

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

Financial Statements
With Independent Auditor's Report

As of and for the Year Ended
December 31, 2023

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

Financial Statements
With Independent Auditor's Report

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

BOARD OF DIRECTORS
WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Wards 4&5 Water System, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Wards 4&5 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

I conducted my audit 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 *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Wards 4&5 Water System, Inc., and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities Of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

BOARD OF DIRECTORS
WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report

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 Wards 4&5 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 Responsibilities for the Audit of the Financial Statements

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

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

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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 Wards 4&5 Water System, Inc.'s, internal control. Accordingly, no such opinion is expressed.
4. 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.
5. Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wards 4&5 Water System, Inc.'s, ability to continue as a going concern for a reasonable period of time.

BOARD OF DIRECTORS
WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for the purpose 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 my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head 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*, I have also issued my report dated March 26, 2024, on my consideration of Wards 4&5 Water System, Inc.'s internal control over financial reporting and on my 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 my 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 Wards 4&5 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 Wards 4&5 Water System, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
March 26, 2024

FINANCIAL STATEMENTS

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS

Current assets:

Cash	\$83,275
Investments - certificate of deposit	34,341
Accounts receivable	12,614
Total current assets	130,230
Cash with contractual restrictions	72,479
Property, plant, and equipment (net of accumulated depreciation)	285,108

TOTAL ASSETS

\$487,817**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$4,533
Customer meter deposits	34,200
Total current liabilities	38,733
Net assets without donor restrictions	449,084

TOTAL LIABILITIES AND NET ASSETS

\$487,817

See accompanying notes and independent auditor's report.

Statement B

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Operating Revenue:	
Water sales	\$155,789
Connect fees	1,225
Reconnect fees	1,699
Installation fees	5,600
Other	100
Total operating revenue	<u>164,413</u>
Operating Expenses:	
Utilities	14,684
Insurance	3,839
Supplies	9,668
Chemicals	9,797
Contact labor	67,203
Office supplies	1,699
Accounting	1,840
Postage	2,232
Dues and subscriptions	3,976
Car expense	2,000
Safe drinking water fee	3,865
Depreciation	16,696
Other	1,828
Total operating expenses	<u>139,327</u>
Operating Income	<u>25,086</u>
Non-Operating Revenue:	
Interest income	377
Federal grant	85,000
Total non-operating revenue	<u>85,377</u>
Increase in Net Assets	110,463
Net Assets at Beginning of Year, Restated	<u>338,621</u>
Net Assets at End of Year	<u>\$449,084</u>

See accompanying notes and independent auditor's report.

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	<u>\$110,463</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	16,696
Decrease in accounts receivable	3,737
Decrease in due from United States Department of Agriculture	537
Increase in accounts payable	1,577
Increase in customer meter deposits	1,100
Interest income	(377)
Federal grant revenue	<u>(85,000)</u>
Total adjustments	<u>(61,730)</u>
Net cash provided by operating activities	<u>48,733</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Construction of capital assets	(12,521)
Federal grant revenue	<u>85,000</u>
Net cash provided by financing activities	<u>72,479</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	377
Increase in investments - certificate of deposit	<u>(34,341)</u>
Net cash used by financing activities	<u>(33,964)</u>
NET INCREASE IN CASH	87,248
CASH AT BEGINNING OF YEAR	<u>68,506</u>
CASH AT END OF YEAR	<u><u>\$155,754</u></u>
Reconciliation of cash per statement of cash flows to cash per statement of financial position:	
Cash	\$83,275
Cash with contractual restrictions	<u>72,479</u>
Total cash and cash equivalents	<u><u>\$155,754</u></u>

See accompanying notes and independent auditor's report.

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Wards 4&5 Water System, Inc. (the “water system”), is a nonprofit organization domiciled in Columbia, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Wards 4&5 Water System, Inc., provides water to members residing within the territorial boundaries of the water system. The water system has approximately 339 members and no employees.

B. RECEIVABLES

Accounts receivable consist of amounts due from active members for water service provided prior to year end. Receivables are generally reported at the net amount expected to be collected by using an allowance for credit losses. On January 1, 2023, the water system adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (Accounting Standards Codification (“ASC”) 326). This standard changes the method of recognizing credit losses from the incurred loss method to the current expected loss method. ASC 326 requires that the estimate of credit losses on trade receivables be based not only on historical experience but also on current conditions and reasonable forecasts of future events. The water system is of the opinion that an allowance for credit losses at December 31, 2023, is immaterial to the financial statements taken as a whole; therefore, no allowance for credit losses has been reported in the accompanying financial statements. It is the water system’s policy to disconnect water service for members who have not paid their account 60 days past the due date which is the 15th of the following month. Past due accounts are written off when they are considered uncollectible by management.

C. PROPERTY, PLANT, AND EQUIPMENT

Major improvements to the water system, construction in progress, buildings, and equipment costing \$1,000 or more and that are expected to have a useful life of at least five years is capitalized by the water system. Property, plant, and equipment is recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

useful lives of 25-40 years for the water production and distribution system, 25 years for the building, and 5 years for equipment. Depreciation expense for the year ended December 31, 2023 was \$16,696.

D. FEDERAL GRANT FUNDS

The accounting and reporting of grants is determined by the underlying substance of the transaction. A grant may be accounted for as contribution, an exchange transaction, or a combination of the two. If it is determined to be a contribution, a grant may be considered a conditional or an unconditional grant.

The water system has adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides clarified guidance on evaluating whether grant funds should be accounted for as a contribution or an exchange transaction based on whether the grantor is receiving value in return for the resources transferred to the grantee. Grant funds are considered contributions if the grantor does not receive commensurate value in exchange for the assets transferred. ASU 2018-08 also provides guidance to determine whether grants funds that are accounted for as contributions are considered conditional or unconditional. Grant funds are considered conditional if the grantee must overcome one or more barriers before it is entitled to the funds and a right of return to the grantor exists for funds transferred. For conditional grants, revenue is recognized in the period the condition or conditions are met. For grants that are considered unconditional, revenue is recognized in the period the grant funds are received.

For the year ended December 31, 2023, the water system received \$85,000 in American Rescue Plan Act of 2021 (“ARPA”) funding as a sub-recipient passed through the Caldwell Parish Police Jury (the “Police Jury”). The ARPA funding is accounted for as a contribution and is considered conditional because the agreement with the Police Jury provides that the funding must be used for eligible expenses. Contributions that are considered conditional are reported as increases in net assets without donor restrictions if the restrictions are met in the same accounting period in which the contributions are received.

E. INCOME TAX STATUS

The water system is a non-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

WARDS 4&5 WATER SYSTEM, INC.
Notes to the Financial Statements

The water system's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2020, 2021, and 2022 are subject to examination by the IRS, generally for three years after they are filed.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. FUNCTIONAL ALLOCATION OF EXPENSES

The water system's only activity is to provide water service to its members. All costs incurred by the water system are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2023, the water system has cash, investments, and cash with contractual restrictions (book balances) as follows:

Checking account	\$151,487
Savings account	4,267
Certificate of deposit	<u>34,341</u>
Total	<u>\$190,095</u>

Cash (bank balances) at December 31, 2023 are fully secured by federal deposit insurance.

3. RECEIVABLES

Receivables at December 31, 2023 consist of the following:

Billed water sales	\$10,555
Unbilled water sales	2,059
Less - allowance for credit losses	<u>NONE</u>
Net	<u>\$12,614</u>

WARDS 4&5 WATER SYSTEM, INC.
Notes to the Financial Statements

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively ASC 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The water system's revenue from contracts with customers within the scope of ASC 606 is reported as water sales, connect fees, and installation fees on the Statement of Activities. Water sales are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed monthly for the number of gallons of water delivered during the previous month and payment is due by the 15th of the following month. The receivable for water fees was \$13,884 at the beginning of the year and \$12,614 at the end of the year. Reconnect fees are recognized when the service is requested.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system's financial assets as of December 31, 2023, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date:

Financial assets at December 31, 2023	\$202,709
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions - unexpended ARPA grant funds	<u>(72,479)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u><u>\$130,230</u></u>

6. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment at December 31, 2023 follows:

Production and distribution system	\$948,332
Office building	4,560
Construction in progress - cellular meter reading system	<u>12,521</u>
	965,413
Less accumulated depreciation	<u>(680,305)</u>
Net	<u><u>\$285,108</u></u>

7. RESTATEMENT OF BEGINNING NET ASSETS

Net assets at the beginning of the year were restated as follows:

WARDS 4&5 WATER SYSTEM, INC.
Notes to the Financial Statements

Net assets at December 31, 2022, as previously reported	\$336,154
Adjustment for correction of an error - receivables understated by amount of unbilled revenue	<u>2,467</u>
Net assets at January 1, 2023, restated	<u>\$338,621</u>

The error in the amount recorded for receivables in the prior period resulted in the change in net assets for the year ended December 31, 2022, to be understated by \$2,467.

8. CONTINGENCIES

As discussed in Note 1D, during the year ended December 31, 2023, the water system received \$85,000 in ARPA funding as a sub-recipient passed through the Caldwell Parish Police Jury. Grant expenses are subject to audit and adjustment by grantor agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the grant funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9. SUBSEQUENT EVENTS

The water system has evaluated subsequent events through March 26, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

Supplemental Information
As of and For the Year Ended December 31, 2023

**COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented in compliance with Louisiana Revised Statute 24:513 A (3).

Schedule 1

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2023

Agency Head - Kenneth Finley, Jr. - President

NONE

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**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***

BOARD OF DIRECTORS
WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

I have audited, 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 *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Wards 4&5 Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated March 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Wards 4&5 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wards 4&5 Water System, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Wards 4&5 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

BOARD OF DIRECTORS
WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana
Independent Auditor's Report on
Internal Control Over Financial
Reporting and on Compliance
and Other Matters, etc.
December 31, 2023

My 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. I identified a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2023-001 that I consider to be a material weakness.

Report on Compliance and Other Matters

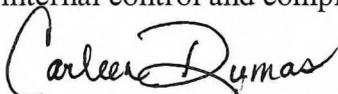
As part of obtaining reasonable assurance about whether Wards 4&5 Water System, Inc.'s financial statements are free from material misstatement, I performed tests of Wards 4&5 Water System, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wards 4&5 Water System, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Wards 4&5 Water System, Inc.'s response to the finding identified in my audit and described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Wards 4&5 Water System, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wards 4&5 Water System Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wards 4&5 Water System, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana

March 26, 2024

WARDS 4&5 WATER SYSTEM, INC.
Columbia, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2023

Section I - Summary of Auditor's Reports

Financial Statements

1. Type of auditor's report issued - Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified? - Yes
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

2023-001. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: The duties of maintaining the accounting records, reconciling the bank accounts, and billing and posting customer payments to customers accounts is performed by one individual.

Cause: Limited number of employees due to the small size of the water system.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None.

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the water system and its limited revenues.