

DRINKING WATER REVOLVING LOAN FUND

LOUISIANA DEPARTMENT OF HEALTH
OFFICE OF PUBLIC HEALTH

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Financial Statement Audit for the
Year Ended June 30, 2024
Issued June 25, 2025**

**LOUISIANA LEGISLATIVE AUDITOR
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June 25, 2025

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA**
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund (DWRLF), an enterprise fund of the state of Louisiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the DWRLF as of June 30, 2024, and the 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 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 opinion.

Emphasis of Matter

As discussed in note 1, the financial statements present only the DWRLF, and do not purport to, and do not, present fairly the financial position of the state of Louisiana,

the Louisiana Department of Health, or the Office of Public Health as of June 30, 2024, and their respective changes in financial position or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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 DWRLF'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 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 *GAAS* 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 *GAAS* 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 DWRLF'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 DWRLF'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 an opinion on the financial statements that collectively comprise the DWRLF's basic financial statements. The accompanying supplemental information schedules, including the Schedule of Net Position, by Account; the Schedule of Revenues, Expenses, and Changes in Fund Net Position, by Account; and the Schedule of Cash Flows, by Account, on pages 24 through 27, are presented for the purpose of additional analysis and are not a required part of the basic 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 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 GAAS. In our opinion, the accompanying supplemental information schedules referred to above are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Louisiana Drinking Water Revolving Loan Fund Annual Report (issued under separate cover), but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards and Other Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025, on our consideration of the DWRLF'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 DWRLF'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 DWRLF's internal control over financial reporting and compliance.

In addition, we have issued a report dated June 25, 2025, on our consideration of the DWRLF's internal control over compliance with certain laws and regulations, and our tests of its compliance with those laws and regulations, in accordance with certain requirements of the OMB Compliance Supplement (Appendix XI of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*), for the Drinking Water State Revolving Fund Program, as required by the U.S. Environmental Protection Agency.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a stylized flourish at the end.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

ABS:NМ:JPT:BQD:ch

DWRLF 2024

Statement A

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

Statement of Net Position, June 30, 2024

ASSETS

Current assets:

Cash in State Treasury (note 2)	\$218,309,974
Receivables (note 3)	13,537,313
Total current assets	<u>231,847,287</u>

Noncurrent assets - loans receivable (note 4)	130,279,905
Total assets	<u>362,127,192</u>

LIABILITIES

Current liabilities

Accounts payable and accruals (note 6)	877,077
Unearned revenue	29,545
Total liabilities	<u>906,622</u>

NET POSITION - Unrestricted	<u><u>\$361,220,570</u></u>
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The accompanying notes are an integral part of this statement.

Statement B**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND****Statement of Revenues, Expenses,
and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2024****OPERATING REVENUES**

Federal funds - set-aside programs	\$1,447,338
Interest earned on loans receivable	3,114,665
Interest earned on cash in State Treasury	530,374
Administrative fees	685,175
Total operating revenues	<u>5,777,552</u>

OPERATING EXPENSES

Set-aside expenses (note 5)	1,447,338
Principal forgiveness - Environmental Protection Agency	10,230,172
Rental expense	29,545
Total operating expenses	<u>11,707,055</u>

OPERATING LOSS	(5,929,503)
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NONOPERATING REVENUES

Intergovernmental revenues	<u>2,693,000</u>
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INCOME BEFORE OTHER REVENUES AND EXPENSES	(3,236,503)
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Capital contributions	<u>17,670,288</u>
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CHANGE IN NET POSITION	14,433,785
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NET POSITION AT BEGINNING OF YEAR	<u>346,786,785</u>
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NET POSITION AT END OF YEAR	<u><u>\$361,220,570</u></u>
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The accompanying notes are an integral part of this statement.

Statement C**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND****Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024****Cash flows from operating activities**

Cash received from interest on loans	\$3,063,494
Cash received from interest on cash in State Treasury	492,436
Cash received from administrative fees	671,198
Cash received from repayment of loan principal	9,252,932
Cash received from allocations for set-aside programs	2,047,760
Cash payments for set-aside programs	(2,047,760)
Cash payments to borrowers	(26,813,635)
Net cash used by operating activities	<u>(13,333,575)</u>

Cash flows from noncapital financing activities

Contributed capital	16,920,657
Intergovernmental revenue	2,693,000
Net cash provided by noncapital financing activities	<u>19,613,657</u>

Net increase in cash 6,280,082

Cash at beginning of year 212,029,892

Cash at end of year \$218,309,974

(Continued)

The accompanying notes are an integral part of this statement.

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024**

**Reconciliation of operating loss to net cash used
by operating activities**

Operating loss	(\$5,929,503)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	586,444
(Increase) in due from others	(37,938)
(Increase) in loans receivable	(7,383,832)
(Decrease) in accounts payable and accrued expenses	(598,291)
Increase in unearned revenue	29,545
	<hr/>
Net cash used by operating activities	<u><u>(\$13,333,575)</u></u>

Noncash investing, capital, and financing activities

Principal forgiveness on loans - Environmental Protection Agency	<u><u>\$10,230,172</u></u>
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(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF 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.

B. 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.

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.

C. FUND ACCOUNTING

For the purposes of this report, the DWRLF uses a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) 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 (b) 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.

D. 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.

E. 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 \$50,681,458 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.

F. LOANS RECEIVABLE

The 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 FFY2022 Capitalization Grant and 90.91% federal and 9.09% state for the Bipartisan Infrastructure Law (BIL) Base Supplemental Grants. 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.

The loans made by the 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.

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:

For 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)].

For 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)].

For 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. The 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.

For 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.

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 annual debt service requirements 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.

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

G. 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 all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of resources subject to external constraints placed on the resources by creditors, grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net assets that are not included in the other categories previously mentioned.

H. 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 (BIL) are also recorded as capital contributions.

I. COMPENSATED ABSENCES, PENSION BENEFITS AND POSTRETIREMENT 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.

J. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. UNEARNED REVENUE

The unearned revenue is due to revenue collected from the FS996968-24 and FS996968-25 Capitalization grants in FY24 for ineligible expenses. Building rental fees were erroneously allocated at 100% to the federal grant as set-aside expenses rather than applying the appropriate rates for federal and state match. The federal revenue collected for the state match portion of the expenses is unearned at June 30, 2024.

2. CASH IN STATE TREASURY

As reflected on Statement A, the DWRLF has cash totaling \$218,309,974 at June 30, 2024. All monies of the fund are deposited with the State Treasurer's office. Cash balances are held and controlled by the State Treasurer and are secured from risk by the State Treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States are included within the state of Louisiana's financial statements.

3. RECEIVABLES - DUE FROM OTHERS

As shown on Statement A, the DWRLF has a total due from others of \$13,537,313. This total is comprised of the following:

Due from the federal government - set-aside programs	\$874,949
Due from others	55,475
Due from water systems	<u>12,606,889</u>
Total	<u><u>\$13,537,313</u></u>

Of the \$12,606,889 due from water systems, \$11,692,370 is the current portion of the principal due, \$749,204 is loan interest, and \$165,315 is administrative fees on loans.

4. NONCURRENT ASSETS - 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:

Year ending June 30:	
2025	\$11,692,370
2026	9,526,000
2027	9,798,000
2028	10,100,203
2029	10,209,000
2030 - 2034	44,796,993
2035 - 2039	31,688,940
2040 - 2044	10,758,923
2045 - 2049	2,388,708
2050 - 2054	990,457
2055 - 2056	<u>22,681</u>
Total loans receivable	<u><u>\$141,972,275</u></u>
Long-term receivable portion	<u><u>\$130,279,905</u></u>

As of June 30, 2024, the DWRLF had made 189 loans to 123 water systems. The 10 largest outstanding loans, in the aggregate, exceeded \$54 million. The outstanding balances of these loans represent approximately 40% of the total loans receivable as follows:

Loan Recipient	Outstanding Balance
City of Oakdale 2	\$3,559,386
City of Shreveport #4B	3,565,302
Saint Bernard Parish, Loan #3	4,093,282
City of Carencro	4,239,000
Town of Mamou	4,445,570
City of Lake Charles	5,280,708
Baton Rouge Water Co. Inc.	5,615,262
City of Bossier City	7,020,331
Calcasieu WWD#5 of Wards 3 and 8	7,179,732
Saint Bernard Parish, Loan #2	9,734,000
Total of major loans	54,732,573
Non-major loans	87,239,702
Total loans receivable	<u>\$141,972,275</u>

The full list of loans can be found in the Louisiana Drinking Water Revolving Loan Fund Annual Report for fiscal year 2024.

The DWRLF has been awarded 31 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-five grants were authorized by the SDWA Amendments of 1996 and require matching funds from the state. One grant was funded under the American Recovery and Reinvestment Act of 2009 and required no matching funds from the state. Five grants are funded through the Bi-Partisan Infrastructure Law Act of 2021, two Emerging Contaminants grants that require no matching funds from the state, two General Supplement grants that require a ten percent match from the state, and one Line Service Line Replacement grant that requires no matching funds. As of June 30, 2024, the EPA has awarded grants of \$488,902,700 to the state, of which \$375,581,748 has been drawn, \$332,216,809 for loans, and \$43,364,939 for set-aside activities.

Grant Source	Grant Amount	Cash Basis Cumulative Dollar Draws Set-Asides	Cash Basis Cumulative Dollar Draws Loans	Total Cash Basis Cumulative Dollars Drawn as of June 30, 2024	Remaining Grant Dollars Available as of June 30, 2024
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	
2F-96692001-0	27,626,000	315,000	27,311,000	27,626,000	
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	
FS996968-23-0	16,480,000	2,600,001	13,879,999	16,480,000	
FS996968-24-0	16,465,000	1,906,436	10,386,480	12,292,916	\$4,172,084
FS996968-25-0	10,489,000	732,946	3,511,152	4,244,098	6,244,902
INFRASTRURE 861R004D01	26,930,000		16,319,081	16,319,081	10,610,919
INFRASTRURE 861R004E01	11,308,000		621,953	621,953	10,686,047
INFRASTRURE 861R004D02	28,744,000				28,744,000
INFRASTRURE 861R004E02	10,430,000				10,430,000
INFRASTRURE 861R004L01	42,433,000				42,433,000
	<u>\$488,902,700</u>	<u>\$43,364,939</u>	<u>\$332,216,809</u>	<u>\$375,581,748</u>	<u>\$113,320,952</u>

The state has provided its required matching share of federal grant awards through General Fund appropriations and the sale of revenue bonds. Cash contributions from General Fund appropriations and sales of revenue bonds have totaled \$74,779,185 including the 2024 contribution. Matching contributions are as follows:

	Cumulative State Match as of June 30, 2023	2024 Contribution	Cumulative State Match as of June 30, 2024
State cash contribution	<u>\$72,086,185</u>	<u>\$2,693,000</u>	<u>\$74,779,185</u>

5. SET-ASIDE EXPENSES

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

- 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.
- 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.

Set-aside expenses are summarized as follows:

	2024	Prior Years	Total
Administration	\$903,880	\$9,589,126	\$10,493,006
Small system technical assistance	126,987	4,765,580	4,892,567
State programs	119,970	20,702,437	20,822,407
Local assistance and state programs	296,501	7,420,407	7,716,908
ARRA Grant	NONE	315,000	315,000
Total	<u>\$1,447,338</u>	<u>\$42,792,550</u>	<u>\$44,239,888</u>

The amount of fiscal year 2024 set-aside expenses of \$1,447,338 includes accruals and payables of \$874,949.

6. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2024:

Vendor payables	\$859,537
Payroll accrual	15,412
Due to Water Systems	<u>2,128</u>
Total	<u>\$877,077</u>

7. LONG-TERM LIABILITIES

There were no bonds and other long-term debt transactions of the fund for the year ended June 30, 2024.

The fund is allowed by CFR 35.3550(g)(3) to issue general obligation or revenue bonds to derive the state match. Furthermore, the secretary of 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 LDH's note to the Louisiana Public Facilities Authority (LPFA), a conduit issuer of serial bonds for LDH and the state.

The serial bond issues, LPFA 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. The 2006 series was subsequently amended several times to increase the maximum amount allowed to \$83,300,000. 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 LDH 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.

Following is a historical summary of both series including their amendments, issuance costs and proceeds:

BONDS PAYABLE

Bond Issuance Date	Bond Issuance Amount	Draw Number	Draw Date	Fiscal Year	Draw Amount	Bonds Cancelled	Issuance Costs & Fees	Bond Proceeds	Bond Available Balance	Date Defeased
12/23/2002 <u>Series 2002</u>	\$8,000,000	1	12/23/2002	2003	\$1,000,000		\$76,788	\$923,212	\$7,000,000	12/24/2002
			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	None	
5/18/2006 <u>Series 2006</u>	\$7,300,000	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 <u>(Amendment 1)</u>	5,000,000							7,550,000		
		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 <u>(Amendment 2)</u>	1,000,000							6,300,000		
		7	11/12/2009	2010	2,000,000		21,968	1,978,032	4,300,000	11/13/2009
5/20/2010 <u>(Amendment 3)</u>	5,000,000	8	5/20/2010		3,300,000		22,177	3,277,823	6,000,000	5/21/2010
								6,000,000		
9/1/2010 <u>(Amendment 4)</u>	10,000,000	9	9/1/2010	2011	2,000,000		14,150	1,985,850	14,000,000	1/7/2011
		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 <u>(Amendment 5)</u>	10,000,000	17	7/18/2013	2014	1,500,000		9,363	1,490,637	12,750,000	9/13/2013
			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	2015	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	2016	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 <u>(Amendment 6)</u>	10,000,000			2017			29,415	(29,415)	11,350,000	
		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 <u>(Amendment 7)</u>	10,000,000						30,421	(30,421)	12,650,000	
		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 <u>(Amendment 8)</u>	25,000,000						38,790	(38,790)	27,950,000	
		32	6/27/2022		3,200,000		113,749	3,086,251	24,750,000	6/28/2022
\$83,300,000					\$58,550,000		\$1,038,338	\$57,511,662		
\$91,300,000					\$64,050,000		\$1,208,172	\$62,841,828		

As of June 30, 2024, a total of \$62,841,828 was generated for matching fund purposes by the issuance of these serial bonds. Bond issuance costs of \$1,208,172 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 \$24,750,000 on Series 2006 as amended.

8. LITIGATION AND CLAIMS

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. The DWRLF has no lawsuits outstanding at June 30, 2024.

SUPPLEMENTARY INFORMATION SCHEDULES

As of and for the Year Ended June 30, 2024

The Drinking Water Revolving Loan Fund is considered one fund, which is comprised of a loan element and an administrative and state match element. The U.S. Environmental Protection Agency requested information on each of these elements. The supplementary information schedules 1 through 3 provide the details requested by the U.S. Environmental Protection Agency.

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

Schedule of Net Position, by Account, June 30, 2024

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
ASSETS			
Current assets:			
Cash in State Treasury	\$199,785,225	\$18,524,749	\$218,309,974
Receivables	13,369,711	167,602	13,537,313
Total current assets	213,154,936	18,692,351	231,847,287
Noncurrent assets - loans receivable	130,279,905	NONE	130,279,905
Total assets	343,434,841	18,692,351	362,127,192
LIABILITIES			
Current liabilities			
Accounts payable and accruals	877,077	NONE	877,077
Unearned revenue	29,545	NONE	29,545
Total liabilities	906,622	NONE	906,622
NET POSITION - Unrestricted	\$342,528,219	\$18,692,351	\$361,220,570

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Revenues, Expenses, and
Changes in Fund Net Position, by Account
For the Fiscal Year Ended June 30, 2024**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
OPERATING REVENUES			
Federal funds - set-aside programs	\$1,447,338		\$1,447,338
Interest earned on loans receivable	3,114,665		3,114,665
Interest earned on cash in State Treasury	520,637	\$9,737	530,374
Administrative fees		685,175	685,175
Total operating revenues	<u>5,082,640</u>	<u>694,912</u>	<u>5,777,552</u>
OPERATING EXPENSES			
Set-aside expenses	1,447,338		1,447,338
Principal forgiveness - Environmental Protection Agency	10,230,172		10,230,172
Rental expense	29,545		29,545
Total operating expenses	<u>11,707,055</u>	<u>NONE</u>	<u>11,707,055</u>
OPERATING INCOME (LOSS)	(6,624,415)	694,912	(5,929,503)
NONOPERATING REVENUES			
Intergovernmental revenues	NONE	2,693,000	2,693,000
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	(6,624,415)	3,387,912	(3,236,503)
Capital contributions	17,670,288	NONE	17,670,288
CHANGE IN NET POSITION	11,045,873	3,387,912	14,433,785
NET POSITION - BEGINNING OF YEAR	<u>331,482,346</u>	<u>15,304,439</u>	<u>346,786,785</u>
NET POSITION - END OF YEAR	<u>\$342,528,219</u>	<u>\$18,692,351</u>	<u>\$361,220,570</u>

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Schedule of Cash Flows, by Account
For the Fiscal Year Ended June 30, 2024**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
Cash flows from operating activities			
Cash received from interest on loans	\$3,063,494		\$3,063,494
Cash received from interest on cash in State Treasury	467,448	\$24,988	492,436
Cash received from administrative fees		671,198	671,198
Cash received from repayment of loan principal	9,252,932		9,252,932
Cash received from allocations for set-aside programs	2,047,760		2,047,760
Cash payments for set-aside programs	(2,047,760)		(2,047,760)
Cash payments to borrowers	(26,813,635)		(26,813,635)
Net cash provided (used) by operating activities	<u>(14,029,761)</u>	<u>696,186</u>	<u>(13,333,575)</u>
Cash flows from noncapital financing activities			
Contributed capital	16,920,657		16,920,657
Intergovernmental revenue		2,693,000	2,693,000
Net cash provided by noncapital financing activities	<u>16,920,657</u>	<u>2,693,000</u>	<u>19,613,657</u>
Net increase in cash	2,890,896	3,389,186	6,280,082
Cash at beginning of year	<u>196,894,329</u>	<u>15,135,563</u>	<u>212,029,892</u>
Cash at end of year	<u><u>\$199,785,225</u></u>	<u><u>\$18,524,749</u></u>	<u><u>\$218,309,974</u></u>

(Continued)

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND
Schedule of Cash Flows, by Account, 2024**

	LOAN ACCOUNT	ADMINISTRATIVE AND STATE MATCH ACCOUNT	TOTAL
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(\$6,624,415)	\$694,912	(\$5,929,503)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
(Increase) Decrease in accounts receivable	600,420	(13,976)	586,444
(Increase) Decrease in due from others	(53,188)	15,250	(37,938)
(Increase) in loans receivable	(7,383,832)		(7,383,832)
(Decrease) in accounts payable and accrued expenses	(598,291)		(598,291)
Increase in Unearned Revenue	29,545		29,545
Net cash provided (used) by operating activities	<u>(\$14,029,761)</u>	<u>\$696,186</u>	<u>(\$13,333,575)</u>
Noncash investing, capital, and financing activities			
Principal forgiveness on loans -			
Environmental Protection Agency	<u>\$10,230,172</u>	<u>NONE</u>	<u>\$10,230,172</u>

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND THE
U.S. ENVIRONMENTAL PROTECTION AGENCY**

Exhibits A-B

The following pages contain reports on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States and on internal control and compliance with requirements applicable to the Capitalization Grants for Drinking Water State Revolving Loan Funds Program in accordance with certain requirements of the OMB *Compliance Supplement* as required by the U.S. Environmental Protection Agency.

June 25, 2025

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*

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA**
New Orleans, 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 (*Government Auditing Standards*), the financial statements of the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund (DWRLF), an enterprise fund of the state of Louisiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the DWRLF's basic financial statements, and have issued our report thereon dated June 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DWRLF'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 DWRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the DWRLF'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 fund'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. We identified the following deficiency in internal control that we consider to be a material weakness.

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

For the second consecutive year, the Louisiana Department of Health – Office of Public Health (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). Failure to perform an adequate review over the DWRLF’s fiscal year 2024 Financial Report resulted in undetected errors in the note disclosures to the financial statements, some of which were material. Examples of errors identified in the DWRLF’s Financial Report that required adjustment are noted below:

- Certain disclosures required by the U.S. Environmental Protection Agency related to loans receivable were omitted or inaccurate, including the exclusion of a grant in the amount of \$42.4 million from the required disclosure of grants awarded to the DWRLF.
- OPH erroneously reported an additional \$5.6 million of authorized expenditures in the note disclosure related to the budget.

The system of internal controls over financial reporting should include adequate procedures to record, process, and compile financial data needed to prepare accurate and complete financial statements and note disclosures. The system of internal controls should include an effective review of the financial statements, including the note disclosures, ensuring that errors can be detected and corrected.

OPH management should strengthen the system of internal controls over the DWRLF’s Financial Report preparation process to ensure that the Financial Report is adequately reviewed and free from material misstatements. Management concurred with the finding and provided a corrective action plan (see Appendix A, pg. 1-2).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DWRLF’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*.

DWRLF's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the DWRLF's response to the finding identified in our audit and described previously. The DWRLF's response included in Appendix A: Management's Corrective Action Plans and Responses to the Findings and Recommendations 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 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.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a stylized flourish at the end.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

ABS:NM:JPT:BQT:ch

DWRLF 2024

June 25, 2025

Report on Compliance With Requirements Applicable
to the Capitalization Grants for Drinking Water State Revolving Funds
Program and on Internal Control over Compliance in Accordance With
Certain Requirements of the OMB *Compliance Supplement*, as Required by the U.S.
Environmental Protection Agency

Independent Auditor's Report

**DRINKING WATER REVOLVING LOAN FUND
LOUISIANA DEPARTMENT OF HEALTH,
OFFICE OF PUBLIC HEALTH
STATE OF LOUISIANA
New Orleans, Louisiana**

**Report on Compliance for the Capitalization Grants for Drinking Water
State Revolving Funds program**

***Opinion on Compliance for the Capitalization Grants for Drinking Water
State Revolving Funds program***

We have audited the Louisiana Department of Health, Office of Public Health - Drinking Water Revolving Loan Fund's (DWRLF) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Capitalization Grants for Drinking Water State Revolving Funds program (Assistance Listing 66.468) for the year ended June 30, 2024.

In our opinion, DWRLF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Capitalization Grants for Drinking Water State Revolving Funds program for the year ended June 30, 2024.

***Basis for Opinion on the Capitalization Grants for Drinking Water State
Revolving Funds program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and

certain requirements of the *OMB Compliance Supplement*, (Appendix XI of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*), as required by the U.S. Environmental Protection Agency (EPA). Our responsibilities under those standards and the requirements of the *OMB Compliance Supplement* as required by the EPA are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DWRLF 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 audit opinion on compliance for the Capitalization Grants for Drinking Water State Revolving Funds program. Our audit does not provide a legal determination of DWRLF'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 the Capitalization Grants for Drinking Water State Revolving Funds 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 DWRLF'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 GAAS, *Government Auditing Standards*, and certain requirements of the *OMB Compliance Supplement* 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 DWRLF's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and certain requirements of the *OMB Compliance Supplement*, as required by EPA, 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 DWRLF'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 DWRLF'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 certain requirements of the *OMB Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of DWRLF'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.

Other Matters

The results of our auditing procedures disclosed an instance of Noncompliance with Federal Matching Requirement described in the Internal Control over Compliance section of the report below, which is required to be reported. Our opinion on the Capitalization Grants for Drinking Water State Revolving Funds program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on DWRLF's response to the finding identified in our compliance audit described below. DWRLF's response, included in Management's Corrective Action Plans and Responses to the Findings and Recommendations (Appendix A), were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described below to be a significant deficiency.

Noncompliance with Federal Matching Requirement

The Louisiana Department of Health, Office of Public Health (OPH), did not have evidence that the state share associated with \$51,029 in DWRLF program expenses was funded with state funds as of June 30, 2024.

The state is required to pay part of the costs of administering the program. Federal regulations state that the basic criteria for acceptable matching include that the funds are verifiable from the non-federal entity's records, are not included as contributions for any other federal award, and are not paid by the Federal Government under another Federal Award.

OPH erroneously allocated the means of financing for the non-federal share of DWRLF expenses totaling \$29,545 to being federally funded instead of state funded. As a result, the expenses were no longer considered eligible state match. OPH was unable to provide evidence that the state share of expenses was funded with allowable sources, resulting in federal questioned costs of \$29,545.

OPH should strengthen the system of internal controls over the Matching compliance requirement to ensure that the required amount of state and/or local funds are available and used to match DWRLF program expenses. Management concurred with the finding and provided a corrective action plan (see Appendix A, pg. 3-4).

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 certain requirements of the OMB *Compliance Supplement*, as required by the EPA. 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.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a stylized flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

ABS:NM:JPT:BQD:ch

DWRLF 2024

APPENDIX A: MANAGEMENT'S RESPONSES



State of Louisiana
Louisiana Department of Health
Office of Public Health

VIA E-MAIL ONLY

June 20, 2025

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

**Re: Weakness in Controls over the Drinking Water Revolving Loan
Fund Financial Report**

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated June 10, 2025, regarding a reportable audit finding related to Weakness in Controls over the Drinking Water Revolving Loan Fund (DWRLF) Financial Report in the Office of Public Health (OPH). LDH appreciates the opportunity to provide this response to your office's conclusions and recommendations.

Finding: LDH OPH did not have adequate controls over the preparation of the DWRLF's financial statements and related note disclosures (Financial Report). Examples of errors identified in the DWRLF's Financial Report that required adjustment are noted below:

- Certain disclosures required by the U.S. Environmental Protection Agency related to loans receivable were omitted or inaccurate, including the exclusion of a grant in the amount of \$42.4 million from the required disclosure of grants awarded to the DWRLF.
- OPH erroneously reported an additional \$5.6 million of authorized expenditures in the note disclosure related to the budget.

Recommendation: OPH management should strengthen the system of internal controls over the DWRLF's Financial Report preparation process to ensure that the Financial Report is adequately reviewed and free from material misstatements.

LDH Response: LDH OPH concurs with the recommendation.

The issues identified relate to note disclosures within the DWRLF Annual EPA Financial Report and represent budgetary reporting errors, not misstatements of actual revenues or expenditures within the financial statements.

Specifically, a Bipartisan Infrastructure Law (BIL) Service Line Replacement grant award totaling \$42,433,000, issued on September 20, 2023, was omitted from Note 4 of the Annual EPA Report. This occurred due to a delay in the grant setup and the absence of financial activity during fiscal year 2024, which led to its exclusion from ASAP settlement reports used in the year-end reporting process. Additionally, Note E included fiscal year 2025 budgeted expenditures instead of the correct fiscal year 2024 figures due to an administrative oversight when configuring report parameters in the LaGov system.

Corrective Actions: Measures will be put in place to include enhanced review steps to the year-end reporting process. The anticipated date completion date for all corrective actions is March 31, 2026.

You may contact Quinteson Syas, Accountant Manager 4, and Carrie Creel, OPH DWRLF Program Manager, with any questions about this matter.

Sincerely,



Bruce D. Greenstein, Secretary



State of Louisiana
Louisiana Department of Health
Office of Public Health

VIA E-MAIL ONLY

June 10, 2025

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Noncompliance with Federal Matching Requirement

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated May 27, 2025, regarding a reportable audit finding related to Noncompliance with Federal Matching Requirement in the Office of Public Health (OPH) Drinking Water Revolving Loan Fund (DWRLF). LDH appreciates the opportunity to provide this response to your office's conclusions and recommendations.

Finding: 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.

Recommendation: OPH should strengthen the system of internal controls over the Matching compliance requirement to ensure that the required amount of state and/or local funds are available and used to match DWRLF program expenses.

LDH Response: LDH OPH concurs with the recommendation.

Corrective Actions: OPH is enhancing internal controls through the development of standard operating procedures and implementing a more rigorous review of coding by both program and budget staff prior to payment processing. The anticipated date for the corrective action plan to be fully implemented by October 31, 2025.

LDH Response to OPH DWRLF Noncompliance with Federal Match Requirement

June 10, 2025

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You may contact Angel Williams, OPH CEO, at (225) 342-7893 or via e-mail at angel.williams@la.gov with any questions about this matter.

Sincerely,



Bruce D. Greenstein, Secretary