

RED HILL WATER SYSTEM, INC.

Basic Financial Statements

December 31, 2024

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA
C O N T E N T S**

	<u>STATEMENT</u>	<u>PAGE #</u>
Independent Accountant's Review Report.....		1-2
Statement of Financial Position.....	A	4
Statement of Activities.....	B	5
Statement of Functional Expenses.....	C	6
Statement of Cash Flows.....		7
Notes to the Basic Financial Statements.....		9-16
<u>Other Supplemental Schedules</u>		
Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer.....		18
<u>Other Reports</u>		
Management Letter Comments.....		20
Management's Summary of Prior Year Findings.....		21-22
Independent Accountant's Report on Applying Agreed-Upon Procedures.....		23-26
Louisiana Attestation Questionnaire.....		27-29

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Red Hill Water System, Inc.
Georgetown, Louisiana

We have reviewed the accompanying financial statements of Red Hill Water System, Inc (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Red Hill Water System, Inc. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

The management of the Red Hill Water System, Inc. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Nebo Water System, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

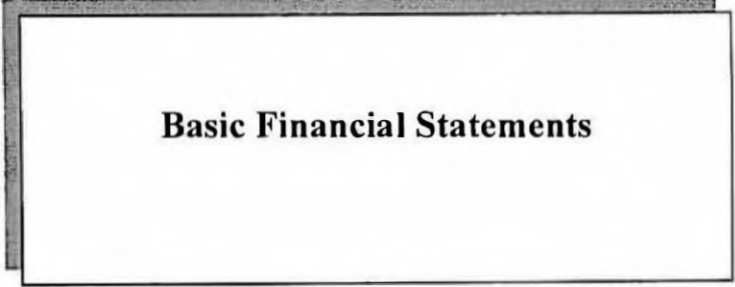
The Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but it has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

Other Reporting Requirements

In accordance with the *Louisiana governmental Audit Guide* and the provisions of state law, we have issued a report dated September 5, 2025, on the results of our agreed-upon procedures, as listed in the table of contents.

The Vercher Group

Jena, Louisiana
September 5, 2025



Basic Financial Statements

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**Statement of Financial Position
December 31, 2024**

	<u>2024</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 135,533
Investments	277,423
Receivables (Net of Allowances for Uncollectable)	39,876
TOTAL CURRENT ASSETS	<u>452,832</u>
NON-CURRENT ASSETS	
Restricted Cash	323,961
Capital Assets (Net of Accumulated Depreciation)	2,951,481
TOTAL NON-CURRENT ASSETS	<u>3,275,442</u>
TOTAL ASSETS	<u>3,728,274</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	19,947
Notes Payable-Current Portion	14,083
TOTAL CURRENT LIABILITIES	<u>34,030</u>
LONG-TERM DEBT	
Notes Payable-Current Portion	530,269
Customer Deposits	33,690
TOTAL LONG-TERM DEBT	<u>563,959</u>
TOTAL LIABILITIES	<u>597,989</u>
NET ASSETS	
Net Assets Without Donor Restrictions	3,130,285
TOTAL NET ASSETS	<u>3,130,285</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 3,728,274</u>

See accompanying notes and independent accountant's review report.

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**Statement of Activities
December 31, 2024**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2024
REVENUES	
Water Sales	\$ 471,395
Reconnect Fees	393
Grants	397,947
Interest Income	1,293
Miscellaneous Revenue	11,307
TOTAL REVENUES	<u>882,335</u>
EXPENSES	
Program Services	562,090
Supporting Services	-0-
TOTAL EXPENSES	<u>562,090</u>
INCREASE/DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	320,245
TOTAL NET POSITION - BEGINNING	<u>2,810,040</u>
TOTAL NET POSITION - ENDING	<u>\$ 3,130,285</u>

See accompanying notes and independent accountant's review report.

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**Statement of Functional Expenses
Year Ended December 31, 2024**

	<u>2024</u>
PROGRAM SERVICES:	
Utilities	43,784
Dues & Subscriptions	17,148
Contract Labor	18,769
Fire Expense	1,608
Insurance	17,898
Office Expense	1,571
Supplies	123,401
Legal & Professional	9,492
Operation Expense	1,058
Lease Renewal	3,028
Maintenance & Repair	13,715
Payroll	130,000
Other	24,042
Interest Expense	36,651
Depreciation Expense	119,925
TOTAL PROGRAM SERVICES	<u>562,090</u>
SUPPORTING SERVICES:	\$ -0-
TOTAL SUPPORTING SERVICES	<u>-0-</u>

See accompanying notes and independent accountant's review report.

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2024**

	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase/Decrease in Net Assets Without Donor Restrictions	\$ <u>320,245</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES	
Depreciation	119,925
(Increase) Decrease in Operating Activities Accounts Receivable	(3,454)
Increase (Decrease) in Operating Liabilities Accounts Payable	<u>(7,600)</u>
TOTAL ADJUSTMENTS	<u>108,871</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>429,116</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Property, Plant, and Equipment	(860,875)
CASH FLOW FROM FINANCING ACTIVITIES	
Interest Expense	(38,371)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(470,130)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>929,624</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>459,494</u>
Interest Paid	(36,651)
Interest and Dividends Received	<u>1,293</u>
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	165,900
Depreciation Reserve	149,156
Debt Service Reserve Cash	<u>144,438</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 459,494</u>

See accompanying notes and independent accountant's review report.

**Notes to the Basic
Financial Statements**

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1-

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

B. FINANCIAL STATEMENT REPRESENTATION

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

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

C. ALLOCATION OF FUNCTIONAL EXPENSES

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

D. REVENUE RECOGNITION

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

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

E. NET ASSETS

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

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

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

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

	<u>2024</u>	<u>2023</u>
Designated for Reserve Accounts	\$ <u>3,130,285</u>	\$ <u>2,810,040</u>

F. INCOME TAXES

The water system is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the water system and recognize a tax liability (or asset) if the water system has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the water system, and has concluded that as of December 31, 2024, and 2023, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The water system is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

G. STATEMENT OF CASH FLOWS

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

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

H. CASH & INVESTMENTS (CDs IN EXCESS OF 90 DAYS)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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

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

Deposits

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

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

Cash and cash equivalents are comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase. For the purpose of the Statement of Cash Flows, "Cash and Cash Equivalents" include all demand and savings accounts, and certificates of deposit under 90 days.

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Amounts on deposit are secured by the following pledges:

<u>Description</u>	<u>Southern Heritage Market Value</u>
FDIC (Category 1)	\$ 475,663
Securities (Category 2)	-0-
Total	\$ 475,663

All deposits were fully secured as of December 31, 2024.

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

I. CAPITAL ASSETS

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

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

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

NOTE 2- ACCOUNTS RECEIVABLE & ALLOWANCES FOR BAD DEBTS

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

Accounts Receivable	\$ 39,876
Total Receivables	\$ 39,876

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 3 – RESTRICTED ASSETS

Restricted assets as presented on the balance sheet are set aside as follows:

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

Customer Deposits - Restricted for customer deposits.

NOTE 4 – PLANT, PROPERTY, & EQUIPMENT

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

A summary of property, plant and equipment at December 31, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance
Water System	\$ 3,961,170	\$ 860,875	\$ -0-	\$ 4,822,045
Less Allowance for Depreciation	(1,750,639)	(119,925)	-0-	(1,870,564)
Net Plant	\$ 2,210,531	\$ 740,950	\$ -0-	\$ 2,951,481

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

NOTE 5- NOTE ACTIVITY IN 2024

	<u>2024</u>
Note payable to the Community Bank, dated December 29, 2023, in the original amount of \$570,480, payable in monthly installments of \$4,509, including interest at 7.25%; first payment due February 1, 2023.	\$ 544,352
Total	\$ 544,352

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

<u>Notes Payable</u>	<u>Community Bank</u>	<u>Totals</u>
Date of Loan	12/29/2023	
Maturity	01/01/2042	
Interest Rate	7.25%	
Original Balance	\$ 540,479	\$ 540,479
2023 Beginning Balance	\$ 558,435	\$ 558,435
2024 Principle	(14,083)	(14,083)
2024 Additions	<u>-0-</u>	<u>-0-</u>
2024 Ending Balance	\$ <u>544,352</u>	\$ <u>544,352</u>
2024 Interest	\$ 38,371	\$ 38,371
Monthly Payments	\$ 5,729	\$ 5,729

NOTE 6- BOARD MEMBERS

The following is a list of board members for the year ended December 31, 2024:

William Justin Edwards-President
Andrew Tant-Secretary
Walter Moon
Jon Lincecum
Rick Wilder

Board members are each paid \$-0- per meeting when present.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and Cash Equivalents	\$ 459,494
Investments	277,423
Accounts Receivable	<u>39,876</u>
Total Current Assets	\$ <u>776,793</u>

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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

NOTE 7- USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENT

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

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

NOTE 9 – SUBSEQUENT EVENTS

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

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

**NOTE 10- THE SYSTEM HAS THE FOLLOWING NUMER OF CUSTOMERS AND WATER
RATES**

Residential Customers – 648

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

Commercial Customers -0

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

Other

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

Other Supplemental Schedules

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2024**

Red Hill Water System, Inc.
Justin Edwards-President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -0-
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (List any other here)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference Travel	-0-
Continuing Professional Education Fees	-0-
Housing	-0-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

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

See independent accountant's report

Other Reports

**RED HILL WATER SYSTEM, INC.
RED HILL, LOUISIANA**

MANAGEMENT LETTER COMMENTS

During the course of our review, we observed conditions and circumstances that may be improved. Below are findings noted for improvement and our recommendation for improvement.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

2024-1 Annual Filing of Financial Statements

Condition: The entity did not timely file their financial statements with the legislative auditor on a timely basis.

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

Cause of Condition: The entity had a change in personnel at year end that required more time to acquire requested audit information and records.

Potential Effect of Condition: Compliance finding and a freeze on grant funding.

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

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

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

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

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Red Hill Water System, Inc. has provided the following action summaries relating to audit findings brought to their attention as a result of their financial review for the year ended December 31, 2023.

PRIOR YEAR FINDINGS

2023-1 Small Size of Entity (Internal Control)

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

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

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

Effect of Condition: Significant internal control deficiency.

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

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

2023-2 Policy and Procedures Manual (Internal Control)

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

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

Cause of Condition: Not having written policies and procedures.

**RED HILL WATER SYSTEM, INC.
GEORGETOWN, LOUISIANA**

**MANAGEMENT’S SUMMARY OF
PRIOR YEAR FINDINGS (CONT.)**

Effect of Condition: Significant internal control weakness

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

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

2023-3 Annual Filing of Financial Statements (Unresolved)

Condition: The entity did not timely file their financial statements with the legislative auditor on a timely basis.

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

Cause of Condition: The entity had a change in personnel at year end that required more time to acquire requested audit information and records.

Potential Effect of Condition: Compliance finding and a freeze on grant funding.

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

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

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Certified Public Accountants

Association of
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Red Hill Water System:

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Red Hill Water System and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Red Hill Water System's compliance with certain laws and regulations during the year ended December 31, 2024, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below whether for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Obtain documentation for all expenditures made during the year for materials and supplies exceeding \$30,000, and public works exceeding \$250,000. Compare the documentation for these expenditures to Louisiana Revised Statute (R.S.) 39:1551-39:1775 (the state procurement code) or R.S. 38:2211-2296 (the public bid law), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

*During our review of expenditures, we found no such expenditures.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the ethics law).

*Management provided us with the requested information.

3. Obtain a list of all employees paid during the fiscal year.

*Management provided us with the requested information.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

*None of the employees included on the list of employees provided by management [agreed-upon

procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

5. Obtain a list of all disbursements made during the year; and a list of outside business interests of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

*Management provided the requested information. None of the businesses of board members, employees, and board members' and employees' immediate families appeared as vendors on the list of disbursements.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

*We obtained a copy of the budget and any amended budget.

7. Trace documentation for the adoption of the budget and approval of any amendments to the minute book, and report whether there are any exceptions.

*Not applicable.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures. Report whether actual revenues failed to meet budgeted revenues by 5% or more, and whether actual expenditures exceeded budgeted amounts by 5% or more. (For agencies that must comply with the Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures, and report whether actual expenditures exceeded budgeted amounts by 10% or more per category or 5% or more in total).

*Not applicable.

Accounting and Reporting

9. Obtain the list of all disbursements made during the fiscal year. Randomly select six disbursements and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation, and:

(a) Report whether the six disbursements agree to the amount and the payee in the supporting documentation.

*We examined supporting documentation for the six selected documents, and they all agreed.

(b) Report whether the six disbursements were coded to the correct fund and general ledger account.

*All of the payments were properly coded to the correct fund and correct general ledger account.

(c) Report whether the six disbursements were approved in accordance with management's policies and procedures.

*All disbursements were approved in accordance with management's policies and procedures.

Meetings

10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law); and report whether there are any exceptions.

*Discussions with the clerk and our review of the minutes found that the agendas for the meetings were posted.

Debt

11. Obtain bank deposit slips for the fiscal year and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.

*The Entity did not enter into any long-term debt this fiscal year.

Advances and Bonuses

12. Obtain the list of payroll disbursements and meeting minutes of the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advances, or gifts.

*We inspected payroll records and minutes for the year and noted no instances which would indicate payments to employees that constitute bonuses, advances, and gifts.

State Audit Law

13. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

*The Entity's report is due on June 30, 2025, and was not submitted in a timely manner.

14. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

*The Entity did not enter into any new contracts this fiscal year.

Prior-Year Comments

15. Obtain and report management's representation as to whether any prior-year suggestions, exceptions, recommendations, and/or comments have been resolved.

*Our report dated July 2, 2024 did have two prior-year suggestions, exceptions, recommendations, and/or comments.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Red Hill Water System and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

The Vercher Group

Jena, Louisiana
September 5, 2025

Red Hill Water System, Inc.
LOUISIANA ATTESTATION QUESTIONNAIRE

The Vercher Group

A Professional Group of
Certified Public Accountants
P.O. Box 1608
Jena, Louisiana 71342
Tel: (318) 992-6348
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In connection with your review of our financial statements as of December 31, 2024, and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of September 5, 2025, (date of completion/representations).

Public Bid Law

It is true that we have complied with the state procurement code (R.S. 39:1551 – 39:1755); the public bid law (R.S. 38:2211-2296), and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [**x**] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes[**x**] No[]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [**x**] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [**x**] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [**x**] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, and 33:463, as applicable.

Yes ☐ No ☒

We have had our financial statements reviewed in accordance with RS 24:513.

Yes ☒ No ☐

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes ☒ No ☐

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief financial officer.

Yes ☒ No ☐

We have complied with R.S. 24:515.2 regarding of pre- and post- adjudication court costs, fines, and fees assessed or imposed; the amounts collected; the amounts outstanding; the amounts retained; the amounts disbursed, and the amounts received from disbursements.

Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:11 through 42:28.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☒ No ☐

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐

General

We acknowledge that we are responsible for the Agency's compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes ☒ No ☐

We acknowledge that we are responsible for determining that the procedures performed are appropriate for the purposes of this engagement.

Yes ☒ No ☐

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes ☒ No ☐

We have provided you with all relevant information and access under the terms of our agreement.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes ☒ No ☐

We are not aware of any material misstatements in the information we have provided to you.

Yes ☒ No ☐

We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others concerning noncompliance with the foregoing laws and regulations, including communications received during the period under examination; and will disclose to you any such communication received between the end of the period under examination and the date of your report.

Yes ☒ No ☐

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies all known noncompliance and other events subsequent to the date of this representation and the date of your report that could have a material effect on our compliance with laws and regulations and the internal controls with such laws and regulations or would require adjustment or modification to the results of the agreed-upon procedures.

Yes ☒ No ☐

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Signed: _____

Title: _____