STARC OF LOUISIANA, INC.

Audits of Financial Statements

June 30, 2023 and 2022

LAPORTE
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Contents

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Independent Auditor's Report

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, Louisiana

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of STARC of Louisiana, Inc. (STARC) (a Louisiana not-for-profit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of STARC as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 STARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 STARC's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS 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 STARC'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 STARC'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 an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 October 13, 2023 on our consideration of STARC's internal control over financial reporting and 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 STARC'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 STARC's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Covington, LA
October 13, 2023

STARC OF LOUISIANA, INC.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 5,739,852**	$ 6,635,084
Certificates of Deposit, Short-Term	**908,657**	30,138
Accounts Receivable	**547,485**	467,878
Unconditional Promises to Give, Net	**25,000**	25,000
Prepaid Expenses	**128,400**	118,478
Total Current Assets	**7,349,394**	7,276,578
Property and Equipment		
Buildings and Improvements	**6,463,114**	6,350,078
Furniture and Equipment	**195,596**	95,600
Vehicles	**956,629**	1,042,196
	7,615,339	7,487,874
Less: Accumulated Depreciation	**(3,543,416)**	(3,260,185)
	4,071,923	4,227,689
Land	**642,025**	626,680
Construction in Progress	**-**	3,590
Total Property and Equipment, Net	**4,713,948**	4,857,959
Other Assets		
Certificates of Deposit, Long-Term	**213,237**	-
Bed Licenses	**165,834**	45,833
Total Other Assets	**379,071**	45,833
Total Assets	**$ 12,442,413**	$ 12,180,370

The accompanying notes are an integral part of these financial statements.

STARC OF LOUISIANA, INC.
Statements of Financial Position (Continued)
June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 126,106	$ 116,686
Accrued Salaries, Wages, and Taxes	349,797	455,122
Accumulated Paid Leave	213,490	216,851
Deferred Revenue	2,321,109	2,274,341
Current Maturities of Long-Term Debt	105,875	113,424
Total Current Liabilities	3,116,377	3,176,424
Other Liabilities		
Long-Term Debt, Net of Current Maturities	1,085,749	1,269,786
Total Other Liabilities	1,085,749	1,269,786
Total Liabilities	4,202,126	4,446,210
Net Assets		
Without Donor Restrictions		
Undesignated	7,624,005	6,740,501
Board Designated	616,282	523,614
With Donor Restrictions	-	470,045
Total Net Assets	8,240,287	7,734,160
Total Liabilities and Net Assets	$ 12,442,413	$ 12,180,370

The accompanying notes are an integral part of these financial statements.

STARC OF LOUISIANA, INC.
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Government Grants and Contracts	$ 5,234,609	$ -	$ 5,234,609	$ 4,724,184	$ -	$ 4,724,184
Ad Valorem Taxes	1,940,133	-	1,940,133	2,017,526	-	2,017,526
Private Providers	680,420	-	680,420	605,075	-	605,075
Dedicated Program Funding Pool Payment	498,125	-	498,125	-	-	-
Sale of Services	246,381	-	246,381	248,587	-	248,587
Fundraising	175,801	-	175,801	192,052	-	192,052
Donations and Private Grants	147,750	-	147,750	147,591	-	147,591
Other	84,383	-	84,383	40,415	-	40,415
United Way Allocation	24,999	-	24,999	30,000	-	30,000
United Way Designations	19,889	-	19,889	11,783	-	11,783
Forgiveness of Paycheck Protection Program Loan	-	-	-	1,079,920	-	1,079,920
	9,052,490	-	9,052,490	9,097,133	-	9,097,133
Net Assets Released from Restrictions	470,045	(470,045)	-	-	-	-
Total Revenues, Gains, and Other Support	9,522,535	(470,045)	9,052,490	9,097,133	-	9,097,133
Expenses						
Program Services	6,905,982	-	6,905,982	6,307,821	-	6,307,821
Supporting Services	1,640,381	-	1,640,381	1,544,494	-	1,544,494
Total Expenses	8,546,363	-	8,546,363	7,852,315	-	7,852,315
Change in Net Assets	976,172	(470,045)	506,127	1,244,818	-	1,244,818
Net Assets, Beginning of Year	7,264,115	470,045	7,734,160	6,019,297	470,045	6,489,342
Net Assets, End of Year	$ 8,240,287	$ -	$ 8,240,287	$ 7,264,115	$ 470,045	$ 7,734,160

The accompanying notes are an integral part of these financial statements.

STARC OF LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services						Supporting Services			
	Adult Habilitation	Infant Habilitation	Residential Services	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Board and Fundraising	Total Supporting Services	Total
Salaries, Wages, and Benefits	$ 907,324	$ 24,427	$ 1,202,463	$ 1,862,405	$ 108,527	$ 4,105,146	$ 1,060,534	$ 73,005	$ 1,133,539	$ 5,238,685
Contract Services	5,668	-	408,960	21,217	35,158	471,003	47,132	-	47,132	518,135
Insurance	102,009	3,599	137,741	81,208	32,701	357,258	49,661	10,080	59,741	416,999
Depreciation and Amortization	119,505	-	187,356	29,314	10,860	347,035	66,357	-	66,357	413,392
Occupancy	123,507	144	142,497	55,654	4,797	326,599	55,682	4,838	60,520	387,119
Payroll Taxes	65,883	1,065	84,521	132,811	8,305	292,585	66,338	21,938	88,276	380,861
Day Service Charges	-	-	282,089	-	-	282,089	-	-	-	282,089
Supplies	28,461	1,723	180,313	6,738	3,465	220,700	13,821	46	13,867	234,567
State Bed Fees	-	-	187,212	-	-	187,212	-	-	-	187,212
Travel and Transportation	34,285	-	48,878	12,367	30,128	125,658	22,187	66	22,253	147,911
Telephone	28,109	217	22,205	16,388	1,615	68,534	30,459	675	31,134	99,668
Miscellaneous	3,400	-	9,374	32,486	1,378	46,638	17,410	14,328	31,738	78,376
Professional Services	556	-	39,920	575	139	41,190	20,516	139	20,655	61,845
Interest	25,630	-	748	-	-	26,378	19,434	-	19,434	45,812
Fundraising	-	-	-	-	-	-	-	42,890	42,890	42,890
Conferences and Training	2,862	-	2,177	2,918	-	7,957	2,845	-	2,845	10,802
Total	$ 1,447,199	$ 31,175	$ 2,936,454	$ 2,254,081	$ 237,073	$ 6,905,982	$ 1,472,376	$ 168,005	$ 1,640,381	$ 8,546,363

The accompanying notes are an integral part of these financial statements.

STARC OF LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services						Supporting Services			
	Adult Habilitation	Infant Habilitation	Residential Services	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Board and Fundraising	Total Supporting Services	Total
Salaries, Wages, and Benefits	$ 806,252	$ 22,677	$ 1,120,696	$ 1,691,670	$ 128,619	$ 3,769,914	$ 1,085,892	$ 55,342	$ 1,141,234	$ 4,911,148
Depreciation and Amortization	121,314	-	181,379	28,350	9,892	340,935	67,226	-	67,226	408,161
Contract Services	7,343	-	316,075	19,894	41,572	384,884	15,385	17	15,402	400,286
Insurance	96,548	3,187	128,168	78,772	31,013	337,688	51,662	8,887	60,549	398,237
Occupancy	104,517	160	147,571	57,433	1,058	310,739	64,286	9,253	73,539	384,278
Payroll Taxes	55,815	797	79,157	121,005	9,944	266,718	65,600	4,233	69,833	336,551
Day Service Charges	-	-	271,247	-	-	271,247	-	-	-	271,247
Supplies	21,334	974	161,687	5,755	17,830	207,580	10,080	-	10,080	217,660
State Bed Fees	-	-	186,952	-	-	186,952	-	-	-	186,952
Travel and Transportation	27,033	-	34,536	10,563	21,180	93,312	18,749	66	18,815	112,127
Telephone	25,239	68	19,394	13,511	1,420	59,632	25,089	639	25,728	85,360
Interest	30,079	-	1,882	-	-	31,961	23,018	-	23,018	54,979
Professional Services	1,558	-	18,516	1,425	424	21,923	18,026	489	18,515	40,438
Miscellaneous	2,079	-	3,410	5,679	(3,176)	7,992	15,626	3,075	18,701	26,693
Conferences and Training	5,894	-	3,556	6,894	-	16,344	1,854	-	1,854	18,198
Total	$ 1,305,005	$ 27,863	$ 2,674,226	$ 2,040,951	$ 259,776	$ 6,307,821	$ 1,462,493	$ 82,001	$ 1,544,494	$ 7,852,315

The accompanying notes are an integral part of these financial statements.

STARC OF LOUISIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	$ 506,127	$ 1,244,818
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Depreciation and Amortization	416,233	411,002
Loss (Gain) on Disposal of Property and Equipment	5,061	(500)
Paycheck Protection Program Loan Forgiveness	-	(1,079,920)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(79,607)	(6,996)
Unconditional Promises to Give, Net	-	5,000
Prepaid Expenses	(9,922)	2,414
Increase (Decrease) in Operating Liabilities		
Accounts Payable	9,420	10,474
Accrued Salaries, Wages, and Taxes	(105,325)	(6,815)
Accumulated Paid Leave	(3,361)	23,069
Deferred Revenue	46,768	320,989
Net Cash Provided by Operating Activities	785,394	923,535
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(247,142)	(75,256)
Purchases of Construction in Progress	-	(3,590)
Purchases of Other Assets	(160,000)	-
Sales of Other Assets	-	200,000
Proceeds from Sale of Property and Equipment	12,700	500
Net Cash (Used in) Provided by Investing Activities	(394,442)	121,654
Cash Flows from Financing Activities		
Purchase of Certificates of Deposits, Net	(1,091,756)	(30,138)
Principal Payments on Long-Term Debt	(194,428)	(187,576)
Net Cash Used in Financing Activities	(1,286,184)	(217,714)
Net (Decrease) Increase in Cash and Cash Equivalents	(895,232)	827,475
Cash and Cash Equivalents, Beginning of Year	6,635,084	5,807,609
Cash and Cash Equivalents, End of Year	$ 5,739,852	$ 6,635,084
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	$ 45,812	$ 54,979

The accompanying notes are an integral part of these financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

STARC of Louisiana, Inc. (STARC) was incorporated on June 20, 1968. STARC provides the following program services to citizens of St. Tammany Parish with developmental and/or intellectual disabilities:

- Adult Habilitation Services - Assists individuals in acquiring and retaining skills needed for independence, recreation, and interpersonal proficiencies. Individuals must be 18 years of age or older and have a developmental and/or intellectual disability diagnosis. Individuals must have funding for services that can include waiver, contractual, and private pay.

- Infant Habilitation Services - Provides services to families with infants and toddlers from birth to 36 months of age who have a medical condition likely to result in a cognitive, motor, vision, hearing, communication, social-emotional, and/or adaptive developmental delay(s), or who have already been diagnosed with one or more developmental delays. Early Steps services are designed to improve a family's capacity to enhance a child's development. These services are provided in the child's natural environment, such as the child's home, childcare, or any other community setting typical for children from birth to 36 months of age.

- Residential Services - Residential community homes provide opportunities for individuals to live in a family-style home in a typical neighborhood. Trained staff members provide care and support for activities of daily living, socialization, community access, and health care coordination and services. Individuals must be age 16 or older and have a primary diagnosis of developmental and/or intellectual disability.

- Waivered Services - Medicaid home- and community-based waiver programs allow people greater flexibility to choose where they want to live and to use services and supports that best suit their needs. Services provided must represent a least-restrictive treatment alternative.

- Commercial Business Services - Provides a center-based environment at licensed facilities in Slidell and Mandeville, where STARC's seasoned staff work closely with individuals to help them develop, increase, and retain skills necessary for the performance of productive and meaningful work.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and liabilities.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation

STARC follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). STARC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, STARC considers all highly liquid investments with an original maturity of three months or less, including certificates of deposit, to be cash equivalents. As of June 30, 2023, there were no certificates of deposits that met this criteria to be classified as a cash equivalent.

Accounts Receivable

It is STARC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management believes use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are expected to be collected over a five-year period. Management feels any discounts on pledges expected to be collected after one year are not material. STARC determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As a result, pledges are recorded at the net realizable value. As of June 30, 2023 and 2022, unconditional promises to give shown on the statements of financial position consisted of $25,000, due from United Way.

Revenue Recognition

STARC recognizes revenue from contracts with customers when commercial substance exists, approvals have been obtained and commitment to perform exists, rights of both parties and payment terms are identifiable, and collection is probable.

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. Management assesses each good or service promised in a contract and identifies each promise as a performance obligation. The transaction price is the amount of consideration (fixed or variable) expected to be received in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. If the considerations promised in a contract include a variable amount, management will estimate the amount to which it expects to be entitled using the most-likely-amount method. Estimated amounts are only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is received. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

<u>Habilitation, Residential, and Waivered Services</u>

STARC recognizes revenue from habilitation, residential, and waivered programs during the year in which the related services are provided to the individual.

STARC offers care services to individuals in the programs at standard contracted rates. Medicaid or the payor is billed monthly for services provided. The performance obligation of delivering care services is simultaneously received and consumed by the individual. Revenue related to services performed as needed is recognized at a point in time, on the day the service is performed. Contracts for services are combined into a single portfolio of similar contracts.

<u>Fundraising Income</u>

STARC hosts fundraisers and special events during the year. Fundraising income is primarily made up of contributions without donor restrictions. Donations raised for a specific cause are recognized at a point in time when the consideration is received.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Bed Licenses Amortization

Expense for amortization of the bed licenses for the years ended June 30, 2023 and 2022 totaled $40,000.

Property and Equipment

Purchased property and equipment, in excess of $5,000, are capitalized and recorded at cost at the date of acquisition. Contributed property and equipment are recorded at fair value at the date of donation. Expenses for maintenance, repairs, and renewals of minor items are charged as incurred.

Depreciation and amortization are computed by the straight-line method at rates based on the following estimated useful lives: furniture and equipment - 5 to 20 years; building and improvements - 5 to 30 years; and vehicles - 3 to 5 years.

Depreciation expense for the years ended June 30, 2023 and 2022 was $373,392 and $368,160, respectively.

Donated Assets and Services

STARC recorded non-cash donations as contributions at its estimated fair market value at the date of donation.

Various functions of STARC are conducted by unpaid officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. STARC recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Expense Allocation

The cost of providing STARC's various programs and supporting services has been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocated if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort or on the basis of square footage. Allocable expenses include salaries and benefits, occupancy, insurance, and depreciation expense.

Income Taxes

STARC qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. STARC believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Leases

Effective July 1, 2022, STARC accounts for leases under FASB ASC 842, which requires lessees to record right-of-use (ROU) assets and related lease obligations on the balance sheet. The ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments over that term. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases)* and operating leases, with classification affecting the pattern of expense recognition in the income statement.

ROU assets and liabilities are recognized at commencement based on the present value of lease payments over the lease term. ROU assets also include any lease payments made prior to lease commencement and exclude lease incentives. The lease term is the noncancelable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. STARC has elected the private company alternative available in ASC 842 to use a risk free rate over a similar term in computing the present value of lease payments.

As permitted by the standard, STARC elected, for all asset classes, the short-term lease exemption. A short-term lease is a lease that, at the commencement date, has a term of twelve months or less and does not include an option to purchase the underlying asset.

As of June 30, 2023, STARC has identified no significant long-term leases and, as such, has recorded no ROU assets nor lease liabilities on the statement of financial position.

Recent Accounting Pronouncements - Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize a right-of-use (ROU) asset and lease liability on the balance sheet for all leases with terms longer than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP.

STARC adopted ASU 2016-02 as of July 1, 2022 using the modified retrospective approach and applied the package of practical expedients in transitioning to the new guidance. Electing the package of practical expedients allowed STARC to carry forward its prior conclusions on lease definition, lease classification, and initial direct costs related to the existing leases as of the adoption date.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted (Continued)

Both at transition and for new leases thereafter, ROU assets and lease liabilities are initially recognized based on the present value of future minimum lease payments over the lease term. Upon adoption of ASU 2016-02, STARC's management determined that the adoption had no material impact on the financial statements.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of STARC.

Note 2. Concentrations of Credit Risk

STARC has concentrated its credit risk by maintaining deposits and certificates of deposit in banks located within the same geographic region that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2023 and 2022, approximately $3,900,000 and $4,400,000, respectively, of cash and cash equivalents were uninsured. STARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

A significant portion of STARC's revenue is derived from the ad valorem tax revenue described in Note 8, the Medicaid waiver program, and Title XIX funding. As of June 30, 2023, ad valorem taxes represent 21% of revenues, the Medicaid waiver program represents 34% of revenues, and Title XIX funding represents 23% of revenues. As of June 30, 2022, ad valorem taxes represent 22% of revenues, the Medicaid waiver program represents 35% of revenues, and Title XIX funding represents 27% of revenues.

Note 3. Accounts Receivable

As of June 30, 2023, 2022, and 2021, accounts receivable were comprised of:

	2023	2022	2021
Title XIX Funding	**$ 212,344**	$ 209,401	$ 170,897
Waiver Services	**179,754**	155,433	134,688
Supported Services	**84,601**	69,973	65,701
Contracted Services	**18,425**	32,564	22,322
Other	**52,361**	507	67,274
Total	**$ 547,485**	$ 467,878	$ 460,882

Note 4. Unconditional Promises to Give

As of June 30, 2023 and 2022, unconditional promises to give were comprised of:

	2023	2022
Due Within One Year	**$ 25,000**	$ 25,000
Less: Allowance	**-**	-
Unconditional Promises to Give, Net	**$ 25,000**	$ 25,000

Note 5. Liquidity and Availability

STARC holds various certificates of deposit maturing between November 2023 and November 2024. As of June 30, 2023 and 2022, certificates of deposit totaled $1,121,894 and $30,138, respectively, which includes accrued interest receivable totaling $30,938 and $-0-, respectively.

STARC regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources STARC has available. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and Cash Equivalents	$ 5,739,852
Certificates of Deposit, Short-Term	908,657
Accounts Receivable	547,485
Unconditional Promises to Give, Net	25,000
	7,220,994
Less: Board-Designated Amounts	(616,282)
Less: Restricted Amounts	-
Total Amounts Available for Use Within One Year	$ 6,604,712

In addition, STARC has available a $500,000 operating line of credit to draw upon which matures during April 2025.

Note 6. Accumulated Paid Leave

All full-time regular status employees who do not carry the Direct Support Professional title are eligible for paid leave. At the beginning of each fiscal year, STARC deposits into each employee's annual leave account a lump sum amount of leave hours to use for time off during that fiscal year. The amount of leave each employee receives is based on the employee's job classification and years of eligible service. At the end of each fiscal year, unused annual leave hours up to established limits are automatically transferred to the employee's accumulated leave account.

Annual leave hours not used are not payable to employees upon resignation, retirement, termination, or death, while accumulated leave hours will be paid out upon resignation, retirement, termination, or death at the employee's current hourly rate.

Accumulated paid leave as of June 30, 2023 was as follows:

	2023	2022
Beginning Balance	**$ 216,851**	$ 193,782
Additions	**204,661**	256,708
Reductions	**(208,022)**	(233,639)
Ending Balance	**$ 213,490**	$ 216,851

Note 7. Board Designations

It is the policy of the Board of Directors of STARC to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of net assets without donor restrictions to ensure adequate financing. At June 30, 2023 and 2022, STARC's Board had $616,282 and $523,614, respectively, in funds which are designated for expanding program services to involve more families and the community in the joyful growth of all citizens.

Note 8. Administration Agreement and Deferred Revenue

The St. Tammany Parish Government (the Government) and STARC currently have an administration agreement whereby the Government distributes a portion of a property tax millage levied for the benefit of social welfare programs to STARC. The millage was approved by the voters in 2019 for a period of 10 years ending with the year 2028. The agreement requires the Government to compensate STARC fifty percent (50%) of the current 1.83 mill tax annually. Under the agreement, STARC provides services relating to acquiring, constructing, improving, maintaining, and operating authorized activities, services, programs, and/or facilities for disabled persons in St. Tammany Parish. The amount passed through to STARC is based on the property taxes collected less administrative costs imposed by the Government.

The ad valorem tax received from the Government and the expenditures incurred are included in the specific programs and supporting services of STARC on the statements of activities. For the fiscal years ended June 30, 2023 and 2022, STARC received $2,195,989 and $2,072,069, respectively. STARC incurred expenditures relating to the services provided in the amount of $1,940,133 and $2,017,526 for the years ended June 30, 2023 and 2022, respectively. STARC has recorded deferred revenue of $2,320,297 and $2,046,715, respectively, in order to properly recognize revenue when it will be earned.

Note 9. United Way Allocation/Grants

STARC participates in the United Way for the Greater New Orleans Area allocation and designation of funds process. To participate in the allocation and designation of funds, certain restrictions were placed on STARC's ability to conduct certain fundraising activities or otherwise solicit contributions. The United Way's allocation/designation to STARC for the years ended June 30, 2023 and 2022 was $44,888 and $41,783, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions, which totaled $470,045 for year ended June 30, 2022 included donations from nonprofits, corporations, and individuals in previous years to support adult services. Management has determined that these balances were released from restriction during the year ended June 30, 2023 due to the passage of time, and as the donors expressed no intent nor requirement to return previously restricted funds.

There were approximately $25,000 and $30,000 of net assets released in the same year and shown as without donor restrictions on the statements of activities for the years ended June 30, 2023 and 2022, respectively.

Note 11. Long-Term Debt

STARC had the following notes payable as of June 30th:

	2023	2022
Mortgage note dated October 6, 2020, payable to a bank in monthly installments of $11,754, consisting of principal and interest accruing at a rate of 3.19% through October 2035. Collateralized by land and building.	**$ 1,207,425**	$ 1,387,253
Vehicle financing arrangement dated September 9, 2018, payable in monthly installments of $1,279, consisting of principal and interest accruing at a rate of 7.99% through September 2023.	**1,243**	15,841
Total Debt	**1,208,668**	1,403,094
Less: Current Portion	**(105,875)**	(113,424)
Less: Capitalized Refinancing Costs	**(17,044)**	(19,884)
Total Long-Term Debt	**$ 1,085,749**	$ 1,269,786

Maturities of long-term debt as of June 30, 2023 are as follows:

Year Ending June 30,	Amount
2024	$ 105,875
2025	110,823
2026	117,120
2027	123,623
2028	130,315
Thereafter	620,912
Total	$ 1,208,668

Interest paid on notes payable for the years ended June 30, 2023 and 2022 was $45,812 and $54,979, respectively.

Note 11. Long-Term Debt (Continued)

CARES Funding

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act which established the Paycheck Protection Program (PPP). The PPP was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. On April 6, 2020, STARC applied for a loan under the PPP and received $1,079,920 in proceeds from a bank. Under the PPP, the Small Business Administration (SBA) will forgive the proceeds received if eligibility and certain other criteria are met related to the use of the funds. If not forgiven, payments of principal and interest in the amount of $60,462 were payable monthly beginning November 6, 2020 through April 6, 2023.

On August 11, 2021, STARC received notice of forgiveness from the SBA. As such, STARC recognized $1,079,920 of gain on debt forgiveness for the year ended June 30, 2022, which is presented in revenues, gains, and other support on the statement of activities.

The SBA will have the right to audit STARC's compliance with the PPP for a period of up to six years after forgiveness is granted. Any unfavorable outcome resulting from the SBA's review or audit will be reported once known and may materially impact STARC's financial position and/or results of future operations.

Note 12. Line of Credit

STARC has a $500,000 line of credit with a local bank which matures in April 2025. The line of credit has an interest rate of 0.5% over the Wall Street Journal Prime Rate. There was no outstanding balance on the line of credit at June 30, 2023 and 2022.

Note 13. Operating Leases

STARC has various short-term operating leases for office equipment at various locations. Lease expense for office equipment for the years ended June 30, 2023 and 2022 totaled $14,622 and $12,013, respectively.

Note 14. Retirement Plans

STARC established a 401(k) Thrift Plan (the Plan) effective November 1, 2000. Employees of STARC may participate in the Plan, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have completed the service requirements (equivalent to one year of service with 1,000 hours of service or more). STARC makes discretionary contributions to the Plan each year as a percentage of all participants' contributions.

Note 14. Retirement Plans (Continued)

On April 19, 2012, STARC established a 457(b) Top Hat Plan whereby the executive staff can contribute to a retirement plan and STARC still be in compliance with the requirements of the 401(k) plan. The highly compensated employees who participate in this plan do so with only their own deferrals. STARC makes discretionary contributions to this plan each year as a percentage of all participants' contributions.

STARC's contributions for both plans for the years ended June 30, 2023 and 2022 were $36,335 and $30,378, respectively.

Note 15. Deferred Compensation

On March 16, 2005, the Board established a years of service bonus plan for any retiring employee who has been employed by STARC for a minimum of 20 years and has maintained a satisfactory employment record. The bonus payments are not guaranteed and are paid only from board-approved unrestricted funds that are available in the fiscal year in which a qualifying employee retires. Bonus payments are based on 50%, 75%, or 100% of the employee's annualized regular salary at retirement date, depending on years of service. Bonus payment expense was $42,564 and $24,643 for the years ended June 30, 2023 and 2022, respectively, and is recorded in salary, wages, and benefits on the statements of functional expenses.

Note 16. Contingencies

From time to time, STARC is involved in claims or legal proceedings arising in the ordinary course of operations. In the opinion of management, the outcome of such actions will have no material impact on STARC’s financial position or results of operations.

Note 17. Related-Party Activity

During the year ended June 30, 2023, STARC entered into an accounting services agreement with Taylor & Willis, CPAs and Advisors (T&W) to provide outsourced accounting services. An employee with T&W serves as a member of STARC’s Board of Directors and provides services to STARC under this agreement. Amounts paid to T&W for these services during the year ended June 30, 2023 totaled $27,743. Amounts payable to T&W under this agreement totaled $10,700 as of June 30, 2023.

Note 17. Related-Party Activity (Continued)

The Board of Directors of STARC, excluding the board member employed by T&W, has reviewed and approved this agreement to ensure it is in the best interests of STARC, and that the services are provided at fair market value. The board member employed by T&W recused themself from all discussions and decisions regarding this agreement. Furthermore, the Board of Directors of STARC believes that the terms and conditions of the agreement with T&W are fair and reasonable and that the services received have been essential to STARC's operations.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 13, 2023, and determined that no events occurred which require disclosure. No further subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

STARC OF LOUISIANA, INC.
Supplementary Information
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2023

Louisiana Revised Statute (R.S.) 24:513 (A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that non-governmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Mark Baham, Executive Director

Purpose	**Amount**
Salary	$134,525
Benefits - Insurance	$58
Benefits - Retirement	$1,170
Benefits - Other	$12,199
Vehicle Provided by Agency	$11,370
Per Diem	$0
Reimbursements	$1,208
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0

See independent auditor’s report.

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**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***

Independent Auditor's Report

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, Louisiana

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 STARC of Louisiana, Inc., which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered STARC of Louisiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of STARC of Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of STARC of Louisiana, 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 may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether STARC of Louisiana, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Covington, LA
October 13, 2023

Part I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting and compliance and other matters:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None Reported
c. Noncompliance material to the financial statements?	No

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

None.

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AGREED-UPON PROCEDURES REPORT

STARC of Louisiana, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2022 - June 30, 2023

To Mr. Mark Baham
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on STARC of Louisiana, Inc.'s (STARC) control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2022 through June 30, 2023. STARC's management is responsible for those C/C areas identified in the SAUPs.

STARC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal year July 1, 2022 through June 30, 2023. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

A. 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:

   i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   ii. ***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.

   iii. ***Disbursements***, including processing, reviewing, and approving.

iv. ***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).

v. ***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 rates of pay or approval and maintenance of pay rate schedules.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

viii. ***Credit Cards (and debit cards, fuel cards, purchase 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).

ix. ***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.

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

xi. ***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.

xii. ***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.

Results: Management has determined that procedures ix (Ethics), x (Debt Service), and xii (Prevention of Sexual Harassment) are not applicable to STARC. No other exceptions identified as a result of the procedures performed.

2) Board or Finance Committee

A. 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

   i. 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.

   ii. 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. *Alternatively, for those entities reporting on the not-for-profit 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.*

   iii. 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.

   iv. 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.

Results: No exceptions identified as a result of the procedures performed.

3) Bank Reconciliations

A. 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:

   i. 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);

   ii. Bank reconciliations include written evidence that a member of management or a 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

iii. 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.

Results: For three (3) of the five (5) bank reconciliations sampled, the bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date, nor did they include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation. For one (1) of the five (5) bank reconciliations sampled, we noted no documentation reflecting that management had researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

4) Collections (excluding electronic funds transfers)

A. 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).

B. 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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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

i. Employees responsible for cash collections do not share cash drawers/registers;

ii. Each employee responsible for collecting cash is not also responsible for preparing/ making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

iii. Each employee responsible for collecting cash is not also 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; and

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, 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:

   i. Observe that receipts are sequentially pre-numbered.

   ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

   iii. Trace the deposit slip total to the actual deposit per the bank statement.

   iv. Observe that 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).

   v. Trace the actual deposit per the bank statement to the general ledger.

   Results: No exceptions identified as a result of the procedures performed.

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

A. 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).

B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

   i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

   ii. At least two employees are involved in processing and approving payments to vendors;

   iii. 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;

   iv. 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; and

v. 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.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

C. For each location selected under procedure #5A 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

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, 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 (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions identified as a result of the procedures performed.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.

B. 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

i. 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 (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

ii. Observe that finance charges and late fees were not assessed on the selected statements.

C. Using the monthly statements or combined statements selected under procedure #6B 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 (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions identified as a result of the procedures performed.

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

A. 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 and 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

i. If reimbursed using a per diem, observe that 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);

ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

iii. Observe that 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 Policies and Procedures procedure #1A(vii); and

iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions identified as a result of the procedures performed.

8) Contracts

A. 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. *Alternatively, 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, <u>excluding the practitioner's contract</u>, and

i. 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;

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

iii. If the contract was amended (e.g., change order), observe that 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, the documented approval); and

iv. 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 that the invoice and related payment agreed to the terms and conditions of the contract.

<u>Results</u>: No exceptions identified as a result of the procedures performed.

9) Payroll and Personnel

A. 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.

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

iv. Observe whether the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

C. 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 and 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's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

D. 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.

Results: No exceptions identified as a result of the procedures performed.

10) Ethics

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

   i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

   ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

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

Results: Management has determined that this procedure is not applicable to STARC.

11) Debt Service

A. 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 that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

B. 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).

Results: Management has determined that this procedure is not applicable to STARC.

12) Fraud Notice

A. 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 as required by R.S. 24:523.

B. Observe that 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.

Results: No exceptions identified as a result of the procedures performed.

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

iii. 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.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

B. Observe that 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).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:

   i. Number and percentage of public servants in the agency who have completed the training requirements;
   ii. Number of sexual harassment complaints received by the agency;
   iii. Number of complaints which resulted in a finding that sexual harassment occurred;
   iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
   v. Amount of time it took to resolve each complaint.

   Results: Management has determined that this procedure is not applicable to STARC.

We were engaged by STARC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of STARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results 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 Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Covington, LA
October 16, 2023