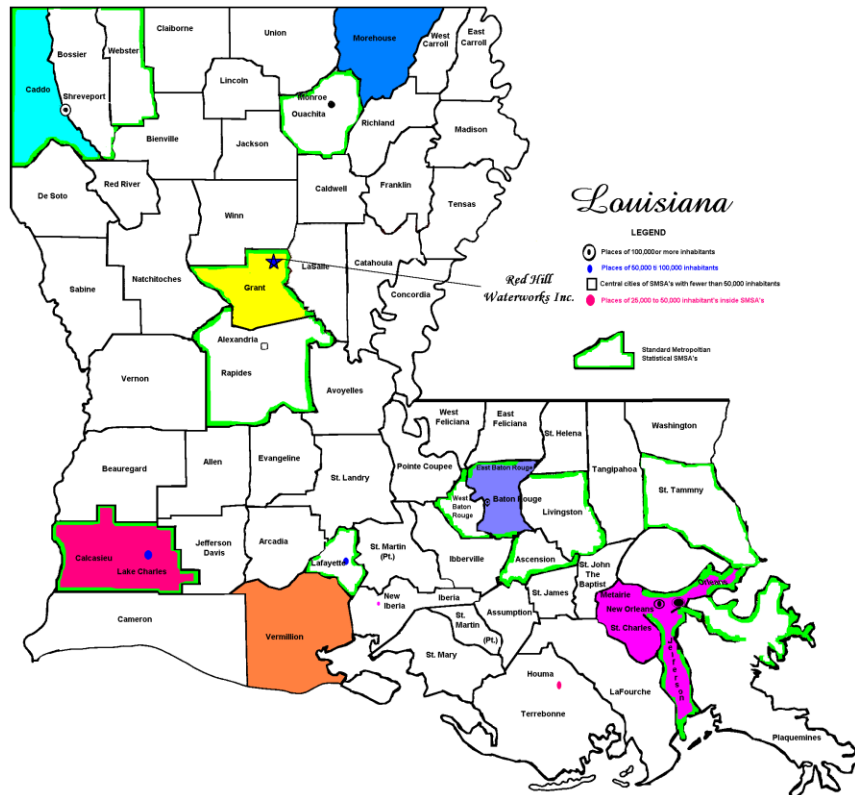


**RED HILL WATERWORKS INC.**  
**GEORGETOWN, LOUISIANA**

**Financial Statements**  
**December 31, 2023**

# RED HILL WATERWORKS INC. GEORGETOWN, LOUISIANA



**\* Red Hill Waterworks Inc.**

Red Hill Waterworks Inc. is a nonprofit corporation established under the laws of the State of Louisiana on June 2, 1983 to provide water to residents of the Red Hill Community. The system is governed by a Board of Directors elected by the membership. The corporation is exempt from federal income taxes under nonprofit tax laws.

**RED HILL WATERWORKS INC.  
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**December 31, 2023**

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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  
Red Hill Waterworks, Inc.  
P.O Box 357  
Georgetown, LA 71432

### **Opinion**

We have audited the accompanying financial statements of Red Hill Waterworks Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and 2022, 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 referred to above present fairly, in all material respects, the financial position of Red Hill Waterworks Inc. as of December 31, 2023, and 2022, 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 Red Hill Waterworks Inc. 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 Red Hill Waterworks 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, 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 Red Hill Waterwork'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 Red Hill Waterwork's ability to continue as a going concern for a reasonable period of time.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2024, on our consideration of Red Hill Waterworks Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is 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 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 Red Hill Waterworks Inc.'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 July 2, 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.

### **Other Matters**

#### Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental statements and schedules are presented for the purpose of additional analysis and are not a required part of the financial statements of Red Hill Waterworks Inc. Such information, except for that portion marked "unaudited", on which we express no opinion or any other form of assurance, has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

*The Vercher Group*

Jena, Louisiana  
July 2, 2024

**RED HILL WATERWORKS INC.**  
**Statement of Financial Position**  
**December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 798,057	\$ 760,550
Investments	237,822	233,515
Accounts Receivable, Net	39,463	32,619
<b>TOTAL CURRENT ASSETS</b>	<u>1,075,342</u>	<u>1,026,684</u>
<b>RESTRICTED ASSETS</b>		
Revenue Reserve Cash	27,145	27,412
Depreciation Reserve Cash	89,941	56,364
Refund Reserve Cash	14,481	14,481
<b>TOTAL RESTRICTED ASSETS</b>	<u>131,567</u>	<u>98,257</u>
<b>NON-CURRENT ASSETS</b>		
Plant, Property, & Equipment	3,961,170	3,155,990
Less Accumulated Depreciation	<u>(1,753,679)</u>	<u>(1,651,647)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>2,207,491</u>	<u>1,504,343</u>
<b>TOTAL ASSETS</b>	<u>3,414,400</u>	<u>2,629,284</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	12,235	15,184
Notes Payable – Current Portion	54,107	12,044
<b>TOTAL CURRENT LIABILITIES</b>	<u>66,342</u>	<u>27,228</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable – Non-Current Portion	504,328	558,435
Customer Deposits	33,690	29,825
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>538,018</u>	<u>588,260</u>
<b>TOTAL LIABILITIES</b>	<u>604,360</u>	<u>615,488</u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	2,810,040	2,013,796
<b>TOTAL NET ASSETS</b>	<u>2,810,040</u>	<u>2,013,796</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 3,414,400</u>	<u>\$ 2,629,284</u>

The accompanying notes are an integral part of this statement.

**RED HILL WATERWORKS INC.**  
**Statement of Activities**  
**December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
Water Sales	\$ 404,892	\$ 377,646
Late Charges	8,655	6,332
Fire Fees	1,622	1,646
Safe Drinking Water Income	7,714	7,642
Interest Income	5,944	4,367
Miscellaneous Income	6,803	10,463
Grant Proceeds	847,353	-0-
<b>TOTAL REVENUES</b>	<u>1,282,983</u>	<u>408,096</u>
<b>EXPENSES</b>		
Program Services	486,739	421,713
Supporting Services	-0-	-0-
<b>TOTAL EXPENSES</b>	<u>486,739</u>	<u>421,713</u>
<b>INCREASE/DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	796,244	(13,617)
<b>NET ASSETS, BEGINNING</b>	<u>2,013,796</u>	<u>2,027,413</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 2,810,040</u>	<u>\$ 2,013,796</u>

The accompanying notes are an integral part of this statement.



**RED HILL WATERWORKS INC.**  
**Statement of Functional Expenses**  
**December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	<u>2023</u>	<u>2022</u>
<b>PROGRAM SERVICES:</b>		
Salaries & Related Taxes	\$ 116,776	\$ 108,090
Reimbursements	7,544	7,859
Utilities	47,266	43,593
Insurance	18,066	13,751
Office Expense	6,488	7,400
Legal & Professional	5,872	3,744
Maintenance & Repair	84,874	69,025
Interest Expense	37,554	172
Depreciation Expense	102,032	88,072
Contract Labor	39,120	38,987
Safe Drinking Fees	9,160	7,176
Fire Fees	1,353	1,647
Miscellaneous Expense	1,024	2,247
Debt Issuance Cost	-0-	14,310
Travel Expense	5,629	5,041
Dues and Subscriptions	3,981	10,599
<b>TOTAL PROGRAM SERVICES</b>	<u>486,739</u>	<u>421,713</u>
<b>SUPPORTING SERVICES:</b>	\$ <u>-0-</u>	<u>-0-</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>-0-</u>	<u>-0-</u>

The accompanying notes are an integral part of this statement.

**RED HILLWATERWORKS INC.**  
**Statement of Cash Flows**  
**For December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers & Users	\$ 416,039	\$ 402,386
Receipts from Others	6,803	10,463
Receipts from Interest Earned on Investments	5,944	7,642
Receipts from Grants	847,353	-0-
Payments to Suppliers	(229,461)	(242,633)
Payments to Employees	(116,776)	(108,090)
Payments on Loans for Interest	(37,554)	(172)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>892,348</u>	<u>69,596</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Additions to Capital Assets	(805,180)	(93,965)
Additions to Long-term Debt	-0-	570,479
Principal Payments on Long-Term Debt	(12,044)	(15,185)
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>(817,224)</u>	<u>461,329</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in Investments	(4,307)	(4,036)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(4,307)</u>	<u>(4,036)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	70,817	526,889
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>858,807</u>	<u>331,918</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>929,624</u>	<u>858,807</u>
<b>RECONCILIATION TO BALANCE SHEET</b>		
Cash and Cash Equivalents	798,057	760,550
Revenue Reserve Cash	27,145	27,412
Depreciation Reserve Cash	89,941	56,364
Refund Reserve Cash	14,481	14,481
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 929,624</u>	<u>\$ 858,807</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 796,244	\$ (13,617)
Depreciation Expense	102,032	88,072
(Increase) Decrease in Accounts Receivable	(6,844)	(1,343)
Increase (Decrease) in Accounts Payable	(2,949)	(7,303)
Increase (Decrease) in Customer Deposits	3,865	3,787
<b>TOTAL ADJUSTMENTS</b>	<u>96,104</u>	<u>83,213</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>892,348</u>	<u>69,596</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

## **RED HILL WATERWORKS INC.**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. GENERAL**

Red Hill Waterworks Inc. is a nonprofit organization providing water for the Red Hill community and the surrounding areas. The water system is governed by a board of directors composed of five members elected by the members of the water system.

The water system is exempt from federal income tax as an organization described in Section 501(c)(12) of the Internal Revenue Code, and the water system is classified as a private foundation by the Internal Revenue Service.

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Red Hill Waterworks Inc. is a nonprofit organization which is accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

##### **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 an accrual basis and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies that followed are described below.

##### **C. ALLOCATION OF FUNCTIONAL EXPENSES**

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

##### **D. REVENUE RECOGNITION**

Water sales are recorded or accrued when earned. Substantially all other revenues are recorded when received.

**RED HILL WATERWORKS INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
CONTINUED**

**E. 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.

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

	<u>2023</u>	<u>2022</u>
Designated for Reserve Accounts	\$ <u>2,810,040</u>	\$ <u>2,013,796</u>

**F. INCOME TAXES**

The water system is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the water system and recognize a tax liability (or asset) if the water system has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the water system, and has concluded that as of 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.

**I. 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.

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

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned

## RED HILL WATERWORKS INC.

### NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity's name.

#### *Deposits*

It is the entity's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. The categories are described as follows:

- **Category 1** – Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- **Category 2** – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- **Category 3** – Uncollateralized.

Cash and cash equivalents are 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. For the purpose of the Statement of Cash Flows, "Cash and Cash Equivalents" include all demand and savings accounts, and certificates of deposit under 90 days.

Amounts on deposit are secured by the following pledges:

<u>Description</u>	<u>Southern Heritage Bank</u>
FDIC (Category 1)	\$ 250,000
Securities (Category 2)	988,762
Unsecured (Category 3)	-0-
<b>Total Securities</b>	<b>\$ 1,238,762</b>

Deposits were fully secured as of December 31, 2023.

The water system maintains bank accounts at one 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.

## RED HILL WATERWORKS INC.

### NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

#### L. 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.

#### NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowance for bad debts. The allowance account has been considered immaterial if any. Detail accounts receivables follow:

Accounts Receivable	\$ 39,463
Allowances for Bad Debts	-0-
<b>Accounts Receivable (Net)</b>	<u>\$ 39,463</u>

#### NOTE 3 – RESTRICTED ASSETS

Depreciation Reserve - The system transfers \$200.00 monthly from its operating account to depreciation reserve. These funds are restricted to repairs of the system when funds are not available in the operating account.

Customer Deposits - Restricted for customer deposits.

**RED HILL WATERWORKS INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
CONTINUED**

**NOTE 4 – PLANT, PROPERTY, & EQUIPMENT**

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

	<b>Balance 12-31-22</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-23</b>
Fixed Assets	\$ 3,155,990	\$ 805,180	\$ -0-	\$ 3,961,170
Accumulated Depreciation	(1,651,647)	(102,032)	-0-	(1,753,679)
<b>Net Total</b>	<b>\$ 1,504,343</b>	<b>\$ 703,148</b>	<b>\$ -0-</b>	<b>\$ 2,207,491</b>

The system’s assets are pledged as security for the system’s long-term debt.

**NOTE 5 –NOTE ACTIVITY IN 2023**

**2023**

Note payable to the Community Bank, dated December 29, 2023, in the original amount of \$570,480, payable in monthly installments of \$4,509, including interest at 7.25%; first payment due February 1, 2023.

**Total**

\$ 558,435
\$ 558,435

<b>Notes Payable</b>	<b>Community Bank</b>	<b>Totals</b>
Date of Loan	12/29/2023	
Maturity	01/01/2042	
Interest Rate	7.25%	
Original Balance	\$ 540,479	\$ 813,282
2022 Beginning Balance	\$ 570,480	\$ 570,480
2023 Principle	(12,045)	(12,045)
2023 Additions	-0-	-0-
2023 Ending Balance	\$ 558,435	\$ 558,435
2023 Interest	\$ 37,554	\$ 37,554
Monthly Payments	\$ 4,509	\$ 4,509



## RED HILL WATERWORKS INC.

### NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

The following is the system's five-year debt requirement, including interest:

<u>Year</u>	<u>Community Bank</u>	<u>Totals</u>
2024	54,108	54,108
2025	54,108	54,108
2026	54,108	54,108
2027	54,108	54,108
2028	54,108	54,108
2029-2033	270,765	270,765
2034-2038	270,765	270,765
2039-2042	215,757	215,757
<b>Totals</b>	<b>\$ 1,028,052</b>	<b>\$ 1,028,052</b>

#### NOTE 6 – COMMITMENTS AND CONTINGENCIES

The water system is currently not involved in any lawsuits.

#### NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and Cash Equivalents	\$ 798,057
Investments	237,822
Accounts Receivable	39,463
<b>Total Current Assets</b>	<b>\$ 1,075,342</b>

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

#### NOTE 8 – 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.

## **RED HILL WATERWORKS INC.**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED**

#### **NOTE 9 – RECENT ACCOUNTING PRONOUNCEMENT**

In May 2014, the FASB issued Accounting Standards Update No. 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be more entitled in exchange for those goods or services. In doing so, companies will need to use more judgement and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective for annual periods beginning after December 15, 2018, and is not expected to have a significant impact on the Water System's financial statements.

In November 2016, the FASB issued Accounting Standards update No. 2016-18, Statement of Cash Flows (Topic 230). The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The amendment is effective for fiscal years beginning after December 15, 2018. The water system is evaluating the potential impact of the amendment on the water system's financial statements.

#### **NOTE 10 – SUBSEQUENT EVENTS**

The water system has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

#### **NOTE 11 – THE BOARD MEMBERS' NAMES & ADDRESSES ARE AS FOLLOWS**

William Justin Edwards – President  
527 Edwards Rd  
Georgetown, LA 71432

Jon Lincecum– Board Member  
214 Lincecum Village Road  
Georgetown, LA 71432

Andrew Tant – Secretary of Treasurer  
PO Box 100  
Georgetown, LA 71432

Rick Wilder – Board Member  
404 Wilder Rd  
Winnfield, LA 71483

Walter Donnie Moon – Board Member  
1598 Highway 472  
Winnfield, LA 71483

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

**RED HILL WATERWORKS INC.**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
CONTINUED**

**NOTE 12 – THE SYSTEM HAS THE FOLLOWING NUMBER OF CUSTOMERS AND  
WATER RATES**

**Residential Customers – 648**

\$27.50 Minimum 2,000 gallons of water  
\$8.00 per 1,000 gallons there after

**Commercial Customers -0**

\$90.00 for 5,000 gallons  
\$8.00 per thousand gallons thereafter

**Other**

Tap for new service - \$500.00  
Rental Deposit - \$160.00  
Connect Fee - \$40.00  
Landowner Deposit - \$75.00  
Village of Georgetown - \$9.00 per 1,000 gallons of water

**SUPPLEMENTAL STATEMENTS  
& SCHEDULES**

**RED HILL WATERWORKS INC.**  
**Schedule of Insurance**  
**Unaudited**  
**December 31, 2023**

Type	Agent	Policy #	Amount	Date Expired
General Liability	Brown & Brown of LA Alexandria, LA	APWM0022901	\$ 3,000,000	11/22/2024
Automobile Liability	Brown & Brown of LA Alexandria, LA	APWM0022901	\$ 1,000,000	11/22/2024
Workers' Compensation	Brown & Brown of LA Alexandria, LA	26921A	\$ 1,000,000	06/14/2024
Property	Allied World Farmington, CT	5105-1691-06	\$ 3,000,000	11/22/2024

See independent auditor's report.

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jonathan@verchergroup.com

David R. Vercher M.B.A., C.P.A., C.F.E.  
david@verchergroup.com

## **THE VERCHER GROUP**

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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 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***

Members of the Board of  
Red Hill Waterworks Inc.  
PO Box 357  
Georgetown, LA 71432

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 Red Hill Waterworks 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 ended, and the related notes to the financial statements, which collectively comprise the Red Hill Waterworks Inc.’s basic financial statements, and have issued our report thereon dated July 2, 2024.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Red Hill Waterworks 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 Red Hill Waterworks Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Red Hill Waterworks 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: **2023-1 Small Size of Entity and 2023-2 Policy and Procedures manual.**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Red Hill Waterworks 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 2023-3 Annual Filing of Financial Statements.*

### **Red Hill Waterwork's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
July 2, 2024

**RED HILL WATERWORKS INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**For the Year Ended December 31, 2023**

We have audited the financial statements of the Red Hill Waterworks Inc., as of and for the year ended December 31, 2023, and have issued our report thereon dated July 2, 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.

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**Section I. Summary of Auditor’s Results**

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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 (Not Applicable)**

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)

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

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



**RED HILL WATERWORKS INC.**

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

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**Section II Financial Statement Findings**

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**2023-1 Small Size of Entity (Internal Control)**

**Condition:** Because of the small size of the Water System and the lack of separation of duties of employees, many of the important elements of internal controls cannot always be achieved to ensure adequate protection of the Water System's cash.

**Criteria:** Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

**Cause of Condition:** Small size of entity and lack of employees

**Effect of Condition:** Significant internal control deficiency.

**Recommendation:** We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collections receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

**Client Response and Corrective Action:** Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, redepositing of funds collected, and review of checks written.

**2023-2 Policy and Procedures Manual (Internal Control)**

**Condition:** The entity does not have a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics or debt service.

**Criteria:** Good internal controls require that an entity have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics or debt service.

**Cause of Condition:** Not having written policies and procedures.

**Effect of Condition:** Significant internal control weakness

**Recommendation:** The entity should prepare a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics or debt service.

**RED HILL WATERWORKS INC.**

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

**Client Response and Corrective Action:** The entity is in the process of preparing a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics or debt service

**2023-3 Annual Filing of Financial Statements (Compliance)**

**Condition:** The entity did not timely 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:** The entity had a change in personnel at year end that required more time to acquire requested audit information and records.

**Potential Effect of Condition:** Compliance finding 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 Department’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 Department’s year end closing.

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**Section III Federal Awards Findings and Questioned Costs**

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Not applicable.

**RED HILL WATERWORKS INC.  
DECEMBER 31, 2023**

**MANAGEMENT LETTER COMMENTS**

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During the course of our audit, we observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

**CURRENT YEAR MANAGEMENT LETTER COMMENTS**

There are no current year management letter comments.

**RED HILL WATERWORKS INC.  
DECEMBER 31, 2023**

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

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The management of Red Hill Waterworks 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**

**2022-1 Small Size of Entity (Unresolved)**

**Finding:** Because of the small size of the Water System and the lack of separation of duties of employees, many of the important elements of internal controls cannot always be achieved to ensure adequate protection of the Water System's cash.

**Corrective Action:** Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, redepositing of funds collected, and review of checks written.

**Contact Person:** Justin Edwards, President

**Anticipated Completion Date:** December 31, 2023

**2022-2 Documentation of Expenses (Internal Control) (Resolved)**

**Finding:** During the random sample expenditure test, the auditor found that there were 3 (three) expenditures out of a sample of thirty that did not include documentation as to the benefit to the Water System or the purpose of the expenditure.

**Corrective Action:** All expenditures will be documented as to the description and the business purpose of the expense, unless readily determinable from documentation.

**Contact Person:** Justin Edwards, President

**Anticipated Completion Date:** December 31, 2023

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### **INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES**

Redhill Water System, Inc  
& Members of the Council  
Georgetown, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023, through December 31, 2023. The Red Hill Waterwork’s management is responsible for those C/C areas identified in the SAUPs.

The Red Hill Water System 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 LLA’s SAUPs for the fiscal period January 1, 2023, through December 31, 2023. Additionally, 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 associated findings are as follows:

#### ***Written Policies and Procedures***

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- 1) Obtain and inspect the entity’s written policies and procedures and observe that 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 fiduciary fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, fiduciary fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (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.
- 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 procedure in place for purchasing, receipts/collections, contracting, payroll & personnel, credit cards, travel reimbursements, ethics, Information Technology Disaster Recovery, or sexual harassment.**

**Management: The Entity will adopt a policy and procedure for the following purchasing, receipts/collections, contracting, payroll & personnel, credit cards, travel reimbursements, ethics, Information Technology Disaster Recovery, or sexual harassment.**

### ***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 that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-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.
  - 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 exceptions noted in the procedures performed.**

### ***Bank Reconciliations***

---

- 3) Obtain a listing of client 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, 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).
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement's closing date, if applicable.

**Exception: One of the chosen bank accounts has old outstanding checks and deposits over 12 months.**

**Management: The entity will research old outstanding checks and deposits over 12 months.**

***Collections (excluding EFTs)***

---

- 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 that are 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 fiduciary fund additions are not responsible for collecting cash, unless another employee 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 that the bond or insurance policy for theft was in force during the fiscal period.
- 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 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).
- e) Trace the actual deposit per the bank statement to the general ledger.

**No exceptions noted in the procedures performed.**

***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).
- 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, 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.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

- c) 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.

**No exceptions noted in the procedures performed.**

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

- 11) 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.
- 12) 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 that 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) was 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.
- 13) 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 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 note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

**No exceptions noted in the procedures performed.**

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

---

- 14) 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, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) 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 policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**No exceptions noted in the procedures performed.**

### ***Contracts***

---

- 15) 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 that 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 that 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 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).
  - 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 that the invoice and related payment agreed to the terms and conditions of the contract.

**No exceptions noted in the procedures performed.**

### ***Payroll and Personnel***

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- 16) Obtain a listing of employees/officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17) Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/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 policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that 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 agrees to the authorized salary/pay rate found within the personnel file.
- 18) 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.
- 19) Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**No exceptions noted in the procedures performed.**

### ***Ethics***

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- 20) 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 that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.
  - b) 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.
  - c) Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

**No exceptions noted in the procedures performed.**

### ***Debt Service***

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- 21) 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.

- 22) 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 exceptions noted in the procedures performed.**

### ***Fraud Notice***

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- 23) 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.
- 24) 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.

**No exceptions noted in the procedures performed.**

### ***Information Technology Disaster Recovery/Business Continuity***

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- 25) 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 active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up to date).

**We performed the procedures and discussed the results with management.**

- 26) Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained, observe evidence that the selected terminated employees have been removed or disabled from the network.
- 27) Using the 5 randomly selected employees/officials from Payroll and Personnel, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020-completed the training; and
  - Hired on or after June 9, 2020-completed the training within 30 days of initial service or employment.

**Exception: The Entity did not complete cybersecurity training as required.**

**Management: The Entity will ensure all employees/officials complete the cybersecurity training.**

### ***Prevention of Sexual Harassment***

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- 28) Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, 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.
- 29) 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).
- 30) 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 that it includes the applicable requirements of R.S. 42:344.
- a) Number and percentage of public servants in the agency who have completed the training requirements;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

**No exceptions noted in the procedures performed.**

We were engaged by the Red Hill Waterworks, Inc. 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 the Red Hill Waterworks, Inc 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 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

July 2, 2024