

LOUISIANA RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

December 8, 2023

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Louisiana Rural Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Louisiana Rural Water Association, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Rural Water Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Louisiana Rural Water Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 8, 2023
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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Rural Water Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Rural Water Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of general and administrative expenses, schedule of indirect expenses and schedule of functional allocation of expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 8, 2023
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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 schedule of expenditures of federal awards, schedule of general and administrative expenses, schedule of indirect expenses and schedule of functional allocation of expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to chief executive officer 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 December 8, 2023 on our consideration of Louisiana Rural Water Association, Inc.'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 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 Governmental Auditing Standards in considering Louisiana Rural Water Association, Inc.'s internal control over financial reporting and compliance.

Dragan, Cassidy; Skully

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash	\$ 366,810	\$ 643,495
Investments	1,092,650	381,674
Accounts receivable	435,668	362,016
Prepaid expenses	<u>137,252</u>	<u>22,576</u>
Total Current Assets	2,032,380	1,409,761
Fixed assets, at cost (net of accumulated depreciation of \$1,207,691 for 2023)	<u>558,813</u>	<u>543,273</u>
TOTAL ASSETS	<u><u>\$ 2,591,193</u></u>	<u><u>\$ 1,953,034</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 166,139	\$ 145,106
Deferred income	687,722	277,655
Vacation and sick leave payable	<u>456,813</u>	<u>381,788</u>
Total Current Liabilities	1,310,674	804,549
Net Assets		
Unrestricted	<u>1,280,519</u>	<u>1,148,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,591,193</u></u>	<u><u>\$ 1,953,034</u></u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2023

	Unrestricted	Donor restricted	Totals	
			2023	2022
REVENUES AND RECLASSIFICATIONS				
Grants	\$ 2,491,502	\$ -	\$ 2,491,502	\$ 2,076,646
Contributions - In-kind	15,034	-	15,034	-
Membership fees	383,620	-	383,620	388,952
Conference	440,547	-	440,547	522,496
Training	149,087	-	149,087	107,453
Advertising	41,832	-	41,832	51,988
Interest	11,843	-	11,843	(11,735)
Other - federal programs	48,458	-	48,458	67,987
Miscellaneous	38,905	-	38,905	46,203
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>3,620,828</u>	<u>-</u>	<u>3,620,828</u>	<u>3,249,990</u>
EXPENSES				
General and administrative	986,136	-	986,136	767,205
Federal program subsidies	48,458	-	48,458	67,987
Program services:				
LA - WARN	5,702	-	5,702	15,311
E.P.A.	128,693	-	128,693	152,203
E.P.A. - SMAP	79,585	-	79,585	34,414
E.P.A - Water Wells	10,305	-	10,305	-
Circuit rider - National Rural Water	531,421	-	531,421	533,000
Wastewater - National Rural Water	284,294	-	284,294	275,967
Energy	525,837	-	525,837	516,459
Drinking water - USDA	133,133	-	133,133	122,874
Energy Efficiency	149,447	-	149,447	130,553
Apprenticeship	119,844	-	119,844	112,543
LA - OCD Water Sector	55,336	-	55,336	-
DEQ - Homeowner sewer maintenance	60,238	-	60,238	82,038
Community Development Block Grant	48,069	-	48,069	34,284
NRWA MTAT	39,391	-	39,391	-
LMGA Natural Gas	150,000	-	150,000	37,500
Capacity Development training	100,000	-	100,000	100,000
Bil Deq-WW	32,905	-	32,905	-
Total Expenses	<u>3,488,794</u>	<u>-</u>	<u>3,488,794</u>	<u>2,982,338</u>
INCREASE (DECREASE) IN NET ASSETS	132,034	-	132,034	267,652
NET ASSETS - BEGINNING OF YEAR	<u>1,148,485</u>	<u>-</u>	<u>1,148,485</u>	<u>880,833</u>
NET ASSETS - END OF YEAR	<u>\$ 1,280,519</u>	<u>\$ -</u>	<u>\$ 1,280,519</u>	<u>\$ 1,148,485</u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 132,034	\$ 267,652
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	59,422	58,534
Unrealized (gain) loss on investments	8,202	18,380
(Increase) decrease in assets		
Accounts receivable	(73,652)	(9,334)
Prepaid expenses	(114,676)	5,466
Increase (decrease) in liabilities		
Accounts payable	21,033	2,645
Deferred income	410,067	(21,094)
Vacation and sick leave payable	75,025	5,812
Net cash from operating activities	<u>517,455</u>	<u>328,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments and noncash equivalents	(719,178)	30,367
Purchase of fixed assets	(74,962)	(48,245)
Net (Payments) borrowings on debt	-	-
Net cash used by investing activities	<u>(794,140)</u>	<u>(17,878)</u>
Net increase (decrease) in cash equivalents	(276,685)	310,183
Cash equivalents - beginning of year	<u>643,495</u>	<u>333,312</u>
Cash equivalents - end of year	<u>\$ 366,810</u>	<u>\$ 643,495</u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Louisiana Rural Water Association, Inc. 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.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$133,909 was recognized in the current year. Current grant agreement runs through July 31, 2023.

E.P.A. - SMAP – To provide training and technical assistance to small and rural wastewater systems. Revenue of \$79,585 was recognized in the current year. Current grant agreement runs through February 28, 2024.

E.P.A. - Water Wells – To provide training and technical assistance for private drinking water wells. Revenue of \$9,075 was recognized in the current year. Current grant agreement runs through July 31, 2023.

Circuit Rider - National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$503,927 was recognized in the current year. Current grant agreement runs through October 31, 2023.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$257,006 was recognized in the current year. Current grant agreement runs through June 30, 2023.

Manufactured Homes Technical Assistance & Training Program – To assist and address specific challenges faced by rural manufactured home communities. Revenue of \$39,391 was recognized in the current year. Current grant agreement runs through February 29, 2024.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Energy - "Rural Water Energy Conservation Program". Revenue of \$500,275 was recognized in the current year. Current grant agreement ran through June 30, 2026.

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$120,900 was recognized in the current year. Current grant agreement runs through March 31, 2024.

Very Small Water System – To provide training for very small water system's operations. Revenue of \$15,000 was recognized in the current year. Current grant agreement runs through June 30, 2024.

Louisiana State Treasury – ACT 170 – To provide emergency response funds. Revenue of \$138,856 was recognized in the current year. Current grant agreement runs through June 30, 2024.

Louisiana Office of Community Development – Water Sector – To provided rate studies of Louisiana public water systems and community sewerage systems. Revenues of \$67,575 was recognized in the current year. Current grant agreements runs through January 31, 2026.

DEQ homeowner sewage maintenance – To educate homeowners on the importance of inspecting and maintaining their own individual sewage treatment system. Revenue of \$55,261 was recognized in the current year. Current grant agreement runs through August 31, 2023.

Capacity Development - To provide on-site technical assistance and training for public water systems. Revenue of \$100,000 was recognized in the current year. Current grant agreement runs through June 30, 2024.

Community Development Block Grant – To conduct and proved rate analysis assistance to public water systems that have been identified by the Louisiana Office of Community Development as a recipient of funding for the program. Revenue of \$41,948 was recognized in the current year. Current grant agreement runs through May 31, 2024.

Energy Efficiency – To provide training and technical assistance on renewable energy systems and energy efficiency improvements. Revenues of \$128,365 was recognized in the current year. Current grant agreement runs through June 30, 2023.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Apprenticeship/Preapprenticeship – To provide training to water utility apprentices in rural water systems. From classroom instruction and on-the-job training, apprentices are provided the tools necessary to be a successful operation specialist in the community. Revenues of \$119,844 was recognized in the current year. Current grant agreement runs through September 30, 2023.

Bipartisan Infrastructure Law – DEQ Water and Wastewater – To provide federal investment to strengthen the nation’s drinking water and wastewater systems. Revenues of \$30,586 was recognized in the current year. Current grant agreement runs through December 31, 2023.

LMGA Natural Gas – To provide technical assistance to Louisiana Municipal Natural Gas Purchasing and Distribution Authority members. Revenues of \$150,000 was recognized in the current year. Current grant agreement runs through March 31, 2024.

Estimates

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

Accounts Receivable

Accounts receivable at June 30, 2023 of \$435,668 represents receivables from the federal and state grants, all deemed collectable.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$5,855 for 2023.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts. There are \$361,144 of deferred amounts at June 30, 2023.

Deferred income of \$326,578 at June 30, 2023 represents July 2023 conference income received prior to June 30, 2023.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2023, the Association had \$531,368 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal depository insurance, and \$281,368 of pledged securities held by the custodial bank and government securities.

Prepaid Expenses

Prepaid expenses of \$137,252 at June 30, 2023 represent July 2023 conference expenses of \$31,868, a deposit for two generators of \$79,351, a deposit for fencing of \$19,975 and other prepaid expenses of \$6,058.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service, 15 days after five years of service and 20 days after 20 years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$72,817 at June 30, 2023.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$383,996 at June 30, 2023.

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Association. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

The Association does not interpret the guidance in the standard to include amounts restricted by awarding agencies as donor-restricted. The Association believes that these amounts do not meet the spirit of the standard for such a classification or is there any industry standard indicating that others will treat these assets as donor-restricted.

All net assets of the Association at June 30, 2023 were considered to be net assets without donor restrictions.

Subsequent Events

Management has evaluated subsequent events through December 8, 2023, the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments are composed of governmental mutual funds investing in debt and equity securities and the Louisiana Asset Management Pool (LAMP) and are carried at net asset value. The net asset value is calculated as the total value of the investment's assets minus the total value of its liabilities and is obtained from monthly investment statements. Investments as of June 30, 2023 are summarized as follows:

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE B – INVESTMENTS (CONTINUED)

Type of Debt Investment	Fair Value	Maturity			Credit Rating (Standards and Poor's)
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
Investments at fair value					
Certificates of deposit	\$ 163,076	\$ -	\$ 163,076	\$ -	N/A
Subtotal	<u>163,076</u>	<u>-</u>	<u>163,076</u>	<u>-</u>	
Investments measured at the net asset value (NAV)					
Federated U.S. Government Securities CI A Mutual Fund	136,960	136,960	-	-	Unrated
Louisiana Asset Management Pool	<u>792,614</u>	<u>792,614</u>	<u>-</u>	<u>-</u>	AAAm
Total investments measured at NAV	<u>929,574</u>	<u>929,574</u>	<u>-</u>	<u>-</u>	
Total Investments	<u>\$ 1,092,650</u>	<u>\$ 929,574</u>	<u>\$ 163,076</u>	<u>\$ -</u>	

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Association has the following recurring fair value measurements as of June 30, 2023:

Level 2 inputs – certificate of deposits totaling \$163,076 are valued using a market based approach comprised of a combination of directly observable quoted prices and a matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

Interest Rate Risk: The Association's policy on investments states that safety of principal is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first insure that capital losses are avoided no matter the sources.

Credit Rate Risk: The Association has investments in LAMP, an external investment pool of \$792,614 that is rated AAAM by Standard & Poor's, Federated U.S. Government Securities Mutual Funds of \$136,960 which are unrated and certificates of deposit of \$163,076 which are unrated. Its policy states that investment decisions should not incur unreasonable risks in order to obtain current investment income and requires the overall quality rating on rated investments to be no lower than AA- as measured by Standard & Poor's or the equivalent rating (Aa3) by Moody's Investor Service.

Concentration of Credit Risk: The Association's investment portfolio had concentration of credit risk on June 30, 2023 due to the holdings of Federated U.S. Government Securities mutual fund at 13%, LAMP at 72% and Certificate of Deposits at 15% all permitted by Statute and by the Association's Investment Policy.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE B – INVESTMENTS (CONTINUED)

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association's policy addresses custodial credit risk for investments by requiring that they must be held by national banks, state-chartered banks or a national or state trust company in the name of the Association.

The \$792,614 in money market investments is invested in LAMP. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955. LAMP is a governmental investment pool that reports at fair value. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAm by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

The following summarizes the investment return:

Interest earned	\$ 20,045
Unrealized gain (loss)	<u>(8,202)</u>
Net investment return	<u>\$ 11,843</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE C - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 709,632
Equipment	<u>1,056,872</u>
	1,766,504
Less accumulated depreciation	<u>1,207,691</u>
	<u>\$ 558,813</u>

Fixed Assets are stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2023 was \$59,422.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE E - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE F - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

NOTE G – RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2023 was \$83,264.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023

NOTE H – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE I – LIQUIDITY

At June 30, 2023, the Association has \$1,895,128 cash, investments and receivables available to meet needs for general expenditures consisting of cash of \$366,810, accounts receivable of \$435,668 and investments of \$1,092,650. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Association are expected to be met on a monthly basis from grant income. In general, the Association maintains sufficient financial assets on hand to meet thirty days' worth of normal operating expenses.

SUPPLEMENTAL INFORMATION

LOUISIANA RURAL WATER ASSOCIATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	DISBURSEMENTS/ EXPENDITURES
United States Department of Agriculture			
Passed through National Rural Water Association, Inc			
Technical Assistance and Training Grants:			
Circuit Rider	10.761		\$ 503,927 *
Energy Efficiency	10.761		128,365 *
Waste Water	10.761		257,006 *
Drinking Water	10.761		120,900 *
Manufactured Homes Technical Assistance & Training Program	10.761		39,391 *
Apprenticeship/Pre-Apprenticeship	10.761		119,844 *
			<u>1,169,433</u>
United States Environmental Protection Agency			
Passed through National Rural Water Association, Inc			
Technical Assistance and Training Grant:			
Training	10.446		79,585
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act			
Training	66.424		133,909
Water Wells	66.424		9,075
			<u>142,984</u>
Passed through Louisiana Department of Health			
Capitalization Grants for Drinking Water State Revolving Funds			
Capacity Development	66.468		100,000
Passed through Louisiana Department of Environmental Quality			
Nonpoint Source Implementation Grants			
Clean Water state Revolving Fund	66.460		55,261
	66.458		<u>30,586</u>
			408,416
United States Department of the Treasury			
Passed through the Louisiana Division of Administration - Office of Community Development			
Coronaviurs State and Local Fiscal Recovery Funds - Water Sector			
	21.027		67,575
United States Department of Housing and Urban Development			
Passed through the Louisiana Division of Administration - Office of Community Development			
Community Development Block Grant			
	14.228		<u>41,948</u>
Total Federal Awards			<u>\$ 1,687,372</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Louisiana Rural Water Association under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Louisiana Rural Water Association it is not intended to and does not present the financial position, changes in net position, or cash flows of the Louisiana Rural Water Association.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

* major program

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
Advertising	\$ 5,855	\$ 4,076
Conference - other	51,438	70,644
Conference - LRWA	176,194	151,454
Dues	35,618	32,108
Employee benefits	28,271	10,563
Fringe and Benefits	14,762	(39,307)
Indirect expenses - Internal	235,864	172,477
Indirect expenses - unallocated excess	134,167	126,962
Miscellaneous	30,719	27,823
Newsletter	24,093	31,765
Office expense	(34)	(1,411)
Professional fees	2,400	2,400
Public relations	13,325	12,008
Retirement	5,273	2,349
Rural water rally	30,544	25,806
Salaries	82,239	33,562
Scholarship	3,500	5,916
Taxes - payroll	6,149	2,506
Training	69,830	71,493
Travel - administrative	35,929	24,011
	<u>\$ 986,136</u>	<u>\$ 767,205</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
Board members	\$ 225	\$ 1,932
Depreciation	33,586	29,016
Employee benefits	111,869	107,394
Equipment lease	6,848	8,359
Insurance	23,766	20,424
Office supplies	82,336	22,575
Postage	1,549	2,149
Professional fees	17,590	12,617
Repairs and maintenance	28,759	26,713
Retirement	26,270	26,424
Salaries	375,284	377,493
Taxes - payroll	28,895	28,923
Telephone	45,569	38,464
Travel - Administrative	38,824	36,149
Travel - Board	38,891	15,474
Utilities	6,852	6,765
	<u>\$ 867,113</u>	<u>\$ 760,871</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Functional Allocation of Expenses

Year Ended June 30, 2023

	June 30, 2023			June 30, 2022		
	Program Services	Supporting Activities - Management and General	Total	Program Services	Supporting Activities - Management and General	Total
Advertising	\$ -	\$ 5,855	\$ 5,855	\$ -	\$ 4,076	\$ 4,076
Board member expenses	-	225	225	-	1,932	1,932
Conference-other	-	51,438	51,438	-	70,644	70,644
Conference-LRWA	-	176,194	176,194	-	151,454	151,454
Depreciation	25,837	33,586	59,423	29,519	29,016	58,535
Dues	-	35,618	35,618	-	32,108	32,108
Employee benefits	293,069	140,141	433,210	258,320	117,956	376,276
Equipment lease	-	6,848	6,848	-	8,359	8,359
Federal program subsidies	-	48,458	48,458	-	67,987	67,987
Fringe and taxes	-	14,762	14,762	-	(39,307)	(39,307)
Indirect expenses	497,082	235,864	732,946	461,432	172,477	633,909
Indirect expenses-unallocated	-	(732,946)	(732,946)	-	(633,910)	(633,910)
Insurance	-	23,766	23,766	-	20,424	20,424
LA Warn expenses	5,702	-	5,702	15,311	-	15,311
Miscellaneous	16,266	30,717	46,983	16,087	27,823	43,910
Newsletter	-	24,093	24,093	-	31,765	31,765
Office expense	-	(34)	(34)	-	(1,411)	(1,411)
Office supplies	-	82,336	82,336	-	22,575	22,575
Postage	-	1,549	1,549	-	2,149	2,149
Professional fees	-	19,990	19,990	-	15,017	15,017
Public relations	-	13,325	13,325	-	12,008	12,008
Repairs and maintenance	10,413	28,759	39,172	25,119	26,713	51,832
Retirement	51,721	31,543	83,264	46,884	28,774	75,658
Rural water rally	-	30,544	30,544	-	25,806	25,806
Salaries	992,577	457,523	1,450,100	827,698	411,055	1,238,753
Scholarship	-	3,500	3,500	-	5,916	5,916
Taxes-payroll	77,797	35,044	112,841	64,216	31,429	95,645
Telephone	-	45,569	45,569	-	38,464	38,464
Training	58,097	69,830	127,927	44,079	71,493	115,572
Travel-administrative	-	74,747	74,747	-	42,831	42,831
Travel-board	425,639	38,897	464,536	358,481	32,803	391,284
Utilities	-	6,853	6,853	-	6,766	6,766
Total	\$ 2,454,200	\$ 1,034,594	\$ 3,488,794	\$ 2,147,146	\$ 835,192	\$ 2,982,338

OTHER INFORMATION

LOUISIANA RURAL WATER ASSOCIATION, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Year Ended June 30, 2023

Chief Executive Officer: Patrick Credeur, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 125,789
Benefits - insurance	24,086
Benefits - retirement	8,805
Benefits - cell phone	-
Vehicle provided by government	-
Per diem	5,357
Reimbursements	-
Travel-mileage	14,951
Registration fees	500
Conference travel	6,743
Continuing professional education fees	-
Housing-lodging	8,140
Unvouchered expenses	-
Meal reimbursements	-
Dues	-

INDEPENDENT AUDITORS' 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

December 8, 2023

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Rural Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Rural Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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, detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *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.

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 8, 2023
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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

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

Dragon, Cassidy: Shilley

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

December 8, 2023

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Louisiana Rural Water Association, Inc's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Louisiana Rural Water Association, Inc's major federal programs for the year ended June 30, 2023. Louisiana Rural Water Association, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Louisiana Rural Water Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Louisiana Rural Water Association, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Louisiana Rural Water Association, Inc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 8, 2023
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Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Louisiana Rural Water Association, Inc's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Louisiana Rural Water Association, Inc's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Rural Water Association, Inc's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

To the Board of Directors

Louisiana Rural Water Association, Inc.

December 8, 2023

Page Three

compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Thagson, Candace Skillery

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses(es) identified? yes no
- Control deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Control deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.761	Circuit Rider
10.761	Energy Efficiency
10.761	Waste Water
10.761	Drinking Water
10.761	Manufactured Homes Technical Assistance and Training Program
10.761	Apprenticeship/Pre-Apprenticeship

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

II - Financial Statement Findings

None

Continued

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2023

III – Federal Award Findings and Questioned Costs

None

IV – Prior Year audit Findings

None

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

December 8, 2023

Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, Louisiana

We have performed the procedures included 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 year July 1, 2022 through June 30, 2023. The Louisiana Rural Water Association, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Louisiana Rural Water Association, Inc. 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 year July 1, 2022 through June 30, 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:

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.

The Association's written policies and procedures manual addresses this area.

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.

The Association's written policies and procedures manual addresses this area.

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

The Association's written policies and procedures manual addresses this area.

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 confirmations with outside parties,

reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The Association's written policies and procedures manual addresses this area.

- 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.

The Association's written policies and procedures manual addresses this area.

- 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.

The Association's written policies and procedures manual addresses this area.

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

The Association's written policies and procedures manual addresses this area.

- 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).

The Association's written policies and procedures manual addresses this area.

- 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) requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable, the entity is a non-profit organization.

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

Not applicable, the entity is a non-profit organization.

- xi. *Information Technology Disaster Recovery/Business Continuity*, includes (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.

The Association's written policies and procedures manual addresses this area.

- 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.

Not applicable, the entity is a non-profit organization.

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.

No exceptions were found as a result of this procedure.

- 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 special revenue funds.

No exceptions were found as a result of this procedure.

- iii. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

Not applicable, the entity is a non-profit organization.

- 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.

No exceptions were found as a result of this procedure.

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, electronically logged);

No exception were found as a result of this procedure.

- ii. Bank reconciliations include 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

No exception were found as a result of this procedure.

- iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were found as a result of this procedure.

4) Collections

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/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).

The listing was provided by management.

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 no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe the job duties are properly segregated at each collection location such that:

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

The cash drawer is not shared.

- ii. 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:

The employee responsible for collecting cash is not responsible for preparing/making bank deposits.

- iii. 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; and

The employee responsible for collecting cash is not responsible for posting collection entries to the general ledger.

- 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 responsible for collecting cash, unless another employee/official verifies the reconciliation.

The employee responsible for reconciling collections to the general ledger by revenue source is not responsible for collecting cash.

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

No exceptions were found as a result of this procedure.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure 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 no the same day). Obtain supported documentation for each of the deposits and:

- i. Observe that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- 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).

One of the deposits tested was not made within one business day of receipt.

Management Response: Due to limited staff, daily deposits are not feasible.

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

No exceptions were found as a result of this procedure.

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).

The listing was provided by management.

- B. For each location selected under #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;

At least two employees are not involved in initiating, approving and making a purchase.

Management Response: Due to limited staff, this procedure is not feasible.

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

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;

The employee responsible for processing payments is not prohibited from adding/modifying vendor files. Another employee periodically reviews 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

The employee responsible for mailing the signed checks is not responsible for processing payments.

- 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.

No exceptions were found as a result of this procedure.

- 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

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

- 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) 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.

The results of the procedures agreed with the exception noted above.

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.

The listing was provided by management.

- 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 excess 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

Two of the three statements selected did not have written approval of review by someone other than the authorized card holder.

Management response: Management will have someone other than an authorized card holder review and approve each statement.

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

No exceptions were found as a result of this procedure.

- 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, observed 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.

No exceptions were found as a result of this procedure.

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);

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- 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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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, excluding the practitioner's contract, 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;

No exceptions were found as a result of this procedure.

- 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);

No exceptions were found as a result of this procedure.

- 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

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

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 five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to the authorized salaries/pay rates in the personnel files.

No exceptions were found as a result of this procedure.

- 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);

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- 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 the entity policy.

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

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

Not applicable, the entity is a nonprofit organization.

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

Not applicable, the entity is a nonprofit organization.

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

Not applicable, the entity is a nonprofit organization.

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

Not applicable, the entity is a nonprofit organization.

- 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).

Not applicable, the entity is a nonprofit organization.

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.

No exceptions were found as a result of this procedure.

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

The Association has the required notice posted in a conspicuous place upon its premises, but not its website.

Management Response: Management will update its website to include the notice.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures.

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if 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.

No exceptions were found as a result of this procedure.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if 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.

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

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 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.

Not applicable, the entity is a nonprofit organization.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Not applicable, the entity is a nonprofit organization.

- C. 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 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;

Not applicable, the entity is a nonprofit organization.

- ii. Number of sexual harassment complaints received by the agency;

Not applicable, the entity is a nonprofit organization.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable, the entity is a nonprofit organization.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable, the entity is a nonprofit organization.

- v. Amount of time it took to resolve each complaint.

Not applicable, the entity is a nonprofit organization.

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We were engaged by Louisiana Rural Water Association 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 Louisiana Rural Water Association 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.

Thompson, Cassidy: Shullery