

**EAST CENTRAL VERNON
WATER SYSTEM, INC.**

Slagle, Louisiana

Financial Report

Year Ended December 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8-9
Notes to financial statements	10-17
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	21-23
Schedule of expenditures of federal awards	24
Notes to schedule of expenditures of federal awards	25
Schedule of findings and questioned costs	26-27
Schedule of current and prior year audit findings and management's corrective action plan	28-30

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
East Central Vernon Water System, Inc.
Slagle, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Central Vernon Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of East Central Vernon Water System, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Central Vernon Water System, 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.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Central Vernon Water System Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 judgement 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 East Central Vernon Water System, 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 East Central Vernon Water System, 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*, 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 schedule of expenditures of federal awards 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 June 13, 2024, on our consideration of the East Central Vernon Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Central Vernon Water System, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Central Vernon Water System, Inc.'s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 13, 2024

FINANCIAL STATEMENTS

East Central Vernon Water System, Inc.
Slagle, Louisiana

Statement of Financial Position
December 31, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 229,304
Accounts receivable, net	63,915
Due from governmental entity	<u>925,105</u>
Total current assets	<u>1,218,324</u>
Certificates of deposit	<u>557,000</u>
Restricted assets:	
Cash - meter deposits	68,650
Cash - debt service	<u>236,311</u>
Total restricted assets	<u>304,961</u>
Property, plant and equipment, net	<u>5,291,740</u>
Total assets	<u>\$ 7,372,025</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current liabilities (payable from current assets):	
Accounts payable	\$ 25,165
Accrued salaries and related liabilities	2,022
Construction and retainage payable	923,803
Current portion of notes payable	130,040
Current portion of URAF liability	65,211
Sales tax payable	<u>1,288</u>
Total current liabilities (payable from current assets)	<u>1,147,529</u>
Current liabilities (payable from restricted assets):	
Accrued interest payable	6,547
Current portion of notes payable	83,000
Meter deposits	<u>68,650</u>
Total current liabilities (payable from restricted assets)	<u>158,197</u>
Long-term liability:	
URAF liability	260,837
Notes payable	<u>2,844,519</u>
Total long-term liabilities	<u>3,105,356</u>
Total liabilities	<u>4,411,082</u>
Net assets:	
Without donor restrictions	<u>2,960,943</u>
Total liabilities and net assets	<u>\$ 7,372,025</u>

The accompanying notes are an integral part of this statement.

East Central Vernon Water System, Inc.
Slagle, Louisiana

Statement of Activities
Year Ended December 31, 2023

Changes in net assets without donor restrictions

Program:

Water sales	\$ 1,017,285
Connection charges	34,630
Late charges	15,437
Interest income	25,160
Miscellaneous income	<u>361</u>
Total unrestricted revenues	<u>1,092,873</u>

Expenses:

Program services	856,575
Supporting services	<u>210,328</u>
Total expenses	<u>1,066,903</u>

Operating income 25,970

Other increases in net assets:

Forgiveness of debt 509,474

Change in net assets without donor restrictions 535,444

Net assets, beginning of year 2,425,499

Net assets, end of year \$ 2,960,943

The accompanying notes are an integral part of this statement.

East Central Vernon Water System, Inc.
Slagle, Louisiana

Statement of Functional Expenses
Year Ended December 31, 2023

PROGRAM SERVICES

Advertising and promotion	\$ 6,923
Auto and truck	31,590
Chemicals	17,562
Depreciation expense	231,734
DHH admin fee	6,552
Employee benefits	10,501
Insurance expense	25,790
Meter readers	61,991
Miscellaneous expense	231
Office expense	19,487
Professional fees	12,318
Repairs and maintenance	152,080
Salaries	177,560
Payroll taxes	14,074
Small tools and supplies	1,356
Taxes and licenses	1,370
Telephone	9,139
Training	355
Travel	1,511
Utilities	<u>74,451</u>

TOTAL PROGRAM SERVICES \$ 856,575

SUPPORTING SERVICES

Bank charges	\$ 54
Board per diem	2,975
Dues and subscriptions	1,638
Employee benefits	5,169
Interest expense	107,031
Office expense	11,620
Salaries	75,629
Payroll taxes	5,786
Miscellaneous expense	<u>426</u>

TOTAL SUPPORTING SERVICES \$ 210,328

The accompanying notes are an integral part of this statement.

East Central Vernon Water System, Inc.
Slagle, Louisiana

Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets without donor restrictions	\$ 535,444
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	231,734
Forgiveness of debt	(509,474)
Changes in operating assets:	
Accounts receivable	7,871
Due from government entity	(899,055)
Changes in operating liabilities:	
Accounts and other payables	15,067
Construction and retainage payable	897,753
Accrued salaries and payables	(916)
Meter deposits	(950)
Sales tax payable	(37)
Total adjustments	<u>(258,007)</u>
Net cash provided by operating activities	<u>277,437</u>
Cash flows from investing activities:	
Purchase of property, plant and equipment	(1,104,004)
Proceeds of interest-bearing deposits with maturity in excess of ninety days	703,000
Purchase of interest-bearing deposits with maturity in excess of ninety days	<u>(720,000)</u>
Net cash used by investing activities	<u>(1,121,004)</u>
Cash flows from financing activities:	
Proceeds from DHH loan/loan forgiveness	1,039,744
Repayments of debt	<u>(269,825)</u>
Net cash provided by financing activities	<u>769,919</u>
Net change in cash and cash equivalents	(73,648)
Cash and cash equivalents, beginning of period	<u>607,913</u>
Cash and cash equivalents, end of period	<u>\$ 534,265</u>

The accompanying notes are an integral part of this statement.

East Central Vernon Water System, Inc.
Slagle, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2023

Reconciliation of cash and cash equivalents per statement
of cash flows to the statement of financial position:

Cash and cash equivalents, beginning of period -	
Cash and cash equivalents - unrestricted	\$ 315,612
Cash and cash equivalents - restricted	
Cash - meter deposits	69,600
Cash - debt service	<u>222,701</u>
Total cash and cash equivalents, beginning of period	<u>607,913</u>
Cash and cash equivalents, end of period -	
Cash and cash equivalents - unrestricted	229,304
Cash and cash equivalents - restricted	
Cash - meter deposits	68,650
Cash - debt service	<u>236,311</u>
Total cash and cash equivalents, end of period	<u>534,265</u>
Net change in cash and cash equivalents	<u>\$ (73,648)</u>

Supplemental disclosure of cash flow information:

Cash paid during year for interest	<u>\$ 107,031</u>
Assets obtained with long term debt	<u>\$ 530,270</u>

The accompanying notes are an integral part of this statement.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Operations

East Central Vernon Water System, Inc. (Water System) is a nonprofit organization formed under the laws of the State of Louisiana on March 13, 1986. The Water System provides water to its members in the Vernon parish area. The Water System is governed by a board of directors composed of seven members elected by the members of the Water System.

B. Financial Statement Presentation

The Water System reports information regarding its financial position and activities according to two classes of net assets: Net Assets without Donor Restrictions and Net Assets with Donor Restrictions.

The financial statements of the Water System have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

C. Cash and Cash Equivalents

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, they have a maturity date no longer than three months. Certificates of deposit are classified separate from cash equivalents if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Certificates of deposit are stated at cost which approximates market.

D. Accounts Receivables and Allowance for Doubtful Accounts

Accounts receivable consists primarily of amounts due from billings to customers for water services. Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. Management periodically evaluates the status of all accounts receivable balances for collectability. The receivable balance is assessed based on management's knowledge and history of collection and the age of the receivable balance. An allowance is recorded for the customer receivables deemed to be uncollectible. As of December 31, 2023, the Water System has recorded a \$1,082 allowance for doubtful accounts.

E. Inventory

Inventory is stated at the lower of cost, using average cost method or fair value. At December 31, 2023, the amount of inventory the Water System had on hand was immaterial to the financial statements.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

F. Property, Plant and Equipment

Property, plant, and equipment, with an acquisition costs of \$1,000 or more is capitalized. Assets donated to the Water System are capitalized at their current fair market value. Property and equipment are valued at historical costs and are being depreciated on a straight-line basis.

G. 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.

H. Revenue and Expense Recognition

The Water System recognizes revenues on the accrual basis of accounting. Revenues from water sales and other charges are recognized at the time services are rendered. The performance obligations for substantially all services relate to contracts with terms of one year or less. As a result, the Water System does not separately disclose aggregate amounts of fully or partially unsatisfied performance obligations as of the end of the year. Substantially all other revenues are recorded when received. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

I. Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

J. Income Tax Status

The Water System is exempt from federal income tax as an organization described in Section 501(c) (12) of the Internal Revenue Code and, therefore has no provision for federal income taxes.

ASC 740 requires that a tax position be recognized or derecognized based on a "more than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. Management has analyzed the tax positions taken by the Water System and has concluded that as of December 31, 2023 there are no uncertain positions take 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.

K. Vacation, Sick Leave, and Compensated Absences

Employees of East Vernon Central Water System, Inc. earn ten (10) days of annual leave per year, if employed between one (1) to ten (10) years; and fifteen (15) days of annual leave per year, if employed for more than ten (10) years. Vacation time may be carried over each year, but upon termination or resignation the balance paid for annual leave is limited to \$2,500. No amounts were accrued for vacation payable due to the amounts being immaterial to the financial statements.

Sick leave is earned per pay period for employees and can be carried over with no limitation on the hours accrued. Sick leave is not payable on termination or resignation; it is recorded as an expense of the period in which paid.

L. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$6,923 for the year ended December 31, 2023.

M. Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to use estimates and make assumptions regarding certain types of assets, liabilities, support, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

(2) Contract Balances

The timing of revenue recognition, billings, and cash collections result in billed accounts receivable. The Water System requires customer deposits resulting in contract liabilities. The beginning and ending contract balances are as follows:

	December 31,	
	2023	2022
Accounts Receivable, net	\$ 63,915	\$ 71,786
Deposits	\$ 68,650	\$ 69,600

(3) Restricted Assets

Restricted assets relate to funds transferred to separate accounts to meet the requirements of the USDA Rural Development Loans, the Department of Health and Hospitals Drinking Water Revolving Loan and customer deposits. Specific requirements related to the reserve funds noted by the Rural Development Loan and Water Revolving Loans, dictate that certain minimum balances and monthly transfers are made timely. At December 31, 2023, the Water System was in compliance with these requirements.

Restricted assets are as follows:

Customer Deposits	\$ 68,650
DHH Water Revolving Loan	
Debt service fund	97,829
Debt service reserve fund	37,002
Capital additions and contingencies	101,480
Total	\$ 304,961

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

(4) Property, Plant and Equipment

A summary of property, plant and equipment is as follows:

Land	\$ 19,755
Buildings	38,235
Water distribution system	9,795,422
Office furniture & equipment	29,065
Machinery & equipment	199,232
Vehicle	<u>97,157</u>
Total property, plant and equipment	10,178,866
Less: Accumulated depreciation	<u>(4,887,126)</u>
Net property, plant and equipment	<u>\$ 5,291,740</u>

Property, plant, and equipment are pledged as collateral on all loans from USDA – Rural Development. Depreciation expense for the year ended December 31, 2023 was \$231,734.

(5) Changes in Long-Term Debt

\$1,986,000 promissory note payable to USDA-Rural Development dated January 14, 1992, due in monthly installments of \$9,752, including interest at 5%, final maturity at January 14, 2032.	\$ 762,286
\$475,000 promissory note payable to USDA-Rural Development dated January 14, 1992, due in monthly installments of \$2,333, including interest at 5%, final maturity at January 14, 2032.	182,064
\$800,000 promissory note payable to USDA-Rural Development dated December 22, 1994, due in monthly installments of \$4,056, including interest at 5%, final maturity at December 22, 2034.	369,939
\$2,315,000 promissory note, series 2015 due to DHH-Water Revolving Water Loan dated June 25, 2015. Payments are due in annual installments based on percentages specified in the note and semi-annual installments of interest at 2.95%. Final maturity is June 1, 2035. The agreement provided for 30% principal forgiveness on each principal drawdown, leaving a total amount of principal to be repaid of \$1,619,975.	1,213,000
\$1,300,000 promissory note, series 2023 due to DHH-Water Revolving Water Loan. Amount drawn through December 31, 2023 was \$1,039,744, of which \$530,270 is due to be paid back as part of the loan. The remaining \$509,474 was forgiven under the terms of the agreement. There is \$260,256 remaining for draw, of which \$132,730 will be added to the principal amount owed to DHH.	<u>530,270</u>
Less: current maturities	<u>(213,040)</u>
Long-term debt	<u>\$ 2,844,519</u>

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

The annual debt service requirements are as follows:

	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total payments</u>
2024	\$ 213,040	\$ 98,212	\$ 311,252
2025	222,771	88,988	311,759
2026	232,851	79,326	312,177
2027	243,298	69,209	312,507
2028	255,130	58,604	313,734
2029-2033	1,122,199	115,176	1,237,375
2034-2036	<u>238,000</u>	<u>7,081</u>	<u>245,081</u>
*Total	<u>\$ 2,527,289</u>	<u>\$ 516,596</u>	<u>\$ 3,043,885</u>

*This schedule does not include Series 2023 DHH – Water Revolving Water Loan, as it is undetermined at this time when it will be required to be repaid.

(6) URAF Liability

The Water System entered into funding arrangements with the State of Louisiana, Utility Relocation Assistance Fund (URAF). Under this program the Water System received funding for two different projects as follows:

Agreement #13946		
Permit #290-13946		
LA Hwy 8		\$ 120,031
Agreement #13905		
Permit #290-13905		
LA Hwy 121		<u>206,017</u>
Total URAF Liability		<u>\$ 326,048</u>

In accordance with the program requirements, no interest is charged to the Water System. The annual minimum repayment requirements are as follows:

	<u>LA Hwy 8</u>	<u>LA Hwy 121</u>	<u>Total payments</u>
2024	\$ 24,007	\$ 41,204	\$ 65,211
2025	24,007	41,204	65,211
2026	24,007	41,204	65,211
2027	24,007	41,204	65,211
2028	<u>24,003</u>	<u>41,201</u>	<u>65,204</u>
Total	<u>\$ 120,031</u>	<u>\$ 206,017</u>	<u>\$ 326,048</u>

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

(7) Retirement Commitments

The Water System contributes up to 7% of an employee's annual salary to a defined contribution retirement plan, in the employee's name. Contributions to the plan at December 31, 2023 totaled \$15,670.

(8) Commitments and Contingencies

At December 31, 2023, the Water System had no pending litigation.

(9) Concentration of Credit Risk

The Water System maintains most of its cash deposits at one financial institution. Cash accounts at banks are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. The Water System had \$250,326 of deposits in excess of FDIC insurance at December 31, 2023.

(10) Compensation of Board Members

A detail of the per diem paid to the President of the board and board members for the year ended December 31, 2023 follows:

Board Members:

Ronald Lewis	\$ 525
Willie Banks, Jr.	600
Joe Lynn Bolton	700
Ray Charrier	350
Juanita Bolton	400
Lowell Brown	400
	<u>\$ 2,975</u>

(11) Compensation, Benefits, and Other Payments to Board President

A detail of compensation, benefits, and other payments paid to President Ronald Lewis for the year ended December 31, 2023 are as follows:

<u>Purpose</u>	<u>Amount</u>
Per Diem	<u>\$ 525</u>

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Financial Statements

(12) 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	\$ 229,304
Accounts receivable	<u>63,915</u>
Total current assets	<u>\$ 293,219</u>

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 has 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.

(13) Subsequent Event Review

The Water System has evaluated subsequent events through June 13, 2024, the date which the financial statements were available to be issued.

INTERNAL CONTROL

AND

COMPLIANCE

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
East Central Vernon Water System, Inc.
Slagle, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Central Vernon Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Central Vernon Water System, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Central Vernon Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of East Central Vernon Water System, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of East Central Vernon Water System, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central Vernon Water System, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Central Vernon Water System, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on East Central Vernon Water System Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and managements corrective action plan. East Central Vernon Water System Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 13, 2024

KOLDER, SLAVEN & COMPANY, LLC

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

The Board of Directors
East Central Vernon Water System, Inc.
Slagle, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Central Vernon Water System, 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 of East Central Vernon Water System, Inc.'s major federal programs for the year ended December 31, 2023. East Central Vernon Water System, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, East Central Vernon Water System, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of East Central Vernon Water System, 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 major federal program. Our audit does not provide a legal determination of East Central Vernon Water System, 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 East Central Vernon Water System, Inc.'s federal program.

Auditor's 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 East Central Vernon Water System 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 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 East Central Vernon Water System, Inc.'s compliance with the requirements of the 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 East Central Vernon Water System, 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 East Central Vernon Water System, 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 East Central Vernon Water System, 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 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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 13, 2024

East Central Vernon Water System, Inc.
Slagle, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Name	Assistance Listing Number	Pass-Through Identifying No.	Federal Expenditures	Amounts Passed Through to Subrecipients
<u>Environmental Protection Agency</u>				
Passed through the Louisiana Department of Health and Human Services				
Drinking Water State Revolving Fund - DWSRF Cluster				
	66.468	1115117-02	\$ 1,039,744	\$ -
Total Expenditures of Federal Awards			<u>\$ 1,039,744</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Notes to the Schedule of Expenditures of Federal Awards

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of East Central Vernon Water System, Inc. under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of East Central Vernon Water System, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of East Central Vernon Water System, Inc.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the System's basic financial statements for the year ended December 31, 2023. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The System has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

(4) Loans outstanding

The System had debt balance outstanding of \$530,270 at December 31, 2023 as it relates to the Capitalization Grants for Drinking Water State Revolving Funds CFDA 66.468.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Part I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes x No
Significant deficiencies identified? x Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes x No
Significant deficiencies identified? _____ Yes x None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes x No

Major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund DWSRF Cluster

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

Auditee qualified as low risk auditee. _____ Yes x No

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Internal Control Findings -

See internal control findings 2023-001 and 2023-002 on the schedule of current and prior year audit findings and management's corrective action plan.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

B. Compliance Findings –

None reported.

Part III. Findings and questioned costs – Federal Award Programs

A. Internal Control Findings –

None reported.

B. Compliance Findings -

None reported.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended December 31, 2023

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2023-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown.

CONDITION: The East Central Vernon Water System, Inc. did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Water System does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board concurs with the audit finding. Due to size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are given to segregate duties where feasible. In an effort to establish more sound controls the Board monitors activity and balances in all accounts.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended December 31, 2023

2023-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown.

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to nonprofit and quasi-public entities in the financial statement preparation process.

CRITERIA: The Water System's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statement, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The cause of the condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related supporting transactions may reflect a departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CORRECTIVE ACTION PLAN: We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receive annual training related to their job duties. Additionally, we carefully review the financial statements, related notes and all proposed journal entries. All questions are adequately answered by our Auditors to allow us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk caused by this finding.

B. Compliance

There were no compliance findings to report.

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended December 31, 2023

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

CONDITION: The East Central Vernon Water System, Inc. did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2023-001.

2022-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to nonprofit and quasi-public entities in the financial statement preparation process.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2023-002.

B. Compliance

There were no compliance findings to report.

East Central Vernon Water System

P.O. Box 290
Slagle, LA 71475
Phone (337) 238-9009
Fax (337) 238-5006

June 13, 2024

The East Central Vernon Water System, Inc respectfully submits the following schedule of current audit findings for the for the year ended December 31, 2023.

Audit conducted by:

Kolder, Slaven & Company, LLC
1428 Metro Dr.
Alexandria, LA 71301

The findings from the December 31, 2023, schedule of findings and questioned costs are discussed below. Each finding is numbered consistently with the number assigned to the schedule.

FINDING – FINANCIAL AUDIT

2023-001 Inadequate Segregation of Accounting Functions

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CORRECTIVE ACTION PLAN: The Board concurs with the audit finding. Due to size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are given to segregate duties where feasible. In an effort to establish more sound controls the Board monitors activity and balances in all accounts.

2023-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to nonprofit and quasi-public entities in the financial statement preparation process.

CORRECTIVE ACTION TAKEN: We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receive annual training related to their job duties. Additionally, we carefully review the financial statements, related notes and all proposed journal entries. All questions are adequately answered by our Auditors to allow us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk caused by this finding.

If there are questions regarding the plan, please call Linda Smith, System Administrator, at 337-238-9009.

Sincerely,



Linda Smith
System Administrator

East Central Vernon Water System

P.O. Box 290
Slagle, LA 71475
Phone (337) 238-9009
Fax (337) 238-5006

June 13, 2024

The East Central Vernon Water System, Inc respectfully submits the following schedule of prior audit findings for the for the year ended December 31, 2022.

Audit conducted by:

Kolder, Slaven & Company, LLC
1428 Metro Dr.
Alexandria, LA 71301

FINDING – FINANCIAL AUDIT

2022-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The East Central Vernon Water System, Inc. did not have adequate segregation of functions within the accounting system.

CORRECTIVE ACTION TAKEN: See 2023-001 The Board concurs with the audit finding. Due to size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are given to segregate duties where feasible. In an effort to establish more sound controls the Board monitors activity and balances in all accounts.

2022-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to nonprofit and quasi-public entities in the financial statement preparation process.

CORRECTIVE ACTION TAKEN: See 2023-002 We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receive annual training related to their job duties. Additionally, we carefully review the financial statements, related noted and all proposed journal entries. All questions are adequately answered by our Auditors to allow us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk cause by this finding.

If there are questions regarding the plan, please call Linda Smith, System Administrator, at 337-238-9009.

Sincerely,



Linda Smith
System Administrator

EAST CENTRAL VERNON WATER SYSTEM, INC.
Slagle, Louisiana

Statewide Agreed-Upon Procedures Report

Fiscal Period January 1, 2023 through December 31, 2023

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of the,
East Central Vernon Water System, Inc. and the
Louisiana Legislative Auditor

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

The East Central Vernon Water System, 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 period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

- iii) **Disbursements**, including processing, reviewing, and approving.
- iv) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- viii) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ix) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that document is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the procedures and discussed the results with management.

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

2) Board or Finance Committee

- A. Obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i) Observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii) For those entities reporting on the governmental accounting model, we observed 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 all special revenue funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii) For governmental entities, we obtained the prior year audit report and observed the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, we observed 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.
 - iv) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

3) Bank Reconciliations

- A. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and randomly selected 4 additional accounts (or all accounts if less than 5). Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for selected each account, and observed that:
- i) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - ii) Bank reconciliations included 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
 - iii) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

4) Collections (excluding electronic funds transfers)

- A. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected 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 observed that job duties are properly segregated at each collection location such that:
- i) Employees that are responsible for cash collections do not share cash drawers/registers.
 - ii) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - iii) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - iv) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observed the bond or insurance policy for theft was enforced during the fiscal period.
- D. Randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtained supporting documentation for each of the 10 deposits and:
- i) Observed that receipts are sequentially pre-numbered.
 - ii) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii) Traced the deposit slip total to the actual deposit per the bank statement.

- iv) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- v) Traced the actual deposit per the bank statement to the general ledger.

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

- A. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
- B. For each location selected under #5A above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:
 - i) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii) At least two employees are involved in processing and approving payments to vendors.
 - iii) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - iv) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - v) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under #5A above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
 - i) Observed whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B above, as applicable.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly selected 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observed that each electronic disbursement was (a) approved only by those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month/or account for testing that does include electronic disbursements.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:
- i) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - ii) Observed that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

- A. Obtained 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 selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i) If reimbursed using a per diem, observed the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- ii) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- iii) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii.)
- iv) Observed each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

8) Contracts

- A. Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtained management's representation that the listing is complete. Randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i) Observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - ii) Observed whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - iii) If the contract was amended (e.g. change order), observed 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).
 - iv) Randomly selected one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agreed the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

9) Payroll and Personnel

- A. Obtained a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees or officials, obtain related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

- B. Randomly selected one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtained attendance records and leave documentation for the pay period, and:
- i) Observed 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 do not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii) Observed whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii) Observed any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv) Observed the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtained a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees or officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agreed the hours to the employee or officials' cumulative leave records, agreed the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- D. Obtained management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

10) *Ethics*

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A above, obtained ethics documentation from management, and:
- i) Observed whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii) Observed 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.
- B. Inquired and/or observed whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

- A. Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Selected all debt instruments on the listing, obtained supporting documentation, and observed State Bond Commission approval was obtained for each debt instrument issued.
- B. Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed 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).

12) Fraud Notice

- A. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observed 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.

13) Information Technology Disaster Recovery/ Business Continuity

- A. Performed the following procedures, **verbally discussed the results with management, and report "We performed the procedures and discussed the results with management."**
 - i) Obtained and inspected 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 observed that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observed evidence that backups are encrypted before being transported.
 - ii) Obtained and inspected the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquired of personnel responsible for testing/ verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.
 - iii) Obtained a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly selected 5 computers and observed while management demonstrated that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

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

We performed the procedures and discussed the results with management.

14) Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtained sexual harassment training documentation from management, and observed that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observed the entity has posted its sexual harassment policy and compliant procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtained the entity's annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed it includes the applicable requirements of R.S. 42:344:
- i) Number and percentage of public servants in the agency who have completed the training requirements;
 - ii) Number of sexual harassment complaints received by the agency;
 - iii) Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv) Number of complaints which resulted in a finding that sexual harassment resulted in discipline or corrective action; and
 - v) Amount of time it took to resolve each complaint.

Findings:

No exceptions were found as a result of applying procedures listed above except:

Written policies and procedures:

East Central Vernon Water System, Inc. did not have written policies and procedures addressing budgeting, purchasing, receipts/collections, payroll processing, approval process for employee rates of pay, contracting, travel and expense reimbursement dollar thresholds by category, required approvers for travel and expense reimbursement, credit cards, and debt service.

Collections:

The employee responsible for collecting cash also makes deposits, posts to the ledger, and reconciles bank statements.

Non-payroll disbursements:

No written policy exists prohibiting the person responsible for processing payments from adding/modifying vendor files.

Fraud notice:

The System does not have the notice required by R.S. 24:523.1 posted on its website.

Management’s Response

The management of the East Central Vernon Water System, Inc. concurs with the exceptions and are working to address the deficiencies identified.

We were engaged by the East Central Vernon Water System, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the System 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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 13, 2024