DRINKING WATER REVOLVING LOAN FUND

STATE OF LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2025

ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Drinking Water Revolving Loan Fund, an enterprise fund of the State of Louisiana, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Drinking Water Revolving Loan Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Drinking Water Revolving Loan Fund, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 the Drinking Water Revolving Loan Fund 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 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.

Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

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 the Drinking Water Revolving Loan Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Drinking Water Revolving Loan Fund'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 the Drinking Water Revolving Loan Fund'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.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Drinking Water Revolving Loan Fund's basic financial statements. 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. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.
In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2026, on our consideration of the Drinking Water Revolving Loan Fund'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 the Drinking Water Revolving Loan Fund'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 Drinking Water Revolving Loan Fund's internal control over financial reporting and compliance.

July 22, 2026
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

DRINKING WATER REVOLVING LOAN FUND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Loan Program Fund	Administration Fund	Total
CURRENT ASSETS:			
Cash and cash equivalents	$ 201,297,245	$ 28,060,723	$ 229,357,968
Loan interest receivable	801,376	183,314	984,690
Interest due from state treasury	321,134	46,970	368,104
Loans receivable - current portion	13,590,134	-	13,590,134
Total current assets	216,009,889	28,291,007	244,300,896
NON-CURRENT ASSETS:			
Loans receivable	143,599,078	-	143,599,078
Total assets	$ 359,608,967	$ 28,291,007	$ 387,899,974
CURRENT LIABILITIES:			
Accounts payable	$ 354,895	-	$ 354,895
Unearned revenue	28,316	-	28,316
Total current liabilities	383,211	-	383,211
NET POSITION:			
Unrestricted	359,225,756	28,291,007	387,516,763
Total liabilities and net position	$ 359,608,967	$ 28,291,007	$ 387,899,974

See accompanying NOTES TO FINANCIAL STATEMENTS

DRINKING WATER REVOLVING LOAN FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2025

	Loan Program Fund	Administration Fund	Total
OPERATING REVENUES:			
Federal funds - set-aside programs	$ 1,643,115	$ -	$ 1,643,115
Interest earned on loans receivable	3,179,425	-	3,179,425
Administrative fees	4,024,929	1,305,858	5,330,787
Total operating revenues	8,847,469	1,305,858	10,153,327
OPERATING EXPENSES:			
Set-aside expenses (note 4)	1,613,570	-	1,613,570
Bond expenses (note 5)	111,796	-	111,796
Principal forgiveness - Environmental Protection Agency	13,941,170	-	13,941,170
Total operating expenses	15,666,536	-	15,666,536
Operating income (loss)	(6,819,067)	1,305,858	(5,513,209)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	8,292,798	8,292,798
Total non-operating revenues	-	8,292,798	8,292,798
Income (loss) before other revenues and expenses	(6,819,067)	9,598,656	2,779,589
CAPITAL CONTRIBUTIONS:			
Environmental Protection Agency capitalization grant	23,516,604	-	23,516,604
Total capital contributions	23,516,604	-	23,516,604
Increase (decrease) in net position	16,697,537	9,598,656	26,296,193
Net position, beginning of year	342,528,219	18,692,351	361,220,570
Net position, end of year	$359,225,756	$ 28,291,007	$ 387,516,763

See accompanying NOTES TO FINANCIAL STATEMENTS

DRINKING WATER REVOLVING LOAN FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Loan Program Fund	Administration Fund	Total
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:			
Cash received from interest on loans	$ 3,125,124	$ -	$ 3,125,124
Cash received from interest on cash in State Treasury	3,785,299	549,511	4,334,810
Cash received from administrative fees	-	693,665	693,665
Cash received from repayment of loan principal	9,645,473	-	9,645,473
Cash received from allocations for set-aside programs	2,328,013	-	2,328,013
Cash payments for set-aside programs	(2,328,013)	-	(2,328,013)
Cash payments to borrowers	(38,448,685)	-	(38,448,685)
Net cash from (used for) operating activities	(21,892,789)	1,243,176	(20,649,613)
CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES:			
Contributed capital	23,516,604	-	23,516,604
Intergovernmental revenue	-	8,292,798	8,292,798
Proceeds from issuance of bonds	1,500,000	-	1,500,000
Principal paid on bonds	(1,500,000)	-	(1,500,000)
Bond interest expense	(271)	-	(271)
Bond commitment, authorization fees and bond issuance costs	(111,524)	-	(111,524)
Net cash from noncapital financing activities	23,404,809	8,292,798	31,697,607
Net change in cash and cash equivalents	1,512,020	9,535,974	11,047,994
Cash and cash equivalents - beginning of year	199,785,224	18,524,750	218,309,974
Cash and cash equivalents - end of year	$ 201,297,244	$ 28,060,724	$ 229,357,968

See accompanying NOTES TO FINANCIAL STATEMENTS

DRINKING WATER REVOLVING LOAN FUND

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

	Loan Program Fund	Administration Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (6,819,067)	$ 1,305,858	$ (5,513,209)
Adjustments to reconcile operating income to net cash from operating activities:			
Bond issuance costs	111,524	-	111,524
Bond interest expense	271	-	271
Change in assets:			
Loan interest receivable	(52,172)	(17,999)	(70,171)
Due from others	(267,946)	(44,683)	(312,629)
Loans receivable	(14,341,988)	-	(14,341,988)
Change in liabilities:			
Accounts payable	(522,182)	-	(522,182)
Unearned revenue	(1,229)	-	(1,229)
Net cash from (used for) operating activities	$ (21,892,789)	$ 1,243,176	$ (20,649,613)
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Principal forgiveness on loans - Environmental Protection Agency	$ 13,776,328	$ -	$ 13,776,328

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Louisiana Department of Health, Office of Public Health (LDH-OPH) is a department of the State of Louisiana. LDH-OPH was created in accordance with Louisiana Revised Statutes (R.S.) 36:251(c) and 258(b) as a part of the executive branch of government. LDH-OPH is charged with protection of the public health of residents of the State of Louisiana.

The Drinking Water Revolving Loan Fund (DWRLF) program was established pursuant to the federal Safe Drinking Water Act Amendments of 1996 (SDWA). The DWRLF program provides financial assistance to both publicly- and privately-owned community water systems and nonprofit non-community water systems for projects eligible under the SDWA. The DWRLF program presently operates under R.S. 40:2821-2826. These statutes establish a DWRLF program capitalized by federal grants (Capitalization Grants for Drinking Water State Revolving Funds, Assistance Listing 66.468), by state funds when required or available, and by any other funds generated by the operation of the program. The DWRLF program provides assistance through loans for infrastructure projects and other assistance in the form of set-aside activities for program administration, technical assistance, state program management, local assistance, and other state programs. All efforts are directed toward improving drinking water quality by assisting systems in providing drinking water that meets established standards and that achieves the goals of the SDWA. LDH-OPH is responsible for the operations and administration of the DWRLF program. LDH-OPH is authorized to apply for and accept capitalization grants from the United States Environmental Protection Agency (EPA), to establish assistance priorities, to perform oversight and other related activities, and to provide financial administration of the set-aside and loan accounts for the DWRLF program.

Personnel

The DWRLF does not have any full-time employees. However, time spent on the DWRLF program by employees of LDH-OPH is captured, and the DWRLF subsequently reimburses LDH-OPH for salaries and benefits as well as other operating expenses of the fund.

Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the state of Louisiana. The accompanying financial statements represent activity of a fund of the state of Louisiana that is administered by LDH-OPH, a department within state government. The DWRLF is part of the primary government of the state of Louisiana.

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

Annually, the State of Louisiana issues an annual comprehensive financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

Financial Statement Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by GASB.

Fund Accounting

For financial reporting purposes, DWRLF uses a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Net Position

Net position comprises the various net earnings from operations, nonoperating revenues, and contributions of capital. Net position is classified in the following components as applicable

- *Net Investment in Capital Assets* - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* - Consists of amounts with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

- *Unrestricted* - All other amounts that do not meet the definition of "restricted" or "net investment in capital assets." All of DWRLF's resources are unrestricted.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the DWRLF are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position.

The DWRLF uses the accrual basis of accounting. Revenues are recognized in the accounting period when they are earned, and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the DWRLF are federal funds and interest earnings. Operating expenses include the set-aside expenses. Non-operating revenue consists of match dollars received through state appropriations.

Use of Estimates

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

Budgets and Budgetary Accounting

The DWRLF is budgeted annually by the Louisiana Legislature. The set-aside activities are budgeted as part of the operations of LDH-OPH in the General Appropriations Act. The Ancillary Appropriations Act (Act 408 of the 2023 Regular Session) authorized expenditures of $56,281,256 for the loan program. The fund is allowed to retain resources to fund future loans and eligible program activities. Because the fund is an enterprise fund, a budgetary comparison is neither required nor presented in the financial statements.

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The statement of cash flows considers all funds deposited with the Louisiana Department of Treasury to be cash and cash equivalents, regardless of actual maturities.

Loans Receivable

DWRLF is operated as a direct loan program. The program provides loans and other financial assistance to public water systems for the purpose of planning, constructing, and rehabilitating public water systems.

The program lends federal and state monies directly to public water systems. For every \$5 provided by the federal government, the state is required to provide a matching share of \$1. The effective match share reflects a federal rate of 78.66% and a state rate of 21.34% for the FFY2023 Capitalization Grant (FS-99696826) and 90.91% federal and 9.09% state for the IIJA Base Supplemental Grant (4D-02F22702) and 83.33% federal and 16.67% state for the IIJA Base Supplemental Grant (4D-02F22703). Recycling of principal and interest repayments from borrowing water systems allows the program to operate in perpetuity thereby benefiting other water systems wishing to borrow in the future.

Borrowers pay principal and interest directly to the loan program, and all monies are deposited directly into the program. Principal repayments can only be used to make additional loans to water systems. Interest earnings on investments and loans can also be used to make additional loans. In addition, with EPA approval, interest earnings on investments and loans are used to pay off revenue bonds sold to capitalize the program by providing state matching funds.

Loans made by DWRLF must be made at or below market interest rate with a repayment period not exceeding 20, 25, or 30 years plus an interim construction-financing period. The current loan rate is 1.95% for new water construction/water system rehabilitation projects. In addition, water systems are charged an administrative fee of 0.5% on outstanding loan balances payable semiannually. Interest and administrative fees are calculated from the date that funds are advanced and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed.

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable (Continued)

As evidence of its obligations to pay principal and interest on the loans, each borrower must establish a dedicated source of revenue (or in the case of a privately-owned system, demonstrate that there is adequate security) for repayment of the loan [42 USC 300j-12(f)(1)(D)]. For substantially all of these loans, the loan recipient issues bonds that are purchased by LDH, as administrator of the DWRLF, to secure the repayment of the principal loaned. Principal and interest on the bonds are paid to the DWRLF and upon repayment of the loan, the bonds are returned to the loan recipient. Minimum required coverage ratios are established depending on the nature of the bonded indebtedness issued by the loan recipient as follows:

- Limited tax bonds: the principal and interest due in any year on the amount borrowed shall not exceed 75% of the revenues estimated to be received from the levy of the pledged millage in the year in which the indebtedness is issued [R.S. 39:522(B)].

- Sales tax bonds: the total amount of principal and interest falling due in any year, together with principal and interest falling due in such year on any previously issued sales tax bonds, shall never exceed 75% of the amount of sales tax revenues estimated by the governing authority of the issue to be received by it in the calendar year in which the bonds are issued [R.S. 39:523(C)].

- Revenue bonds: the requirements for coverage are established contractually in the loan documents [R.S. 39:524(G)]. Expected coverage ratios might range from 110% to 130% or more. DWRLF goal for collections of the dedicated revenues for repayment of the loan secured by revenue bonds is 125%; however, many factors can create deviation from this goal. It is customary to use the same minimum required coverage ratio as was previously established for outstanding debt of the loan recipient.

- General obligation bonds: the requirements for coverage are statutorily set. The governing authority of the issuer is required to impose and collect annually, in excess of all other taxes, a tax on all property subject to taxation by the issuer sufficient in amount to pay the interest and the principal falling due each year, or such amount as may be required for any sinking fund necessary to retire said bonds at maturity [R.S. 39:521(D)]. Typically, the bond millage is adjusted each year so as to generate enough revenues to pay debt service in the ensuing calendar year. No coverage requirements or debt service reserves exist because the tax can be adjusted each year without any limitation whatsoever to collect the appropriate amount each year.

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable (Continued)

In the case of sales tax bonds and revenue bonds, each loan recipient is also required to set up a debt service reserve fund equal to one-half of one year's principal and interest for the purpose of paying principal and interest should the dedicated revenues be insufficient for that purpose. The requirement to maintain a debt service reserve fund is not statutorily required but is usual and customary for these kinds of indebtedness.

Allowance for Bad Debts

Because of the reserve requirements and the absence of any delinquent loans, there is no provision for uncollectible amounts.

Capital Contributions

The funds drawn for loans from the EPA capitalization grants authorized by the SDWA Amendments of 1996 are recorded as capital contributions. Funds drawn for loans authorized by the Infrastructure Investment and Jobs Act 2021 (IIJA) are also recorded as capital contributions.

Operating Revenues and Expenses

DWRLF distinguishes between operating revenues and expenses and non-operating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from carrying out the purpose of DWRLF of providing low interest loans to communities and providing assistance for prevention programs and administration.

Operating revenues consist of interest and administrative fees earned from loans receivable and program administrative fees earned from the EPA. Operating expenses include direct salary costs and benefits expenses and allocated indirect costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles, monies received from the EPA and the State of Louisiana as matching funds are recorded as capital contributions, except for principal forgiveness which is reported as non-operating.

(1) HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

The unearned revenue is due, in part, to revenue collected from the 4D02F22701 Infrastructure grant of $1,500 in excess of the corresponding loan payment. This was due to a calculation error and corrected after June 30, 2025. The remaining amount of $26,816 is due to timing of draws from the FS99696826 Capitalization grant processed in June 2025 and corresponding loan payments issued in early July 2025. The federal revenue was unearned at June 30, 2025.

Compensated Absences and Employee Benefits

LDH-OPH provides employees to work on the DWRLF program. Compensated absences, pension benefits, and postretirement benefits are provided and recorded by LDH-OPH and allocated to the fund based on time worked. These allocated expenses are included in the fund financial statements; however, no liability for compensated absences, postemployment benefits, or pension benefits is recorded in the fund financial statements, and no disclosures for compensated absences, pension benefits, or postretirement benefits are included in the fund financial statements, as the ultimate liability is with LDH-OPH rather than the fund.

(2) DEPOSITS

All monies of DWRLF are deposited with the Louisiana Department of Treasury, which is responsible for maintaining these deposits in accordance with Louisiana State Law. Consequently, management of DWRLF does not have any control over the cash balances.

Deposits consist of the following at June 30, 2025:

Deposits per statement of net position (reconciled bank balance)	$ 229,357,968
Deposits held by Louisiana Treasury	$ 229,357,968

The Louisiana Department of Treasury is responsible for maintaining the cash balances and securing such balances from risk through custodial agreements. The risk disclosures required by accounting principles generally accepted in the United States are included with the State of Louisiana's Annual Comprehensive Financial Report.

Interest earnings on cash deposits held by the Louisiana Department of Treasury are received monthly and classified as non-operating revenue when earned.

(3) LOANS RECEIVABLE

The DWRLF makes loans to community water systems both privately- and publicly-owned and nonprofit non-community water systems for projects that meet the eligibility requirements of the program. Loans are financed by capitalization grants, state match, and revolving funds. The effective interest rate on loans ranges from 1.95% to 3.45%, with an additional 0.5% administration fee, that must be repaid over 20, 25, or 30 years starting two years after the closing date of the loan or one year after the project is completed, whichever occurs first. As of June 30, 2024, 173 of the loans have been closed (completed drawing funds for construction) and the remaining loan commitment balance (loans authorized less loans disbursed) totals $82,790,218. In addition, 93 of the loans are completely paid off. Loans mature at various intervals through September 1, 2055.

The scheduled principal payments on loans maturing in subsequent years are as follows:

For the Year Ending June 30:	Total
2026	$ 13,400,081
2027	10,968,000
2028	11,258,203
2029	11,421,011
2030	11,637,693
2031 - 2035	47,462,730
2036 - 2040	33,587,828
2041 - 2045	12,686,992
2046 - 2050	2,903,724
2051 - 2055	1,670,342
2056 - 2060	2,555
	$ 156,999,159

(3) LOANS RECEIVABLE (CONTINUED)

As of June 30, 2025, the DWRLF had made 204 binding commitments to 129 water systems.

The 10 largest outstanding loans, in the aggregate, exceeded $64 million. The outstanding balances of these loans represent approximately 40% of the total loans receivable as follows:

Borrower	Outstanding Loan Balance	Percentage of Total Loans Receivable
City of Lake Charles	$ 16,891,089	10.76%
St. Bernard, Loan #2	9,089,000	5.79%
WWD#5 of Calcasieu Parish	6,877,842	4.38%
City of Bossier City	6,682,331	4.26%
Baton Rouge Water Works Company, Inc.	5,274,262	3.36%
St. Bernard, Loan #3	4,382,536	2.79%
Town of Mamou	4,246,570	2.70%
City of Carencro	4,019,000	2.56%
City of Oakdale, Loan 2	3,388,386	2.16%
Milton Water System, Inc.	3,180,009	2.03%
	$ 64,031,025	40.78%

The full list of loans can be found in the Louisiana Drinking Water Revolving Loan Fund Program Loan Portfolio.

The DWRLF has been awarded 33 federal grants from the EPA. These grants are available through the EPA's Automated Clearing House Payment System (ACH) and the Automated Standard Application for Payments (ASAP) System. Twenty-six (26) grants were authorized by the SDWA Amendments of 1996 and require matching funds from the state. One (1) grant was funded under the American Recovery and Reinvestment Act of 2009 and required no matching funds from the state. Six (6) grants are funded through the Infrastructure Investment and Jobs Act (IIJA), which include two (2) Emerging Contaminants (4E) grants and two (2) Lead Service Line (4L) grants that require no matching funds from the state, and two (2) General Supplement (4D) grants that requires a 10% match from the state. As of June 30, 2025, the EPA has awarded grants of $562,168,700 to the state, of which $401,136,122 has been drawn, $355,443,169 for loans, and $45,692,952 for set-asides activities.

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(3) LOANS RECEIVABLE (CONTINUED)

The following summarizes the grants awarded, amounts drawn on each grant as of June 30, 2025, and balances available for future loans:

Grant Source	Federal Grant Amount	Cumulative Funds Drawn Set-Asides June 30, 2025	Cumulative Funds Drawn Loans June 30, 2025	Cumulative Funds Drawn as of June 30, 2025	Remaining Grant Funds Available at June 30, 2025
FS996968-01-2	$ 20,420,300	$ 4,307,056	$ 16,113,244	$ 20,420,300	$ -
FS996968-02-2	9,949,200	1,553,988	8,395,212	9,949,200	-
FS996968-03-0	10,427,700	1,642,927	8,784,773	10,427,700	-
FS996968-04-0	10,837,400	1,070,826	9,766,574	10,837,400	-
FS996968-05-0	18,934,800	-	18,934,800	18,934,800	-
FS996968-06-0	8,004,100	1,311,487	6,692,613	8,004,100	-
FS996968-07-0	8,303,100	1,470,000	6,833,100	8,303,100	-
FS996968-08-0	8,285,500	1,165,000	7,120,500	8,285,500	-
FS996968-09-0	11,658,600	1,511,662	10,146,938	11,658,600	-
FS996968-10-0	11,659,000	236,662	11,422,338	11,659,000	-
FS996968-11-0	11,540,000	2,000,000	9,540,000	11,540,000	-
FS996968-12-0	11,540,000	1,900,000	9,640,000	11,540,000	-
FS996968-13-0	25,649,000	2,425,000	23,224,000	25,649,000	-
FS996968-14-0	17,798,000	2,565,000	15,233,000	17,798,000	-
FS996968-15-0	16,962,000	2,875,000	14,087,000	16,962,000	-
FS996968-16-0	15,914,000	2,639,152	13,274,848	15,914,000	-
FS996968-17-0	12,127,000	2,615,000	9,512,000	12,127,000	-
FS996968-18-0	12,047,000	1,183,630	10,863,370	12,047,000	-
FS996968-19-0	11,396,000	1,325,000	10,071,000	11,396,000	-
FS996968-20-0	11,299,000	2,320,000	8,979,000	11,299,000	-
FS996968-21-0	16,625,000	-	16,625,000	16,625,000	-
FS996968-22-0	16,621,000	1,693,166	14,927,834	16,621,000	-
2F-96692001-0	27,626,000	315,000	27,311,000	27,626,000	-
FS996968-23-0	16,480,000	2,600,001	13,879,999	16,480,000	-
FS996968-24-0	16,465,000	2,600,000	11,615,167	14,215,167	2,249,833
FS996968-25-0	10,489,000	2,367,395	4,459,401	6,826,796	3,662,204
FS996968-26-0	6,741,000	-	1,188,762	1,188,762	5,552,238
4D02F22701	26,930,000	-	25,790,354	25,790,354	1,139,646
4D02F22702	28,744,000	-	3,002,956	3,002,956	25,741,044
4E02F22601	12,336,000	-	5,263,960	5,263,960	7,072,040
4E02F22602	10,430,000	-	107,275	107,275	10,322,725
4L02F48901	42,433,000	-	2,637,151	2,637,151	39,795,849
4L02F48902	65,497,000	-	-	-	65,497,000
	$ 562,168,700	$ 45,692,952	$ 355,443,169	$ 401,136,121	$ 161,032,579

(3) LOANS RECEIVABLE (CONTINUED)

The state has provided matching for federal grant awards through General Fund and state capital outlay appropriations totaling $84,450,459. In addition, part of the required matching share has been provided through the issuance of Revenue Match Bonds secured by revenue of DWRLF (see Note 7).

As of June 30, 2025, matching contributions are as follows:

	Cumulative State Match as of July 1, 2024	Matching Funds During Year Ended June 30, 2025	Cumulative State Match as of June 30, 2025
State cash contributions	$ 74,779,185	$ 9,671,274	$ 84,450,459
	$ 74,779,185	$ 9,671,274	$ 84,450,459

(4) SET-ASIDE EXPENSES

A portion of the federal grant amounts awarded by the EPA can be specified to fund set-aside activities as follows:

- Limited to provide administration and technical assistance to public water systems, the greater of $400,000; 1/5% of the current valuation of the fund; or an amount equal to 4% of all grant awards to the fund.
- Up to 2% to provide technical assistance to small water systems
- Up to 10% to provide state program management
- Up to 15% to provide assistance in the development and implementation of local drinking water protection initiatives and other local assistance and state programs. Also, no more than 10% of the grant is used on any one of the defined activities.

Set-aside expenses are summarized as follows:

	2025	Prior Years	Total
Administration	$ 1,066,628	$ 10,493,006	$ 11,559,634
Small system technical assistance	136,461	4,892,567	5,029,028
State programs	143,822	20,822,407	20,966,229
Local assistance and state programs	266,659	7,716,908	7,983,567
ARRA Grant	-	315,000	315,000
	$ 1,613,570	$ 44,239,888	$ 45,853,458

At June 30, 2025, set-aside expenses of $1,613,570 includes accruals and payables of $190,052.

(5) LONG-TERM OBLIGATIONS

The following is a summary of bonds and other long-term debt transactions of the fund for the year ended June 30, 2025:

	45,473	Additions	Reductions	June 30, 2025	Portion Due Within One Year
Bonds Payable	$ -	$ 1,500,000	$ 1,500,000	$ -	$ -

The fund is allowed by CFR 35.3550(g)(3), to issue general obligation or revenue bonds to derive the state match. To provide state matching funds when direct cash appropriations were not available, the LDH received approval from the EPA to borrow matching funds by using the interest portion of the revenues received. The Secretary of the LDH, through a Resolution by Executive Order pursuant to R.S. 30:2011 *et seq*. was authorized, for state matching purposes, to borrow through the issuance of the Department's note to the Louisiana Public Facilities Authority (LPFA), a conduit issuer of serial bonds for the Department and the State.

The serial bond issues, Louisiana Public Facilities Authority Revenue Bonds (Drinking Water Revolving Loan Fund Match Project) Series 2002 and 2006, were issued during the fiscal year ending June 30, 2003 and June 30, 2006, in an amount up to $8,000,000 and $7,300,000, respectively. This Indenture of Trust was issued between the LPFA and Hancock Bank of Louisiana. This indebtedness was secured solely from the pledge of a portion of the revenues received by the department from loans made by the program (interest earned on loans receivable and interest earned on cash in state treasury). The LPFA is a public trust and public corporation organized and existing for the benefit of the State of Louisiana.

The following table (next page) is a historical summary of both series including their amendments, issuance costs and proceeds:

As of June 30, 2025, a total of $64,191,514 was generated for matching fund purposes by the issuance of these serial bonds. Bond issuance costs of $1,358,486 were absorbed by bond proceeds and are, therefore, not required to be charged against the 4% administrative costs allowance in accordance with Drinking Water State Revolving Fund program guidelines. There is an available balance of $23,250,000 on Series 2006 as amended.

The $1,500,000 of bonds issued in fiscal year 2025 were repaid before the end of the fiscal year leaving no bonds payable at June 30, 2025.

(5) LONG-TERM OBLIGATIONS (CONTINUED)

Bond Issuance Date	Bond Issuance Amount	Draw Number	Draw Date	Fiscal Year	Draw Amount	Bonds Cancelled	Issuance Costs	Bond Proceeds	Bond Available Balance	Date Defeased
12/23/2002	$ 8,000,000	1	12/23/2002	2003	$ 1,000,000		$ 76,788	$ 923,212	$ 7,000,000	12/24/2002
Series 2002			10/29/2003	2004	-		(251)	251	7,000,000	
		2	12/12/2003		1,000,000		66,712	933,288	6,000,000	12/13/2003
		3	3/18/2004		500,000		4,550	495,450	5,500,000	3/19/2004
		4	5/26/2004		1,000,000		7,754	992,246	4,500,000	5/27/2004
			11/29/2004	2005	-		(674)	674	4,500,000	
		5	5/3/2005		1,000,000		7,754	992,246	3,500,000	5/4/2005
		6	6/23/2005		1,000,000		7,201	992,799	2,500,000	8/16/2005
		Cancelled	5/18/2006	2006	-	2,500,000	-	-	-	
	$ 8,000,000				$ 5,500,000	$ 2,500,000	$ 169,834	$ 5,330,166	$ -	
5/18/2006	$ 7,300,000									
Series 2006		1	5/18/2006	2006	$ 1,000,000		$ 57,989	$ 942,011	$ 6,300,000	5/19/2006
		2	11/29/2006	2007	1,500,000		$ 12,330	$ 1,487,670	$ 4,800,000	11/30/2006
		3	9/6/2007	2008	1,250,000		$ 8,550	$ 1,241,450	$ 3,550,000	9/7/2007
			12/28/2007		-		$ 8,875	$ (8,875)	$ 3,550,000	
		4	3/31/2008		1,000,000		$ 7,396	$ 992,604	$ 2,550,000	4/1/2008
8/28/2008	$ 5,000,000							$ -	$ 7,550,000	
(Amendment 1)		5	9/9/2008	2009	1,250,000		$ 8,301	$ 1,241,699	$ 6,300,000	9/10/2008
			12/31/2008		-		$ 15,750	$ (15,750)	$ 6,300,000	
		6	1/13/2009		1,000,000		$ 7,387	$ 992,613	$ 5,300,000	1/14/2009
3/10/2009	$ 1,000,000							$ -	$ 6,300,000	
(Amendment 2)		7	11/12/2009	2010	2,000,000		$ 21,968	$ 1,978,032	$ 4,300,000	11/13/2009
5/20/2010	$ 5,000,000	8	5/20/2010		3,300,000		$ 22,177	$ 3,277,823	$ 6,000,000	5/21/2010
(Amendment 3)								$ -	$ 6,000,000	
9/1/2010	$ 10,000,000	9	9/1/2010	2011	2,000,000		$ 14,150	$ 1,985,850	$ 14,000,000	1/7/2011
(Amendment 4)		10	12/1/2010		2,000,000		$ 29,381	$ 1,970,619	$ 12,000,000	6/17/2011
		11	2/9/2011		2,000,000		$ 10,746	$ 1,989,254	$ 10,000,000	12/29/2011
			6/10/2011		-		$ 12,700	$ (12,700)	$ 10,000,000	
		12	1/6/2012	2012	1,500,000		$ 10,395	$ 1,489,605	$ 8,500,000	5/8/2012
			5/8/2012		-		$ 12,700	$ (12,700)	$ 8,500,000	
		13	7/25/2012	2013	1,000,000		$ 7,163	$ 992,837	$ 7,500,000	7/26/2012
		14	10/23/2012		1,000,000		$ 7,052	$ 992,948	$ 6,500,000	10/24/2012
		15	1/22/2013		1,250,000		$ 21,019	$ 1,228,981	$ 5,250,000	1/23/2013
		16	4/18/2013		1,000,000		$ 7,071	$ 992,929	$ 4,250,000	5/1/2013
7/22/2013	$ 10,000,000	17	7/18/2013	2014	1,500,000		$ 9,363	$ 1,490,637	$ 12,750,000	9/13/2013
(Amendment 5)			7/30/2013		-		$ 20,000	$ (20,000)	$ 12,750,000	
							$ 22,061	$ (22,061)	$ 12,750,000	
		18	11/13/2013		1,250,000		$ 8,566	$ 1,241,434	$ 11,500,000	12/20/2013
		19	4/3/2014		1,200,000		$ 20,801	$ 1,179,199	$ 10,300,000	5/2/2014
		20	8/7/2014		1,200,000		$ 8,036	$ 1,191,964	$ 9,100,000	8/8/2014
		21	12/18/2014		1,250,000		$ 8,303	$ 1,241,697	$ 7,850,000	12/19/2014
		22	7/30/2015		2,500,000		$ 24,907	$ 2,475,093	$ 5,350,000	7/31/2015
		23	2/4/2016		2,000,000		$ 23,532	$ 1,976,468	$ 3,350,000	2/5/2016
		24	6/21/2016		2,000,000		$ 11,383	$ 1,988,617	$ 1,350,000	6/22/2016
9/30/2016	$ 10,000,000			2017			$ 29,415	$ (29,415)	$ 11,350,000	
(Amendment 6)		25	12/7/2016		1,500,000		$ 10,231	$ 1,489,769	$ 9,850,000	12/8/2016
		26	4/26/2017		1,500,000		$ 9,157	$ 1,490,843	$ 8,350,000	4/27/2017
		27	2/22/2018	2018	2,500,000		$ 66,201	$ 2,433,799	$ 5,850,000	2/23/2018
		28	9/18/2018	2019	3,200,000		$ 13,819	$ 3,186,181	$ 2,650,000	9/19/2018
4/1/2019	$ 10,000,000			2019			$ 30,421	$ (30,421)	$ 12,650,000	
(Amendment 7)		29	10/9/2019	2020	3,200,000		$ 88,858	$ 3,111,142	$ 9,450,000	10/10/2019
		30	11/5/2020	2021	3,200,000		$ 88,828	$ 3,111,172	$ 6,250,000	11/6/2020
		31	10/20/2021	2022	3,300,000		$ 88,817	$ 3,211,183	$ 2,950,000	10/21/2021
6/9/2022								$ -	$ 2,950,000	
(Amendment 8)	$ 25,000,000			2022			$ 38,790	$ (38,790)	$ 27,950,000	
Match for SFY2023 grant		32	6/27/2022	2022	3,200,000		$ 152,539	$ 3,047,461	$ 24,750,000	6/28/2022
		33	11/25/2024	2025	1,500,000		$ 111,524	$ 1,388,476	$ 23,250,000	11/26/2024
	$ 83,300,000				$ 60,050,000		$ 1,188,652	$ 58,861,348		
	$ 91,300,000				$ 65,550,000		$ 1,358,486	$ 64,191,514		

(6) RISK MANAGEMENT

DWRLF participates in the State of Louisiana's Risk Management Program. Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management (the agency responsible for the state's risk management program) or by legislative appropriation. Refer to the State of Louisiana's risk disclosure in the June 30, 2025 Annual Comprehensive Financial Report for more details.

(7) DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through July 22, 2026, which is the date the financial statements were available to be issued.

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, 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 Drinking Water Revolving Loan Fund, an enterprise fund of the State of Louisiana, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Drinking Water Revolving Loan Fund's basic financial statements, and have issued our report thereon dated July 22, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Drinking Water Revolving Loan Fund'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

July 22, 2026
New Orleans, Louisiana

Ericksen Krentel, LLP

Certified Public Accountants

SINGLE AUDIT SECTION

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

Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Drinking Water Revolving Loan Fund's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Drinking Water Revolving Loan Fund's major federal programs for the year ended June 30, 2025. Drinking Water Revolving Loan Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Drinking Water Revolving Loan Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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

Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

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 Drinking Water Revolving Loan Fund's federal programs.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Drinking Water Revolving Loan Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

- Obtain an understanding of Drinking Water Revolving Loan Fund'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 Drinking Water Revolving Loan Fund'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.

ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

Drinking Water Revolving Loan Fund
Louisiana Department of Health
Baton Rouge, Louisiana

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

July 22, 2026
New Orleans, Louisiana

Ericksen Krentel, LLP

Certified Public Accountants

DRINKING WATER REVOLVING LOAN FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor and Program Title	Federal AL Number	Federal Expenditures		Subrecipients
U.S. Environmental Protection Agency				
Drinking Water Revolving Loan Fund	66.468	$ 24,868,474	*	$ 23,516,604
Total expenditures of federal awards		$ 24,868,474		$ 23,516,604

** Major program*

(See Independent Auditors' Report)

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of DWRLF under programs of the federal government for the year ended June 30, 2025. 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 DWRLF, it is not intended to and does not present the financial position, changes in net position or cash flows of DWRLF.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expense Recognition

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

Loans to Sub-recipients

Drinking Water Revolving Loan Fund AL #66.468 include $23,516,604 of expenditures that were disbursed as loan awards to qualifying sub-recipients, which includes $13,941,170 of principal forgiveness loans.

(3) INDIRECT COST RATE

DWRLF has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

DRINKING WATER REVOLVING LOAN FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Drinking Water Revolving Loan Fund.

2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported on the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditors' report on compliance for the major federal programs for Drinking Water Revolving Loan Fund expresses an unmodified opinion on all major federal programs.

6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).

7. The program tested as major program was Capitalization Grants for State Revolving Funds (AL No. 66.468).

8. The threshold for distinguishing Type A and B programs was $750,000.

9. Drinking Water Revolving Loan Fund was determined not to be a low-risk auditee.

10. A management letter was not issued for the year ended June 30, 2025.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement findings for the year ended June 30, 2025.

III. FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings related to major federal award programs for the year ended June 30, 2025.

DRINKING WATER REVOLVING LOAN FUND
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2024-001 Weakness in Controls over the Drinking Water Revolving Loan Fund Financial Report

Condition: The Louisiana Department of Health – Office of Public Health (LDH OPH) did not have adequate controls over the preparation of the Drinking Water Revolving Loan Fund's (DWRLF) financial statements and related note disclosures (Financial Report).

Current Status: The finding has been resolved as of the year ended June 30, 2025.

II. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

2024-002 Noncompliance with Federal Matching Requirement

Condition: LDH OPH did not have evidence that the state share ($29,545) associated with $51,029 in DWRLF program expenses was funded with state funds as of June 30, 2024.

Current Status: The finding has been resolved as of the year ended June 30, 2025.

III. MANAGEMENT LETTER

Not applicable.