

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Water System, Inc.
Arnaudville, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Water System, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Water System, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

To the Board of Directors of
United Water System, Inc.
Arnaudville, Louisiana

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 Water System'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 Water System's ability to continue as a going concern for a reasonable period of time.

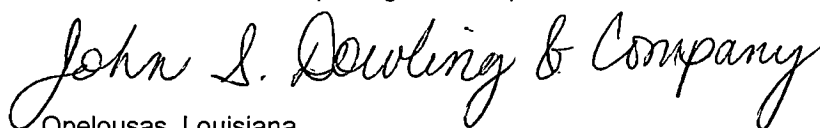
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

The Schedule of Insurance in Force on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2025, on our consideration of United Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Water System, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering United Water System, Inc.'s internal control over financial reporting and compliance.



Opelousas, Louisiana
August 28, 2025

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Cash - unrestricted	\$ 59,161	\$ 13,044
Accounts receivable, net	85,734	51,159
Grant receivable	15,833	-
Prepaid insurance	13,568	14,759
Prepaid expense	-	2,500
Restricted assets		
Cash - tenant deposits	12,717	11,457
Cash - notes payable/debt service	250,831	308,677
Due to/from unrestricted cash	(872)	(107)
Due to/from restricted cash	872	107
Property and equipment, net	2,228,642	1,565,389
<u>Total assets</u>	<u>2,666,486</u>	<u>1,966,985</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 91,891	\$ 62,903
Payroll taxes payable	5,307	3,565
Sales tax payable	77	21
Safe drinking water payable	4,223	4,214
Accrued interest payable	3,472	3,891
Restricted payables		
Customer deposits	11,845	11,350
Construction payable	38,256	529,635
Retainage payable	63,636	27,275
Insurance note payable	7,352	7,857
Notes payable	956,115	840,533
<u>Total liabilities</u>	<u>1,182,174</u>	<u>1,491,244</u>
 <u>NET ASSETS</u>		
Without donor restrictions	1,484,312	475,741
<u>Total net assets</u>	<u>1,484,312</u>	<u>475,741</u>
 <u>Total liabilities and net assets</u>	 <u>2,666,486</u>	 <u>1,966,985</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Without Donor Restrictions	
	2025	2024
<u>REVENUES AND OTHER SUPPORT</u>		
Water sales & reconnection charges	\$ 709,707	\$ 614,138
Connection charges	2,370	1,710
Interest income	6,217	10,260
Membership fees	4,800	3,700
Meter changeout	23,515	16,157
Miscellaneous income	1,030	1,033
Grant income	1,087,176	-
Total revenues and other support	<u>1,834,815</u>	<u>646,998</u>
<u>EXPENSES</u>		
Management & General		
Salaries	29,894	28,659
Payroll taxes	2,299	1,920
Board fees	5,375	4,925
Utilities	2,093	2,036
Insurance	3,619	3,120
Professional fees	23,415	14,082
Kitchen supplies	3,141	2,172
Office supplies and printing	1,665	1,339
Travel and entertainment	-	69
Telephone and internet	386	367
Depreciation expense	1,077	1,100
Program Services		
Salaries	149,061	126,581
Payroll taxes	13,028	10,878
Auto & gas	13,421	19,691
Bank charges	2,240	794
Chemicals	161,218	153,692
Utilities	39,763	38,688
Insurance	56,703	48,885
Miscellaneous expenses	4,669	5,610
Office supplies and printing	9,435	7,590
Postage	14,505	9,757
Repairs and maintenance	84,943	63,743
Contract labor	-	10,000
Water supplies	42,645	24,260
Certification and training	375	-
Chemical testing	2,095	1,898
Advertising	1,648	1,403
Telephone and internet	7,334	6,967
Uniforms	638	410
Licenses and permits	390	2,390
Dues and subscriptions	7,184	7,782
Bad debt expense	(7)	890

Continued on next page

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Without Donor Restrictions	
	<u>2025</u>	<u>2024</u>
Depreciation expense	\$ 106,625	\$ 108,917
Interest expense	35,367	35,226
<u>Total expenses</u>	<u>826,244</u>	<u>745,841</u>
 <u>CHANGE IN NET ASSETS</u>	 1,008,571	 (98,843)
 <u>NET ASSETS</u> , beginning of year, as restated	 <u>475,741</u>	 <u>574,584</u>
 <u>NET ASSETS</u> , end of year	 <u><u>1,484,312</u></u>	 <u><u>475,741</u></u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 707,407	\$ 644,244
Interest earned on investments	6,217	10,260
Cash paid to suppliers	(471,541)	(458,572)
Cash paid to employees	(177,213)	(156,339)
Interest paid on loans	(35,786)	(36,355)
<u>Net cash provided by operating activities</u>	<u>29,084</u>	<u>3,238</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from grants	1,071,343	-
Proceeds from loans	246,302	49,472
Principal payments on loans	(131,225)	(133,703)
<u>Net cash provided or (used) by capital and related financing activities</u>	<u>1,186,420</u>	<u>(84,231)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from retired investments	-	29,882
Purchase of fixed assets	(1,225,973)	(24,042)
<u>Net cash provided or (used) by investing activities</u>	<u>(1,225,973)</u>	<u>5,840</u>
<u>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</u>	<u>(10,469)</u>	<u>(75,153)</u>
<u>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</u>	<u>333,178</u>	<u>408,331</u>
<u>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</u>	<u>322,709</u>	<u>333,178</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,008,571	\$ (98,843)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	107,701	110,017
Grant income	(1,071,343)	
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(34,575)	7,951
(Increase) decrease in grant receivable	(15,833)	-
(Increase) decrease in prepaid insurance	1,191	(6,305)
(Increase) decrease in prepaid expense	2,500	-
Increase (decrease) in accounts payable	28,988	(6,909)
Increase (decrease) in sales tax payable	56	2
Increase (decrease) in safe drinking water payable	9	(3)
Increase (decrease) in accrued interest payable	(419)	(1,129)
Increase (decrease) in payroll taxes payable	1,743	(1,099)
Increase (decrease) in tenant deposits	495	(444)
<u>Net cash provided by operating activities</u>	<u>29,084</u>	<u>3,238</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

United Water System, Inc., was organized October 13, 1971, as a nonprofit water distribution corporation and is a "Membership Association" whereby the members elect the Board of Directors. The U.S. Treasury Department issued its letter dated November 1, 1977, granting the corporation an exemption from federal income tax. As a result of that exemption, the Corporation has been granted exemption from Louisiana income tax and corporate franchise tax.

United Water System, Inc., services the rural surroundings of Arnaudville, Louisiana in St. Landry and St. Martin Parishes. The service area covers approximately twenty (20) miles. Customers are either life-members or tenants.

A. 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.

United Water System, Inc. is a nonprofit organization which is accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned (as performance obligations are satisfied), and their expenses are recognized when they are incurred. Grant income, if any, is recognized when earned.

B. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Those items estimated are depreciation on property and equipment and the allowance for credit losses.

C. Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and compensation, utilities, telephone and internet, professional fees, insurance, and several other minor expenses which are allocated on the basis of estimates of time and effort as well as depreciation.

D. Property, Plant and Equipment

Fixed assets purchased are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each asset. The water distribution system is depreciated over a fifty (50) year period. Average lives for office furniture and equipment are estimated to be five (5) to seven (7) years. Maintenance and repairs are charged to operations when incurred.

Interest during construction is not capitalized. United Water System, Inc. follows a policy of capitalizing all assets in excess of \$500.

E. Income Taxes

United Water System, Inc. is a nonprofit organization exempt from income taxes under the Internal Revenue Code Section 501(c)(12) and similar provisions of the State Code. Therefore, no provisions for income taxes have been made. United Water System, Inc. is required to file a Form 990 with the Internal Revenue Service annually. The years open to examination by the Internal Revenue Service are fiscal years after June 30, 2021.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Statement of Cash Flows

For the purposes of reporting the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 200	\$ 200
Operating account	58,961	12,845
Savings account	40,610	70,062
Reserve account	46,943	45,452
Debt service account	95,964	130,551
Contingency account	57,424	55,601
Debt reserve account	9,890	7,010
Renter's deposit account	12,717	11,457
	<u>322,709</u>	<u>333,178</u>

G. Allowance for Credit Losses

An allowance for credit losses is an estimate based upon historical account write-off trends, facts about the current financial condition of customers, forecasts of future operating results based upon current trends and economic factors. Uncollectible amounts due for customers' receivables are recognized as bad debts through the adjustment of an allowance account to the balance of the individual accounts that are inactive. The Water System closely monitors past due customer accounts and water is disconnected timely.

H. Compensated Absences

Full-time employees of United Water System, Inc. earn five (5) days of vacation for 1-3 years of service, ten (10) days for 4-10 years of service and fifteen (15) days for over 10 years of service. Unused vacation may not be accumulated or carried over from one anniversary date of employment to another unless the Board of Directors agree that the employee was unable to take the vacation days due to work related constraints in which case the Board of Directors can decide to compensate the employees for vacation not taken or allow he/she to carry over these vacation days. All full-time employees are provided six (6) days of sick leave per year. Sick leave can be accumulated. Any unused sick leave will be lost upon termination of employment or retirement. All full-time employees are allowed ten (10) personal days without pay each calendar year. Personal days cannot be accumulated or carried over year to year.

Accrued compensated absences are inconsequential at June 30, 2025, and thus not recorded in these financial statements.

I. Liquidity and Availability of Financial Assets

The following represents the Water System's financial assets as of the balance sheet date. There are no donor-imposed restrictions. As part of the Water System's liquidity management, it invests excess cash in certificates of deposits.

	<u>2025</u>	<u>2024</u>
Financial assets at year-end	\$ 160,728	\$ 64,203
Less those unavailable for general expenditures within one year - donor imposed restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>160,728</u>	<u>64,203</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (2) - CASH AND INVESTMENTS

Deposits: The bank balances for the years ended June 30, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
<u>Washington State Bank</u>		
Bank Balance	\$ 138,385	\$ 164,347
	<u>138,385</u>	<u>164,347</u>
Federal deposit insurance	\$ 138,385	\$ 164,347
Pledged securities	-	-
	<u>138,385</u>	<u>164,347</u>
Total FDIC and collateral pledged	<u>138,385</u>	<u>164,347</u>
<u>FM Bank</u>		
Bank Balance	\$ 200,331	\$ 231,605
	<u>200,331</u>	<u>231,605</u>
Federal deposit insurance	\$ 200,331	\$ 231,605
Pledged securities	-	-
	<u>200,331</u>	<u>231,605</u>
Total FDIC and collateral pledged	<u>200,331</u>	<u>231,605</u>

Investments: Investments are stated at cost or amortized cost, which approximates market. These investments, which are time deposits, are included in the above schedule.

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE

United Water System, Inc.'s accounts receivable consists of uncollected billed and unbilled water sales. Accounts receivable aging schedules at June 30, 2025 and 2024, are as follows:

<u>Days</u>	<u>2025</u>	<u>2024</u>
Unbilled receivables	\$ 16,342	\$ 9,746
0-30	61,423	40,886
31-60	8,959	2,555
61-90	759	(202)
91-120	30	(573)
120 and older	2,436	2,969
	<u>89,949</u>	<u>55,381</u>
Allowance for credit losses	(4,215)	(4,222)
	<u>(4,215)</u>	<u>(4,222)</u>
<u>Totals</u>	<u>85,734</u>	<u>51,159</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE – Continued

An analysis of the change in the allowance for credit losses follows:

	<u>2025</u>	<u>2024</u>
Balance at July 1	\$ 4,222	\$ 3,332
Charge offs	-	-
Recoveries	(7)	-
	<u>4,215</u>	<u>3,332</u>
Provision of credit losses	-	890
	<u>4,215</u>	<u>4,222</u>

The following is a user classification of members for the years ended June 30, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Residential users	1,475	1,471
Commercial users	9	9
<u>Total</u>	<u>1,484</u>	<u>1,480</u>

The rates for United Water System, Inc. for the year ended June 30, 2025 are as follows:

Residential rates:

\$35.00 per month for the first 2,000 gallons
\$5.60 per thousand for part thereof over 2,000 gallons

Commercial rates:

\$110.00 per month for the first 24,000 gallons
\$5.60 per thousand for part thereof over 24,000 gallons

The rates for United Water System, Inc. for the year ended June 30, 2024 are as follows:

Residential rates:

\$20.00 per month for the first 2,000 gallons
\$5.60 per thousand for part thereof over 2,000 gallons

Commercial rates:

\$90.00 per month for the first 24,000 gallons
\$5.30 per thousand for part thereof over 24,000 gallons

NOTE (4) - RESTRICTED ASSETS

A reserve shall be set aside and shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by any unforeseen catastrophe, for making extensions or improvements with prior written approval and when necessary for the purpose of making the United States Department of Agriculture - Rural Development's loan payments in the event the amount in the revenue account is insufficient to meet such payments. An amount of \$283 per month will be deposited to a reserve until \$33,816 is accumulated. As of June 30, 2025 and 2024, the balances in the reserve accounts were \$40,610 and \$70,062, respectively.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (4) - RESTRICTED ASSETS – Continued

A debt service fund shall be set up for the purpose of making payments on loan to Louisiana Department of Health and Hospitals. An amount of 1/12th of each year's debt service requirement should be deposited monthly into this account. United Water should have a balance of \$99,408 in this account at June 30, 2025. As of June 30, 2025 and 2024, the balances in the debt service account were \$95,964 and \$130,551, respectively. Although this debt service fund was short of the requirement by \$3,444 as of June 30, 2025, this shortfall was more than offset by an excess of \$4,943 in the below reserve account.

A reserve shall be set aside to provide a cushion against shortfalls in revenues to cover debt service payments to Louisiana Department of Health and Hospitals. An amount of \$42,000 is required in the reserve fund and must be accumulated over five years, beginning in 2005. As of June 30, 2025 and 2024, the balances in the reserve account were \$46,943 and \$45,453, respectively.

A contingency fund shall be set aside and shall be used to provide an available reserve for extensions, additions, improvements, renewals and replacements necessary to properly operate the Water System. The Contingency fund should be funded by transferring 5% of the gross revenue of the Water System each month until \$50,000 has accumulated, provided that such funds are available. At June 30, 2025 and 2024, the balances in the contingency fund were \$57,424 and \$55,601, respectively.

A debt reserve fund shall be set up for the purpose of repaying Communities Unlimited, Inc. in the event that adequate revenue is not available from operations to make a monthly installment. The debt reserve fund shall be funded at the rate of not less than \$245.13 per month until \$29,415 has been accumulated. At of June 30, 2025 and 2024, the balance in the debt reserve fund is \$9,890 and \$7,010, respectively.

Restricted assets for notes payable at June 30, 2025 consist of:

	USDA		LDHH		COMMUNITIES UNLIMITED
	Note	Depreciation	Note	Contingency	Note
Beginning balances	\$ 70,062	\$ -	\$ 176,004	\$ 55,601	\$ 7,010
Interest income	88	-	4,306	1,823	-
Withdrawals	(35,000)	-	(72,403)	-	(120)
Transfers					
Per loan agreement (LDHH)	-	-	35,000	-	-
Per loan agreement (CU)	-	-	-	-	3,000
Per loan agreement (USDA)	5,460	-	-	-	-
Ending balances	40,610	-	142,907	57,424	9,890

Restricted assets for notes payable at June 30, 2024 consist of:

	USDA		LDHH		COMMUNITIES UNLIMITED
	Note	Depreciation	Note	Contingency	Note
Beginning balances	\$ 78,492	\$ 14,984	\$ 230,915	\$ 83,172	\$ 2,059
Interest income	1,007	278	6,593	2,429	-
Withdrawals	(14,897)	(15,262)	(96,504)	(30,000)	(121)
Transfers					
Per loan agreement (LDHH)	-	-	35,000	-	-
Per loan agreement (CU)	-	-	-	-	5,072
Per loan agreement (USDA)	5,460	-	-	-	-
Ending balances	70,062	-	176,004	55,601	7,010

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (5) - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment of United Water System, Inc. at June 30, 2025 and 2024, is as follows:

<u>Description</u>	<u>2025</u>	<u>2024</u>
Total depreciable assets		
Water distribution system, furniture and equipment	\$ 2,901,860	\$ 2,893,097
Accumulated depreciation	<u>(2,075,949)</u>	<u>(1,968,248)</u>
Net	825,911	924,849
Total non-depreciable assets		
Construction in progress	1,400,813	638,622
Land (at cost)	<u>1,918</u>	<u>1,918</u>
<u>Total</u>	<u>2,228,642</u>	<u>1,565,389</u>
Depreciation	<u>\$ 107,702</u>	<u>\$ 110,017</u>
<u>Changes during the year</u>		
Asset additions	<u>\$ 770,954</u>	<u>\$ 580,952</u>

Construction in Progress

United Water System, Inc. was awarded a Water Sector Program grant through the State of Louisiana, Division of Administration for \$1,138,889. This grant is being used for the upgrade of the water system. As of June 30, 2025, United Water System, Inc. has a total construction in progress of \$1,400,813 which includes \$321,253 of Water System funds. The project was completed in July 2025.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (6) - LONG-TERM DEBT

The following is a summary of long-term debt at June 30:

	<u>2025</u>	<u>2024</u>
<u>United States Department of Agriculture - Rural Development</u>		
Note dated August 24, 1995, in the original amount of \$250,000 due in monthly installments of \$1,218 which includes interest at 5% per annum, collateralized by the property, plant and equipment and revenues from water sales.	\$ 99,213	\$ 108,611
Note dated February 27, 2007, in the original amount of \$371,000 due in monthly installments of \$1,600 which includes interest at 4.125% per annum, collateralized by revenue and income.	<u>264,361</u>	<u>272,473</u>
<u>Total Rural Development debt</u>	<u>363,574</u>	<u>381,084</u>
<u>Louisiana Department of Health and Hospitals</u>		
Drinking water revolving loan dated June 6, 2008, in the original amount of \$360,333 for new water meter changeout project. The loan requires annual principal payments with the first one due October 2009 and the last one due October 2028. The note has an interest rate of 3.45%.	95,000	117,000
Drinking water revolving loan entered into for a total amount of \$667,000 with an interest rate of 2.95% requiring annual principal payments beginning in October 2011. Funds were used to replace water lines and fire hydrants for the Water System.	<u>248,626</u>	<u>285,626</u>
<u>Total Louisiana Department of Health and Hospitals debt</u>	<u>343,626</u>	<u>402,626</u>
<u>Communities Unlimited</u>		
Note dated March 27, 2023, in the amount of 83,613 due in monthly installments of \$2,072 which includes interest at 3% per annum, collateralized by revenues from water sales and income.	<u>248,915</u>	<u>56,823</u>
<u>Total Communities Unlimited debt</u>	<u>248,915</u>	<u>56,823</u>
<u>Total notes payable</u>	<u><u>956,115</u></u>	<u><u>840,533</u></u>

Long-term debt obligations mature as follows:

2026	\$ 91,038
2027	95,549
2028	99,134
2029	102,796
2030	81,540
2031-2035	235,901
2036-2040	157,665
2041-2045	85,271
2046	<u>7,221</u>
<u>Total</u>	<u><u>956,115</u></u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (7) - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Water System's revenue is recognized as performance obligations are satisfied, which is on a monthly basis as billed. Customers are billed monthly on the last day of the month for the water delivered during the month and payments are due by the 10th of the following month. All other revenues from customers, such as connection charges and memberships are recorded when collected. The accounts receivable was \$51,159 and \$59,110 at the beginning of the June 30, 2025 and 2024 fiscal years, respectively. The renters' deposits payable was \$11,350 and \$11,794 at the beginning of the June 30, 2025 and 2024 fiscal years, respectively.

NOTE (8) - COMPENSATION PAID TO BOARD OF DIRECTORS & SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

The following is a list of the Board of Directors and the compensation paid for each member for the years ended June 30, 2025 and 2024.

	Term Expires	2025	2024
Terry Begnaud, President	9/2027	\$ 950	\$ 325
Lorna Mills, Vice President	9/2025	900	975
Michael Taylor, Secretary/Treasurer	9/2027	1,200	975
Joanne Artigue, Board Member	9/2026	1,200	900
Milton Frederick, Board Member	9/2026	300	300
Tony Sokolowicz, Board Member	9/2025	300	200
Barbara Hebert, Board Member	9/2027	525	1,200
Monica Meche, Former Board Member	9/2023	-	50
		<u>5,375</u>	<u>4,925</u>

Agency Head Name: Terry Begnaud, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits	-
Car allowance	-
Vehicle provided by government	-
Per diem	950
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE (9) – PRIOR PERIOD ADJUSTMENT

The financial statements for the year ended June 30 2024, have been restated for a prior period adjustment. The adjustment relates to an understatement of expenses due to open invoices not paid during the year. The adjustment resulted in a prior period adjustment of \$43,081 for expenses incurred for the year ended June 30, 2023.

	<u>2024</u>
Net Assets, beginning of year - as previously reported	\$ 617,665
Prior period adjustment	<u>(43,081)</u>
Net assets, beginning of year	574,584
Change in net assets	<u>(98,843)</u>
Net Assets, end of year	<u><u>475,741</u></u>

NOTE (10) – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 28, 2025, which is the date the financial statements were available to be issued. As of August 28, 2025, there were no subsequent events noted.

RELATED REPORTS

James L. Nicholson, Jr., CPA
Michael A. Roy, CPA
Lisa Trouille Manuel, CPA
Dania D. Quebedeaux, CPA
Molly Fontenot Duplechain, CPA

Van L. Auld, CPA



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A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
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John S. Dowling, CPA - 1904-1984
John Newton Stout, CPA - 1936-2005
Chizal S. Fontenot, CPA - 1955-2012
Russell J. Stelly, CPA - 1942 - 2019
Harold Dupre, CPA - 1931-2019

Retired

Dwight Ledoux, CPA - 1998
Joel Lanclos, Jr., CPA - 2003
G. Kenneth Pavy, II, CPA - 2020

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

To the Board of Directors of
United Water System, Inc.
Arnaudville, 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 United Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Water System, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Water System'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

To the Board of Directors of
United Water System, Inc.
Arnaudville, Louisiana

United Water System, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on United Water System, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and responses. United Water System, Inc.'s response was not subjected to the 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 Water System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

John S. Dowling & Company

Opelousas, Louisiana
August 28, 2025

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2025

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements.
2. One significant deficiency and no material weakness' relating to the audit of the financial statements was reported.
3. No instances of material noncompliance relating to the financial statements were reported.
4. No management letter was issued for United Water System, Inc.
5. There was no single audit required under Uniform Guidance.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2025-1 Inadequate segregation of duties

Condition: Due to the small number of employees, United Water does not have adequate segregation of functions within the water billing system. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion.

Criteria: United Water should have adequate segregation of duties over accounting functions.

Cause: There is a small number of employees at United Water performing the daily operating activities.

Effect: Water billing system functions are not segregated, and it is important that you are aware of this condition because errors or fraud could occur and not be detected.

Recommendation: A system of internal control procedures should be established in order to mitigate the problem of having such a small number of employees performing the daily operating activities.

Management's Response: I am aware of this condition. The secretary of the board oversees job performances and discussions are held about billing and collections.

Contact Person: Terry Begnaud, President

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

N/A

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

Section I – Internal Control and Compliance Material to the Financial Statements

2024-1 Inadequate segregation of duties

Repeat comment.

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

None

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
JUNE 30, 2025

INSURER	TYPE OF COVERAGE	COVERAGE	LIMITS	CO-INSURANCE	EFFECTIVE DATE	
					TO	FROM
Scottsdale Insurance Company	Commercial Property	Blanket Limit of Insurance	\$2,096,000	\$5,000 deductible	10/15/2024	10/15/2025
Hiscox Insurance Company Inc.	Commercial Crime	Fidelity	\$500,000	\$4,000 deductible	10/15/2024	10/15/2025
		Forgery	\$400,000	\$4,000 deductible		
		Inside and Outside Loss	\$300,000	\$7,000 deductible		
		Tech Fraud	\$700,000	\$37,000 deductible		
		Claim Expenses	\$100,000			
		Identity Fraud Expenses	\$25,000	\$1,000 deductible		
Scottsdale Insurance Company	Commercial Inland Marine	2001 Ditch Witch Trencher	\$29,630	\$1,000 deductible	10/15/2024	10/15/2025
		Blanket Small Tools & Equipment	\$124,516			
Liberty Mutual Fire Insurance Company	Equipment Breakdown	Equipment Breakdown	\$2,000,000		10/15/2024	10/15/2025
		Expediting Expenses	\$100,000	\$10,000 deductible		
		Extra Expense	\$50,000	\$10,000 deductible		
		Data or Media	\$100,000			
		Spoilage	\$100,000			
		Utility Interruption	\$100,000			
		Newly Acquired Premises	\$500,000			
		Ordinance or Law	\$500,000			
		Consequential Loss	\$100,000			
		Hazardous Substance	\$100,000			
		Water Damage	\$25,000			
Travelers Casualty and Surety Co. of America	Liability	Directors and Officers	\$1,000,000	\$1,000 deductible	10/15/2023	10/15/2026
		Employment Practices	\$1,000,000	\$1,000 deductible		
Progressive Paloverde Insurance Co.	Commercial Auto	Liability	\$1,000,000 Combined Single Limit		10/15/2024	10/15/2025
		Uninsured/Underinsured Motorist	\$1,000,000 Combined Single Limit			
		Medical Payments	\$5,000 per person			
		Comprehensive	Limit of Liability Less Deductible	\$1,000 deductible		
		Collision	Limit of Liability Less Deductible	\$1,000 deductible		
LWCC	Workers Compensation		Statutory		4/18/2025	4/18/2026

See independent auditor's report.