up to 30000 gallons.
Commercial Water Flat Rate -	\$77.00 per month up to 15000 gallons.
Membership Fee-	\$25.00 (Non-Refundable)
New Meter Tap-	\$775.00

Number of Members: 365

NOTE 11 – USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expense during the reporting period. Actual results could differ from those estimates.

NOTE 12 – RECENT ACCOUNTING PRONUCEMENT

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers* as a new Topic, Accounting Standards Codification *Topic 606*. The ASU is intended to provide a more robust framework for addressing revenue issues, improving comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts: Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 13, 2023, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The water system is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statement at this time.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. ASU No. 2016-14 is effective for annual reporting periods beginning after December 15, 2018, and shall be applied retrospectively. Early adoption is permitted. The water system has implemented 2016-14 as of July 1, 2018. The net effect is a reclassification of net assets among classes, but total net assets remain the same.

OTHER INFORMATION

NEBO WATER SYSTEM
Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2023

Chance Willis-President

Purpose	Amount
Salary	\$ -0-
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (Expense Allowance)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference Travel	-0-
Continuing Professional Education Fees	-0-
Housing	-0-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance.

See independent auditor's report.

SUPPLEMENTAL INFORMATION

NEBO WATER SYSTEM INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>		
Department of Treasury		
Coronavirus State and Local Fiscal Recovery Funds		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>\$1,087,819</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$1,087,819</u></u>

The accompanying notes are an integral part of this schedule.
See Independent Auditor's Report

NEBO WATER SYSTEM, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023**

Note A – Single Audit Requirements

In July 1996, the Single Audit Act Amendments of 1996 (1996 Act) were enacted and superseded the Single Audit Act of 1984. In June 1997 OMB issued a revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the changes from the 1996 Act and to rescind Circular A-128. On 06/27/2003 OMB Circular A-133 was revised for fiscal years ending 12/31/2003 and forward. For 2015 and forward OMB Circular A-133 has been superseded in its entirety by OMB’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) which changes the single audit threshold to \$750,000.

The business type funds used to account for these funds use the accrual basis of accounting.

1.) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the System. The System reporting entity is defined in Note 1 to the System’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2.) Basis of Accounting

The accompanying Schedule of expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the System’s basic financial statements.

3.) Relationship to Basic Financial Statements

Federal award revenues are reported in the District’s basic financial statements as follows:

General:	
Coronavirus state and local fiscal recovery funds	\$ 1,087,819
Total	\$ <u>1,087,819</u>

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with U.S. generally accepted principles.

4.) Federal Awards

“Federal awards” do not include the System’s other state grants.

5.) Indirect Cost Rate

Nebo Water System, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Presented for purposes of additional analysis only.

OTHER REPORTS

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MEMBERS

American Institute of
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Certified Fraud Examiners

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*

Chance Willis- President
& Members of the Board of Directors
P.O. Box 624
Harrisonburg, LA 71340

We have audited, in accordance with the 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 the Nebo Water System Inc. (a nonprofit organization), as of and for the year ended December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Nebo Water System Inc.’s basic financial statements, and have issued our report thereon dated August 12, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nebo Water System Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nebo Water System Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Nebo 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 the entity'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. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebo Water System Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards (2023-1 Annual filing of Financial statements)*.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Nebo Water System's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Nebo Water System's response was not subject 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Vercher Group

Jena, Louisiana
August 12, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Chance Willis- President
& Members of the Board of Directors
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Harrisonburg, LA 71340

Report on Compliance for Each Major Federal Program

We have audited Nebo Water System, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the organization's major federal programs for the year ended December 31, 2023. Nebo Water System, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nebo Water System, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit Compliance section of our report.

We are required to be independent of Nebo Water System, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Nebo Water System, Inc's compliance with the compliance requirements referred to above.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Nebo Water System, Inc's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nebo Water System, Inc's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Nebo Water System Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Nebo Water System, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nebo Water System, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nebo Water System, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal

program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Vercher Group

Jena, Louisiana
August 12, 2024

NEBO WATER SYSTEM INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended December 31, 2023**

We have audited the financial statements of the Nebo Water System Inc., as of and for the two years ended December 31, 2023, and have issued our report thereon dated August 12, 2024. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section I. Summary of Auditor's Results

Our audit of the financial statements as of December 31, 2023, resulted in an unmodified opinion.

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes Significant Deficiencies Yes

Compliance

Compliance Material to Financial Statements Yes

b. Federal Awards

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Type of Opinion on Compliance Unmodified Qualified

For Major Programs Disclaimer Adverse

Are the finding required to be reported in accordance with Uniform Guidance?

Yes No

c. Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Is the auditee a 'low-risk' auditee, as defined by OMB Uniform Guidance? Yes No

NEBO WATER SYSTEM INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COST- (CONT.)
For the Year Ended December 31, 2023**

Section II Financial Statement Findings

2023-1 Annual Filing of Financial Statements (Compliance)

Condition: The Entity did not file their financial statements with the Legislative Auditor on a timely basis.

Criteria: LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable, require that governmental units file their financial statements annually with the Legislative Auditor's Office within six months of the entity's year end closing.

Cause of Condition: Not having the financial statements completed on time.

Potential Effect of Condition: Potential compliance violation and a freeze on grant funding.

Recommendation: The Entity should have their audit completed in time to file with the Legislative Auditor's Office within six months of the Entity's year end closing.

Client Response and Corrective Action: The Entity will have their audit completed in time to file with the Legislative Auditor's Office within six months of the Entity's year end closing.

Section III Federal Awards Findings and Questioned Costs

No Findings to Report.

**NEBO WATER SYSTEM INC.
DECEMBER 31, 2023**

MANAGEMENT CORRECTIVE ACTION

CURRENT YEAR FINDINGS COMMENTS

2023-1 Annual Filing of Financial Statements

Findings: The Entity did not timely file their financial statements with the Legislative Auditor on a timely basis.

Corrective Action: The Entity will have their audit completed in time to file with the Legislative Auditor's Office within six months of the Entity's year end closing.

Contact Person: Chance Willis

Anticipated Completion Date: December 31, 2024

**NEBO WATER SYSTEM INC.
DECEMBER 31, 2023**

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

The management of Nebo Water System Inc. has provided the following action summaries relating to findings brought to their attention as a result of their audit for the year ended December 31, 2022.

PRIOR YEAR FINDINGS

No items to report.

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AGREED-UPON PROCEDURES REPORT

Nebo Water System

Independent Accountant's Report

On Applying Agreed-Upon Procedures

For the Period of January 1- December 31, 2023

Chance Willis- President
& Members of the Board of Directors
P.O. Box 624
Harrisonburg, LA 71340

To the Nebo Water System and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Nebo Water System and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: The entity does not have a policy and procedures manual that addresses the above items.

Management's response: The system utilized a fee accountant and consulting engineer to provide these services.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exception to the procedures performed.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exception to the procedures performed.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Observation: The entity had a bond for theft covering all employees who handle cash in force during the year.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exception: The deposits were not made within one business day of receipt at the collection location.

Management Response: It is not practical to make daily deposits.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Observation: We obtained a listing of locations (the office) and management's representation the list is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

11. Using the entity's main operating account and the month selected in Bank reconciliations procedure, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

No exceptions to the procedures performed.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The entity had no credit cards, debit cards, or fuel cards.

13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exception to the procedures performed.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exception to the procedures performed.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exception to the procedures performed.

Payroll and Personnel

17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exception to the procedures performed.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exception to the procedures performed.

Debt Service

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

24. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exception to the procedures performed.

Fraud Notice

25. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

26. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exception to the procedures performed.

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”
- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
28. Randomly select 5 terminated employees (or all terminated employees if less than 5). Observe evidence that the selected terminated employees have been removed or disabled from the network.

No exception to the procedures performed.

Prevention of Sexual Harassment

29. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

No exception to the procedures performed.

30. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
31. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
1. Number and percentage of public servants in the agency who have completed the training requirements;
 2. Number of sexual harassment complaints received by the agency;
 3. Number of complaints which resulted in a finding that sexual harassment occurred;
 4. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 5. Amount of time it took to resolve each complaint.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

The Vercher Group

Jena, Louisiana
August 12, 2024