

LOUISIANA RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT

Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

November 18, 2022

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, 2022, 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, 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 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.  
November 18, 2022  
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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.  
November 18, 2022  
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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 November 18, 2022 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.

*Shagun, Cassidy, Shillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2022

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 643,495	\$ 333,312
Investments	381,674	430,381
Accounts receivable	362,016	352,682
Prepaid expenses	22,576	28,042
Total Current Assets	<u>1,409,761</u>	<u>1,144,417</u>
Fixed assets, at cost (net of accumulated depreciation of \$1,148,269 for 2022)	<u>543,273</u>	<u>553,562</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,953,034</u></u>	<u><u>\$ 1,697,979</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 145,244	\$ 142,421
Deferred income	277,655	298,749
Vacation and sick leave payable	381,788	375,976
Total Current Liabilities	<u>804,549</u>	<u>817,146</u>
Net Assets		
Unrestricted	<u>1,148,485</u>	<u>880,833</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,953,034</u></u>	<u><u>\$ 1,697,979</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, 2022

	Unrestricted	Donor restricted	Totals	
			2022	2021
<b>REVENUES AND RECLASSIFICATIONS</b>				
Grants	\$ 2,076,646	\$ -	\$ 2,076,646	\$ 1,835,271
Contributions - In-kind	-	-	-	-
Membership fees	388,952	-	388,952	297,350
Conference	522,496	-	522,496	91,250
Training	107,453	-	107,453	62,716
Advertising	51,988	-	51,988	47,228
Interest	(11,735)	-	(11,735)	1,981
Other - federal programs	67,987	-	67,987	23,749
Miscellaneous	46,203	-	46,203	47,984
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>3,249,990</u>	<u>-</u>	<u>3,249,990</u>	<u>2,407,529</u>
<b>EXPENSES</b>				
General and administrative	767,205	-	767,205	532,208
Federal program subsidies	67,987	-	67,987	23,749
Program services:				
LA - WARN	15,311	-	15,311	11,608
E.P.A.	152,203	-	152,203	89,351
E.P.A. - SMAP	34,414	-	34,414	-
Circuit rider - National Rural Water	533,000	-	533,000	515,625
Wastewater - National Rural Water	275,967	-	275,967	148,407
Energy	516,459	-	516,459	523,449
Drinking water - USDA	122,874	-	122,874	123,456
Energy Efficiency	130,553	-	130,553	125,007
Apprenticeship	112,543	-	112,543	117,872
Pre-Apprenticeship/Youth	-	-	-	3,936
DEQ - Homeowner sewer maintenance	82,038	-	82,038	85,200
Community Development Block Grant	34,284	-	34,284	48,443
Acquisitions & Mergers & Partnerships	-	-	-	26,252
LMGA Natural Gas	37,500	-	37,500	-
Capacity Development training	100,000	-	100,000	97,757
Total Expenses	<u>2,982,338</u>	<u>-</u>	<u>2,982,338</u>	<u>2,472,320</u>
INCREASE (DECREASE) IN NET ASSETS	267,652	-	267,652	(64,791)
NET ASSETS - BEGINNING OF YEAR	<u>880,833</u>	<u>-</u>	<u>880,833</u>	<u>945,624</u>
NET ASSETS - END OF YEAR	<u>\$ 1,148,485</u>	<u>\$ -</u>	<u>\$ 1,148,485</u>	<u>\$ 880,833</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, 2022

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 267,652	\$ (64,791)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	58,534	54,309
Unrealized (gain) loss on investments	18,380	4,430
(Increase) decrease in assets		
Accounts receivable	(9,334)	(858)
Prepaid expenses	5,466	(18,863)
Increase (decrease) in liabilities		
Accounts payable	2,645	25,567
Deferred income	(21,094)	157,520
Vacation and sick leave payable	5,812	7,577
Net cash from operating activities	<u>328,061</u>	<u>164,891</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net sale (purchase) of investments and noncash equivalents	30,367	(6,041)
Purchase of fixed assets	(48,245)	(15,776)
Net (Payments) borrowings on debt	-	-
Net cash used by investing activities	<u>(17,878)</u>	<u>(21,817)</u>
Net increase (decrease) in cash equivalents	310,183	143,074
Cash equivalents - beginning of year	<u>333,312</u>	<u>190,238</u>
Cash equivalents - end of year	<u>\$ 643,495</u>	<u>\$ 333,312</u>

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

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

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 \$131,952 was recognized in the current year. Current grant agreement runs through July 31, 2022.

E.P.A - SMAP – To provide training and technical assistance to small and rural wastewater systems. Revenue of \$34,414 was recognized in the current year. Current grant agreement runs through February 22, 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 \$488,013 was recognized in the current year. Current grant agreement runs through November 30, 2022.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$281,016 was recognized in the current year. Current grant agreement runs through June 30, 2022.

Energy - "Rural Water Energy Conservation Program". Revenue of \$499,111 was recognized in the current year. Current grant agreement ran through June 30, 2022.

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$118,500 was recognized in the current year. Current grant agreement runs through June 30, 2022.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Very small water system - To provide training for very small water system's operators. Revenue of \$15,000 was recognized in the current year. Current grant agreement runs through June 30, 2022.

DEQ homeowner sewage maintenance – To educate homeowners on the importance of inspecting and maintaining their own individual sewage treatment system. Revenue of \$81,471 was recognized in the current year. Current grant agreement runs through August 31, 2022.

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, 2022.

Community Development Block Grant – To conduct and provide 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 \$35,648 was recognized in the current year. Current grant agreement runs through April 30, 2023.

Energy Efficiency – To provide training and technical assistance on renewable energy systems and energy efficiency improvements. Revenues of \$141,229 was recognized in the current year. Current grant agreement runs through June 30, 2022.

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 \$112,543 was recognized in the current year. Current grant agreement runs through September 30, 2022.

Acquisitions, Mergers and Partnerships – To provide assistance to rural water systems for acquisitions, mergers and partnerships. Revenues of \$249 was recognized in the current year. Current grant agreement runs through June 30, 2022.

LMGA Natural Gas – To provide technical assistance to Louisiana Municipal Natural Gas Purchasing and Distribution Authority members. Revenues of \$37,500 was recognized in the current year. Current grant agreement runs through March 31, 2023.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2022 of \$362,016 represents receivables from the federal and state grants, all deemed collectable.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$4,076 for 2022.

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 no such deferred amounts at June 30, 2022.

Deferred income of \$277,655 at June 30, 2022 represents July 2022 conference income received prior to June 30, 2022.

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, 2022, the Association had \$809,918 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal depository insurance, and \$559,918 of pledged securities held by the custodial bank and government securities.

Prepaid Expenses

Prepaid expenses of \$22,576 at June 30, 2022 represent mostly conference expenses paid at year end.

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 \$30,169 at June 30, 2022.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 \$351,619 at June 30, 2022.

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.

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.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2022 were considered to be net assets without donor restrictions.

Subsequent Events

Management has evaluated subsequent events through November 18, 2022, 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, 2022 are summarized as follows:

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	
<b>Investments at fair value</b>					
Certificates of deposit	\$ 161,456	\$ -	\$ 161,456	\$ -	N/A
Subtotal	161,456	-	161,456	-	
<b>Investments measured at the net asset value (NAV)</b>					
Federated U.S. Government Securities CI A Mutual Fund	139,656	139,656	-	-	Unrated
Louisiana Asset Management Pool	80,522	80,522	-	-	AAAm
Total investments measured at NAV	220,178	220,178	-	-	
Total Investments	\$ 381,634	\$ 220,178	\$ 161,456	-	

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE B – INVESTMENTS (CONTINUED)

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, 2022:

Level 2 inputs – certificate of deposits totaling \$161,456 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 \$80,522 that is rated AAAM by Standard & Poor's, Federated U.S. Government Securities Mutual Funds of \$139,656 which are unrated and certificates of deposit of \$161,456 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, 2022 due to the holdings of Federated U.S. Government Securities mutual fund at 30%, LAMP at 27% and Certificate of Deposits at 43% all permitted by Statute and by the Association's Investment Policy.

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 \$80,522 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 RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE B – INVESTMENTS (CONTINUED)

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	\$ 6,645
Unrealized gain (loss)	<u>(18,380)</u>
Net investment return	<u>\$ (11,735)</u>

NOTE C - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 709,632
Equipment	<u>981,910</u>
	1,691,542
Less accumulated depreciation	<u>1,148,269</u>
	<u>\$ 543,273</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE C - FIXED ASSETS - CONTINUED

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, 2022 was \$58,534.

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, 2022 was \$75,658.

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, 2021, from which the summarized information was derived.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022

NOTE I – LIQUIDITY

At June 30, 2022, the Association has \$1,387,145 cash, investments and receivables available to meet needs for general expenditures consisting of cash of \$643,495, accounts receivable of \$362,016 and investments of \$381,634. 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, 2022

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	DISBURSEMENTS/ EXPENDITURES
<b>United States Department of Agriculture</b>			
Passed through National Rural Water Association, Inc			
Technical Assistance and Training Grants:			
Circuit Rider	10.761		\$ 488,013 *
Energy Efficiency	10.761		130,553 *
Waste Water	10.761		275,967 *
Apprenticeship/Pre-Apprenticeship	10.761		<u>112,543 *</u>
			<u>1,007,076</u>
<b>United States Environmental Protection Agency</b>			
Passed through National Rural Water Association, Inc			
Technical Assistance and Training Grant:			
Training	10.446		34,414
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act			
Training	66.424		115,865
Source Water	66.424		<u>118,500</u>
			234,365
Nonpoint Source Implementation Grants	66.460		80,485
Capitalization Grants for Drinking Water State Revolving Funds			
Capacity Development	66.468		<u>100,000</u>
			449,264
<b>United States Department of Housing and Urban Development</b>			
Passed through the Louisiana Division of Administration - Office of Community Development			
Community Development Block Grant	14.228		<u>35,647</u>
Total Federal Awards			<u>\$ 1,491,987</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, 2022. 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, 2022

	<u>2022</u>	<u>2021</u>
Advertising	\$ 4,076	\$ 8,048
Conference - other	70,644	59,737
Conference - LRWA	151,454	-
Dues	32,108	37,211
Employee benefits	10,563	12,615
Fringe and Benefits	(39,307)	(24,424)
Indirect expenses - Internal	172,477	119,305
Indirect expenses - unallocated excess	126,962	142,474
Miscellaneous	27,823	21,924
Newsletter	31,765	46,211
Office expense	(1,411)	(368)
Professional fees	2,400	2,400
Public relations	12,008	4,410
Retirement	2,349	2,956
Rural water rally	25,806	2,659
Salaries	33,562	42,232
Scholarship	5,916	4,500
Taxes - payroll	2,506	3,132
Training	71,493	43,080
Travel - administrative	6,682	4,106
Travel - board	17,329	-
	<u>\$ 767,205</u>	<u>\$ 532,208</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>
Board members	\$ 1,932	\$ -
Depreciation	29,016	25,203
Employee benefits	107,394	105,282
Equipment lease	8,359	7,895
Insurance	20,424	18,764
Office supplies	22,575	34,453
Postage	2,149	1,727
Professional fees	12,617	12,830
Repairs and maintenance	26,713	27,904
Retirement	26,424	22,579
Salaries	377,493	322,555
Taxes - payroll	28,923	24,546
Telephone	38,464	35,477
Travel - Administrative	36,149	22,585
Travel - Board	15,474	8,067
Utilities	6,765	4,980
	<u>\$ 760,871</u>	<u>\$ 674,847</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Functional Allocation of Expenses

Year Ended June 30, 2022

	June 30, 2022			June 30, 2021		
	Program	Supporting Activities -	Total	Program	Supporting Activities -	Total
	Services	Management and General		Services	Management and General	
Advertising	\$ -	\$ 4,076	\$ 4,076	\$ -	\$ 8,048	\$ 8,048
Board member expenses	-	1,932	1,932	-	-	-
Conference-other	-	70,644	70,644	-	59,737	59,737
Conference-LRWA	-	151,454	151,454	-	-	-
Depreciation	29,519	29,016	58,535	29,106	25,203	54,309
Dues	-	32,108	32,108	-	37,211	37,211
Employee benefits	258,320	117,956	376,276	236,539	117,898	354,437
Equipment lease	-	8,359	8,359	-	7,895	7,895
Federal program subsidies	-	67,987	67,987	-	23,749	23,749
Fringe and taxes	-	(39,307)	(39,307)	-	(24,424)	(24,424)
Indirect expenses	461,432	172,477	633,909	414,650	119,305	533,955
Indirect expenses-unallocated	-	(633,910)	(633,910)	-	(532,374)	(532,374)
Insurance	-	20,424	20,424	-	18,764	18,764
LA Warn expenses	15,311	-	15,311	11,608	-	11,608
Miscellaneous	16,087	27,823	43,910	11,446	21,924	33,370
Newsletter	-	31,765	31,765	-	46,211	46,211
Office expense	-	(1,411)	(1,411)	-	(368)	(368)
Office supplies	-	22,575	22,575	-	34,453	34,453
Postage	-	2,149	2,149	-	1,727	1,727
Professional fees	-	15,017	15,017	-	15,230	15,230
Public relations	-	12,008	12,008	-	4,410	4,410
Repairs and maintenance	25,119	26,713	51,832	31,016	27,904	58,920
Retirement	46,884	28,774	75,658	42,494	25,535	68,029
Rural water rally	-	25,806	25,806	-	2,659	2,659
Salaries	827,698	411,055	1,238,753	738,536	364,787	1,103,323
Scholarship	-	5,916	5,916	-	4,500	4,500
Taxes-payroll	64,216	31,429	95,645	56,884	27,678	84,562
Telephone	-	38,464	38,464	-	35,477	35,477
Training	44,079	71,493	115,572	44,978	43,080	88,058
Travel-administrative	-	42,831	42,831	-	26,690	26,690
Travel-board	358,481	32,803	391,284	299,106	8,067	307,173
Utilities	-	6,766	6,766	-	4,981	4,981
Total	\$ 2,147,146	\$ 835,192	\$ 2,982,338	\$ 1,916,363	\$ 555,957	\$ 2,472,320

## OTHER INFORMATION

LOUISIANA RURAL WATER ASSOCIATION, INC.

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

Year Ended June 30, 2022

Chief Executive Officer: Patrick Credeur, Executive Director

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary	\$ 138,055
Benefits - insurance	24,385
Benefits - retirement	9,664
Benefits - cell phone	-
Vehicle provided by government	-
Per diem	6,592
Reimbursements	-
Travel-mileage	15,153
Registration fees	750
Conference travel	9,672
Continuing professional education fees	-
Housing-lodging	3,057
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

November 18, 2022

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, 2022, 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 November 18, 2022.

**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.  
November 18, 2022  
Page Two

### **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: Shullery*

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

November 18, 2022

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, 2022. 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, 2022.

***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.  
November 18, 2022  
Page Two

### ***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.  
November 18, 2022  
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.

*Shagon, Casiday: Skully*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

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	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, 2022

III – Federal Award Findings and Questioned Costs

None

IV – Prior Year audit Findings

None

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

October 28, 2022

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, 2021 through June 30, 2022. 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, 2021 through June 30, 2022. 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***

---

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.

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

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.

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

c) *Disbursements*, including processing, reviewing, and approving.

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

d) *Receipt/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,

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

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

- 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(s) rate of pay or approval and maintenance of pay rate schedules.

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

- 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.

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

- 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, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

***The Association's written policies and procedures manual does address this area.***

- h) *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.***

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 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 all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

- j) *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.***

- k) *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 does not address this area.*

*Management response: The Association will update the Policies and Procedures manual to include this area.*

- l) *Sexual Harassment*, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*The Association's written policies and procedures manual does not address this area.*

*Management response: The Association will update the Policies and Procedures manual to include this area.*

#### ***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.

*The minutes reflected that the managing board met quarterly in accordance with the bylaws.*

- 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, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on special revenue funds.

*The minutes referenced financial activity relating to public funds.*

- c) 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.*

#### ***Bank Reconciliations***

---

3. Obtain a listing of the entity's 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);

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*No exceptions noted.*

- c) 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 noted.*

### Collections

---

4. 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.*

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 the 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.

*The cash drawer is not shared.*

- 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.

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

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

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

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

*The employee responsible for reconciling cash collections to the general ledger is not responsible for collecting cash.*

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

*The Association did not have a bond or insurance policy for theft.*

*Management response: Management has subsequently added employee theft to the Association's insurance policy.*

- 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). Obtain supported documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

- 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 and the cash is stored securely in a locked safe or drawer).

*No exceptions noted.*

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

*No exceptions noted.*

***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).

*The listing was provided by management.*

- 9. For each location selected under #8 above, obtain a list 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.

*No exceptions noted.*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions noted.*

- 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.

*No exceptions noted.*

- 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.

*No exceptions noted.*

- 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 that the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

*No exceptions noted.*

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

*No exceptions noted.*

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.*

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 excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

*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.*

- b) Observe that finance charges and/or late fees were assessed on the selected statements.

*No exceptions noted.*

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, 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).

*All transactions tested had original itemized receipts attached to the statement with written documentation of the business/public purpose. No charges for meals were selected.*

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

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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)).

*No exceptions noted.*

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

*No exceptions noted.*

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).

*No exceptions noted.*

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

*No exceptions noted.*

#### ***Contracts***

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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. Obtain management's representation that the list 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.

*No exceptions noted.*

- 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).

*No exceptions noted.*

- 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, was approval documented).

*No exceptions noted.*

- 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.*

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

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- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain their paid salaries and personnel files, and agree paid salaries to the authorized pay rates in the personnel files.

*No exceptions noted.*

- 17. Randomly select on 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, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*No exceptions noted.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*No exceptions noted.*

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

*No exceptions noted.*

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

- 18. Obtain a listing of those employees/officials that received termination pay during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files, and agree the termination payment to the entity policy.

*No exceptions noted.*

- 19. 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 associated forms have been filed, by required deadlines.

*No exceptions noted.*

### ***Ethics***

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

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*Not applicable, the entity is a nonprofit organization.*

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

*Not applicable, the entity is a nonprofit organization.*

### ***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 list 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.

*Not applicable, the entity is a nonprofit organization.*

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).

*Not applicable, the entity is a nonprofit organization.*

#### ***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.

*The Association was not aware of any misappropriation of public funds or assets during the fiscal year.*

24. 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 or its website.*

#### ***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.

*We performed the procedure and discussed the results with management. No exceptions noted.*

- 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.

*We performed the procedure and discussed the results with management. No exceptions noted.*

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management. No exceptions noted.*

### ***Sexual Harassment***

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

*Not applicable, the entity is a nonprofit organization.*

- 27. 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.*

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

- a) Number and percentage of public servants in the agency who have completed the training requirements;

*Not applicable, the entity is a nonprofit organization.*

- b) Number of sexual harassment complaints received by the agency;

*Not applicable, the entity is a nonprofit organization.*

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

*Not applicable, the entity is a nonprofit organization.*

- d) 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.*

e) Amount of time it took to resolve each complaint.

*Not applicable, the entity is a nonprofit organization.*

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

*Shagson, Cassidy: Skully*