

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Financial Statements

As of and for the Year Ended December 31, 2025

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

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As of and for the Year Ended December 31, 2025

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INDEPENDENT AUDITORS' REPORT

Board of Directors

Southwest Ouachita Waterworks, Inc.

West Monroe, Louisiana

Opinions

We have audited the accompanying accrual basis financial statements of the enterprise fund of the **Southwest Ouachita Waterworks, Inc.**, (a non-profit organization, the Corporation) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Southwest Ouachita Waterworks, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the Southwest Ouachita Waterworks, Inc., as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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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 Southwest Ouachita Waterworks, Inc.'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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southwest Ouachita Waterworks, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Southwest Ouachita Waterworks, Inc.'s ability to continue as a going concern for a reasonable period of time.

**Board of Directors
Southwest Ouachita Waterworks, Inc
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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 the 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 the 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 this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Ouachita Waterworks, Inc.'s basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matter

The financial statements of Southwest Ouachita Waterworks, Inc. as of and for the year ended December 31, 2024, were audited by another auditor whose report dated February 24, 2025, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report September 16, 2026, on our consideration of the Southwest Ouachita Waterworks, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of

**Board of Directors
Southwest Ouachita Waterworks, Inc
West Monroe, Louisiana**

that testing, and not to provide an opinion on 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 Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and compliance.

Woodard & Associates

(A Professional Accounting Corporation)
Monroe, Louisiana

September 16, 2026

BASIC FINANCIAL STATEMENTS

Statement A

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Statement of Financial Position

December 31, 2025

Assets

Current assets

Cash and cash equivalents	\$ 426,022
Accounts receivable, net	209,552
Total current assets	<u>635,574</u>

Restricted assets

Cash and cash equivalents	<u>1,288,419</u>
Total restricted assets	1,288,419
Property, plant, and equipment (net of accumulated depreciation)	9,383,288
Total assets	\$ <u><u>11,307,281</u></u>

Liabilities and net assets

Current liabilities (payable from current assets)

Accounts payable	\$ 53,343
Retainage payable	161,019
Construction payable	1,449,397
Payroll liabilities	99
Accrued interest payable	11,290
Customer meter deposits	172,782
Current portion of loans payable	201,000
Other payable	9
Total current liabilities	\$ <u><u>2,048,939</u></u>

Long-term liabilities

2016 Drinking Water Revolving Loan payable	2,564,000
Utility Relocation Assistance Funding liability	32,558
2025 Drinking Water Revolving Loan	999,894
Total long-term liabilities	<u>3,596,452</u>
Total liabilities	<u><u>5,645,391</u></u>

Net assets without donor restrictions	<u>5,661,890</u>
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Total liabilities and net assets	\$ <u><u>11,307,281</u></u>
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The accompanying notes are an integral part of these financial statements.

Statement B**SOUTHWEST OUACHITA WATERWORKS, INC.**

West Monroe, Louisiana

Statement of Activities

For the Year Ended December 31, 2025

Operating revenues

Water fees	\$ 2,129,137
Meter installation fees	32,706
Late charges	64,445
Reconnection and tamper fees	42,480
Other revenue	23,943
Total operating revenues	<u>\$ 2,292,711</u>

Operating expenses

Salaries	357,160
Depreciation	356,774
Chemicals and carbon replacement	270,703
Repairs & maintenance	218,018
Utilities	204,195
Contract labor	163,601
Insurance	94,227
Billing expense	51,895
Employee health insurance	50,275
Auto expense	41,428
Office supplies and postage	35,537
Installations labor and material	33,786
Commissioners fees	28,800
Payroll taxes	27,867
Bad debts and collection expense	15,411
Lab testing	7,260
Accounting	7,213
Janitorial service	5,150
Engineering fees	5,150
Bank charges	5,148
Small tools	5,007
Permits and licenses	2,420
Miscellaneous	15,448
Total operating expenses	<u>\$ 2,002,473</u>

Operating income (loss)290,238**Nonoperating revenues and expenses**

Lease income	8,050
Interest income	37,863
Federal grant revenue	91,245
Drinking Water Revolving Loan forgiveness	960,682
Interest expense	(71,743)
Total non-operating revenue (expenses)	<u>1,026,097</u>

Increase in net assets

1,316,335

Net assets at beginning of year4,345,555**Total net assets at end of year**\$ 5,661,890

The accompanying notes are an integral part of these financial statements.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Statement of Cash Flows

As of and for the Year Ended December 31, 2025

Cash flow from operating activities

Increase in net assets	\$ 1,316,335
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation expense	356,774
Lease income	(8,050)
Interest income	(37,863)
Federal grant revenue	(91,245)
Gain on cancelling debt	(960,682)
Interest expense	71,743
Payroll liabilities	99
Other payable	9
Changes in assets and liabilities	
Decrease in accounts receivable, net	24,164
Increase in accounts payable	1,630,155
Increase in customer deposits	6,028
Net cash provided by operating activities	2,307,467

Cash flow from financing activities

Receipts from Drinking Water Revolving Loan	1,960,576
Principal on long-term debt	(196,000)
Interest and fees on long-term debt	(72,545)
Payment on Utility Relocation Assistance Funding	(8,140)
Net cash flow provided (used) by noncapital financing activities	1,683,891

Cash flow from investing activities

Lease income	8,050
Interest income	37,863
Federal grant revenue	91,245
Construction/purchase of property, plant, and equipment	(3,819,722)
Net cash flow provided (used) by investing activities	(3,682,564)

Increase (decrease) in cash and cash equivalents 308,794

Cash and cash equivalents at beginning of year 1,405,647

Cash and cash equivalents at end of year \$ 1,714,441

Reconciliation of cash per statement of cash flows to cash per statement of financial position

Cash	426,022
Restricted cash	1,288,419
Total cash	\$ 1,714,441

The accompanying notes are an integral part of these financial statements.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

Introduction

Southwest Ouachita Waterworks, Inc., (the Corporation) is a nonprofit organization domiciled in West Monroe, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The Corporation is governed by a five-member board of directors who are members of the Corporation and who are elected by members of the Corporation. Southwest Ouachita Waterworks, Inc. provides water to approximately 3,521 members residing within the territorial boundaries of the Corporation and has 9 employees.

Note 1 – Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to not-for-profit organizations. Although the Corporation is a quasi-governmental entity, it uses governmental accounting principles, and therefore, is considered a governmental entity for financial statement presentation. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation presents information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions and available for use in general operations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that may be satisfied by actions of the Corporation, the passage of time, or other restrictions imposed by donors. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash receipts or payments.

B. Receivables

Accounts receivable consists of amounts due from members for water service provided prior to year end. Receivables are reported at the net amount expected to be collected by using an allowance for credit losses. The Corporation follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13 Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

(collectively Accounting Standards Codification ("ASC") 326) in determining the allowance for credit losses. In accordance with this standard, the Corporation recognizes bad debt expense using the current expected loss method. ASC 326 requires that the estimate of credit losses on trade receivables be based not only on historical experience but also on current conditions and reasonable forecasts of future events. In accordance with ASC 326, the Corporation's estimate of the allowance for credit losses is based on the percentage of annual water sales that has historically been written off as bad debts each year as well as the accounts at year end that have been disconnected for nonpayment. It is the Corporation's policy to disconnect water service for customers with two months' water service in arrears. Customer accounts that are

(1) in excess of \$50,

(2) in arrears for more than 45 days, and

(3) not on a payment plan, are included on the disconnect list and are written off as bad debts.

C. Property, Plant, and Equipment

The cost of the original water system, major improvements to the water system, land, and vehicles and equipment costing \$500 or more are capitalized and recorded at actual cost. Depreciation of all exhaustible property, plant, and equipment is charge as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life for 25 years for the Corporation and the improvements and 5 to 15 years for vehicles and equipment. Depreciation expense for the year ended December 31, 2025, is \$356,774.

D. Federal Grant Funds

The accounting and reporting of grants is determined by the underlying substance of the transaction. A grant may be accounted for as contribution, an exchange transaction, or a combination of the two. If it is determined to be a contribution, a grant may be considered a conditional or an unconditional grant. Contributions are reported as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the accounting period in which the contributions are recognized.

The Corporation has adopted FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU provides clarified guidance on evaluating whether grant funds should be accounted for as a contribution or an exchange transaction based on whether the grantor is receiving value in return for the resources transferred to the grantee. Grant funds are considered contributions if the grantor does not receive commensurate value in exchange for the assets transferred. ASU 2018-08 also provides guidance to determine whether grants funds that

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

are accounted for as contributions are considered conditional or unconditional. Grant funds are considered conditional if the grantee must overcome one or more barriers before it is entitled to the funds and a right of return to the grantor exists for funds transferred. For conditional grants, revenue is recognized in the period the condition or conditions are met. For grants that are considered unconditional, revenue is recognized in the period the grant funds are received.

For the year ended December 31, 2025, the Corporation received American Rescue Plan Act of 2021 (ARPA) funding under a cooperative endeavor agreement with the Ouachita Parish Police Jury (the Police Jury). The agreement with the Police Jury provides \$300,000 in funding from the Police Jury's ARPA allocation as a 49.1% pro rata share of the cost of the Corporation's water production system improvements project. The ARPA funding is accounted for as a contribution and is considered conditional because the funds must be used solely for the purposes specified in the agreements and are disbursed into the Corporation as project costs are incurred.

E. Income Tax Status

The Corporation is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code. The Corporation's Form 990, Return of Organization Exempt from income Tax, for the years ended 2022, 2023, and 2024 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

F. Use of Estimates

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

G. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2025:

Total interest cost expensed	\$ 71,743
Total interest cost capitalized	-
Total interest costs incurred	<u>\$ 71,743</u>

H. Functional Allocation of Expenses

The Corporation's only activity is to provide water service to its members. All costs incurred by the Corporation are incurred for the purpose of providing water service;

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2025

therefore, it is not feasible to allocate expenses between program services and support services.

Note 2 – Deposits in Financial Institutions

At December 31, 2025, the Corporation has cash as follows:

Cash on hand	\$	900
Non-interest-bearing checking accounts		795,176
Interest-bearing checking/money market accounts		918,365
Total	\$	<u>1,714,441</u>

Cash (bank balances) totaled \$1,765,771 at year end. Of this amount, \$1,147,137 was fully secured by federal deposit insurance and \$618,634 was uninsured on December 31, 2025.

Note 3 – Property, Plant, and Equipment

A summary of property, plant, and equipment on December 31, 2025, follows:

	Balance 1/1/2025	Additions/ Transfers In	Deductions/ Transfers Out	Balance 12/31/2025
Assets not being depreciated				
Land	\$ 84,070	\$ -	\$ -	\$ 84,070
Construction in progress	<u>486,717</u>	<u>3,778,272</u>	<u>(684,209)</u>	<u>3,580,780</u>
Total assets not being depreciated	<u>570,787</u>	<u>3,778,272</u>	<u>(684,209)</u>	<u>3,664,850</u>
Assets being depreciated				
Water system	10,513,868	684,209	-	11,198,077
Vehicles and equipment	<u>641,735</u>	<u>41,455</u>	<u>-</u>	<u>683,190</u>
Total assets being depreciated	<u>11,155,602</u>	<u>725,664</u>	<u>-</u>	<u>11,881,267</u>
Less accumulated depreciation for				
Water system	5,479,101	288,532	-	5,767,634
Vehicles and equipment	<u>326,953</u>	<u>68,242</u>	<u>-</u>	<u>395,195</u>
Total accumulated depreciation	<u>5,806,054</u>	<u>356,774</u>	<u>-</u>	<u>6,162,829</u>
Total assets being depreciated, net	<u>5,349,549</u>	<u>368,888</u>		<u>5,718,438</u>
Total assets	<u>\$ 5,920,335</u>	<u>\$ 4,147,161</u>	<u>\$ (684,209)</u>	<u>\$ 9,383,288</u>

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements For the Year Ended December 31, 2025

Note 4 – Receivables and Allowance for Credit Losses

Receivables on December 31, 2025, consist of the following:

Water sales	\$	240,430
Less – allowance for credit losses		(30,878)
Net	\$	<u>209,552</u>

The Corporation's estimate of the allowance for credit losses on December 31, 2025, is as follows:

Allowance for credit losses on January 1, 2025	\$	29,129
Write-offs charged against allowance		(22,535)
Recoveries of amounts previously written off		9,540
Current period provision for expected credit losses		<u>14,654</u>
Allowance for credit losses on December 31, 2025	\$	<u><u>30,878</u></u>

For the year ended December 31, 2025, the total amount billed for water services was \$2,123,538. For the months of January through December 2025, the average monthly billing per customer was \$47.19. The Corporation has 3,521 active customers on December 31, 2025. Residential and small business customers are billed \$26 for the first 2,000 gallons of water used plus \$8.50 per thousand gallons for consumption above 2,000 gallons. Commercial customers are billed \$110 for the first 5,000 gallons of water used plus \$10 per thousand gallons for consumption over 6,000 gallons. Raw water customers are billed \$25 per thousand for the first 1000 gallons. New customers are charged a \$100 refundable meter deposit fee and a \$1,000 to \$2,800 meter installation fee. Customers are charged a \$40 connection fee and a \$40 reconnect fee when service is disconnected for nonpayment.

Note 5 – Revenue from Contracts with Customers

The Corporation adopted FASB's ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively ASC 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The Corporation's revenue from contracts with customers within the scope of ASC 606 is reported as water fees and meter installation fees on the Statement of Activities. Water fees are recognized in the period when the gallons of water are produced and delivered to the customer. The customer is billed monthly for the number of gallons of water delivered during the month and payment is due by the 15th of the following month. The receivable for water fees at the beginning of the year was \$263,424 and \$240,430 at the end of the year. Meter installation fees are recognized when the customer signs the water user agreement and pays the installation fee.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

Note 6 – Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets at December 31, 2025, reduced by amounts not available for general use because of contractual restrictions or board designations within one year of the balance sheet date:

Financial assets on December 31, 2025	\$ 1,923,993
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions:	
Customer meter deposits	(164,903)
Debt service	(179,511)
Contingencies	(100,000)
Board designations:	
Construction	(101)
Vehicle Fund	(23,239)
Debt service	(189,756)
Carbon replacement	(255,514)
Capital additions and contingencies	<u>(351,560)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>659,409</u>

Note 7 – Utility Relocation Assistance Funding

On August 23, 2012, the Corporation entered into an agreement with the State of Louisiana Department of Transportation and Development (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the Corporation's water lines that were located within the limits of a road construction project on LA 3033. The agreement provided for an estimated project cost of \$119,705 to be funded by the state through URAF. The actual cost of the project was \$81,396. During 2013, the Corporation was reimbursed for the total cost of the project through URAF. Section 301(A) of Title 70 of the Louisiana Administrative Code provides that URAF funding is neither a loan nor a grant and there is no interest charged on the funds. However, the Corporation must eventually repay the portion of the cost it is responsible for or it will not be allowed to locate its facilities within the highway right-of-way. The agreement with DOTD provides that the Corporation will repay the URAF funds in a lump sum when billed by DOTD. The agreement also allows the Corporation to request repay in partial payments, in exchange for goods or services or any combination thereof. The request for repayment in a method other than lump sum must be submitted in writing to DOTD within 90 days from billing.

In November 2019, the Corporation was billed by DOTD for \$40,698 with an option to pay the minimum amount of \$8,139. The Corporation made no payments through 2024 but made a payment of \$8,139 in 2025.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

Note 8 – Loans Payable

On November 1, 2016, the Corporation entered into a loan agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund (DWRLF) by signing a promissory note for \$3,666,000 to make improvements to its Corporation. On July 1, 2018, the loan agreement with LDH was amended to increase the total loan amount to \$4,666,000. LDH gave \$500,000 principal forgiveness on the original loan, so the maximum amount of principal repayment is \$4,166,000. The note bears interest at 1.95%, payable semi-annually on May 1 and November 1 of each year. The Corporation also pays a .50% administrative fee to LDH on the outstanding principal amount of the note, payable on each interest payment date. The principal is being repaid in 20 annual installments that began November 1, 2018. The loan is secured by a security interest in properties owned by the Corporation.

The following is a summary of loan payable transactions for the year ended December 31, 2025:

	LDH DWRLF Loan
Loan payable at January 1, 2025	\$2,961,000
Additions	0
Reduction	(196,000)
Loan payable at December 31, 2025	<u>\$2,765,000</u>

The annual requirements to amortize the LDH DWRLF loan balance at December 31, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 201,000	\$ 67,742	\$ 268,742
2027	206,000	62,818	268,818
2028	211,000	57,771	268,771
2029	216,000	52,601	268,601
2030 - 2034	1,162,000	181,006	1,343,006
2035 - 2037	769,000	38,000	807,000
Totals	<u>\$ 2,765,000</u>	<u>\$ 459,938</u>	<u>\$ 3,224,938</u>

In February 2025, the Corporation entered into a loan and pledge agreement with the Louisiana Department of Health (LDH) Drinking Water Revolving Loan Fund dated January 1, 2025, by signing a promissory note for an amount not to exceed \$6,340,000, for the purpose of making further improvements to the Corporation. The agreement provides for an immediate and irrevocable 49% of principal forgiveness for each loan draw. The note bears interest at 1.95%, payable semi-annually on July 1 and January 1 of each year. The Corporation also pays a .50% administrative fee to LDH on the outstanding principal

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

amount of the note, payable on each interest payment date. The principal is being repaid in 30 annual installments that begin on January 1 following the improvement project's completion date. The loan is secured by a security interest in properties owned by the Corporation.

As of December 31, 2025, the Corporation had received \$1,960,576 in principal draws on the loan. Of this amount, \$960,682 was immediately forgiven. The balance of this loan amount that is payable is \$999,894. The loan is secured by a security interest in properties owned by the Corporation.

The following is a summary of loan payable transactions for the year ended December 31, 2025:

	LDH DWRLF Loan
Loan payable at January 1, 2025	0
Additions	\$ 1,960,576
Reduction, loan forgiveness	(960,682)
Loan payable at December 31, 2025	<u>\$ 999,894</u>

Note 9 – Loan Agreement Reserve Requirements

The 2016 loan agreement with LDH DWRLF requires that the Corporation establish and maintain the following bank accounts:

	Amount Required by Loan Agreement	Balance on December 31, 2025
Debt Service Fund – payment of semi-annual debt service payments; must transfer 1/12 of each year's debt service into this fund on a monthly basis.	\$ 44,757	\$ 179,758
Debt Service Fund – to provide funds to pay debt service that would otherwise be in default	134,721	247,567
Capital Additions and Contingencies Fund – to provide an available reserve for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Corporation.	100,000	55,779
Totals	<u>\$ 279,478</u>	<u>\$ 483,104</u>

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2025

The 2025 loan agreement with LDH DWRLF requires that the Corporation establish and maintain a Debt Service Reserve Fund of \$80,000. The balance of this Fund will be established within five (5) years, to help guard against loan default.

Note 10 – Contingencies

During the year ended December 31, 2025, the Corporation expended \$91,204 in ARPA grant funds under a cooperative endeavor agreement with the Ouachita Parish Police Jury. These expenses are subject to audit and adjustment by grantor agencies; therefore, to the extent that the Corporation has not complied with the rules and regulations governing the grant funds, refunds of any money received may be required. In the opinion of the Corporation's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 11 – Concentration of Indebtedness

As discussed in Note 8 above, 100% of the Corporation's debt is with LDH. The collateral for this debt is described in Note 8.

Note 12 – Subsequent Events

Management has evaluated subsequent events through September 16, 2026, the date the financial statements were available to be issued, and has determined that, except as disclosed below, no other events occurred that would require disclosure in the accompanying financial statements.

The Corporation received \$1,787,804 thus far in 2026 in draws from the 2025 Drinking Water Revolving Loan Fund as of the report issuance date towards completion of the Corporation improvement project. Of this amount, \$876,024 is forgiven.

SUPPLEMENTARY INFORMATION

Schedule 1

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Schedule of Compensation, Benefits, and

Other Payments to Agency Head

For the Year Ended December 31, 2025

Agency Head- Walter Kelley-President

\$ 6,000

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

**Board of Directors
Southwest Ouachita Waterworks, Inc.
West Monroe, 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 basic financial statements of the enterprise fund of the Southwest Ouachita Waterworks, Inc., as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Southwest Ouachita Waterworks, Inc.'s basic financial statements and have issued our report thereon dated September 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southwest Ouachita Waterworks, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southwest Ouachita Waterworks, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Ouachita Waterworks, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 over financial reporting 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,

**Board of Directors
Southwest Ouachita Waterworks, Inc.
West Monroe, Louisiana**

during our audit, we identified certain deficiencies in internal control, described in the accompanying Schedule of Current Year Findings and Questioned Costs as items 2025-001 and 2025-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwest Ouachita Waterworks, Inc.'s financial statements are free of 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 determination of financial statement amounts. 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, described in the accompanying Schedule of Current Year Findings and Questioned Costs as items 2025-002.

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 result 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 Southwest Ouachita Waterworks, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Woodard & Associates

(A Professional Accounting Corporation)
Monroe, Louisiana

September 16, 2026

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

Southwest Ouachita Waterworks, Inc.
West Monroe, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited **Southwest Ouachita Waterworks'** (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2025. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2025.

Basis for Unmodified Opinions

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

We are required to be independent of the Corporation 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 qualified and unmodified opinions on compliance for each major program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

**Board of Directors
Southwest Ouachita Waterworks, Inc.
West Monroe, Louisiana**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation'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 the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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.

**Board of Directors
Southwest Ouachita Waterworks, Inc.
West Monroe, Louisiana**

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Board of Directors
Southwest Ouachita Waterworks, Inc.
West Monroe, Louisiana**

Woodard & Associates

**(A Professional Accounting Corporation)
Monroe, Louisiana**

September 16, 2026

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor ID No.</u>	<u>2025 Expenditures</u>	<u>2025 Passed Through to Subrecipients</u>
U.S. Department of Treasury				
<i>Passed through Ouachita Parish Police Jury</i>				
COVID-19 State and Local Fiscal Recovery Funds - American Rescue Plan Act	21.027	N/A	\$ 91,204	\$ -
Total U.S. Department of Treasury			<u>91,204</u>	<u>-</u>
Environmental Protection Agency				
<i>Passed through Louisiana Department of Health</i>				
Drinking Water State Revolving Fund Loan	66.468	Loan No. 1073047-02	3,570,992	
Total Environmental Protection Agency			<u>3,570,992</u>	<u>-</u>
Total Federal Awards Expended			<u>\$ 3,662,196</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2025

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all Federal awards of Southwest Ouachita Waterworks, Inc. (the Corporation). The Corporation's primary government reporting entity is defined in Note 1 to the Corporation's financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Corporation's primary government financial statements.

Note 3 – Indirect Cost Rate

The Corporation did not elect to use the 10% de minimis indirect cost rate.

Note 4 – Loans

The Corporation participated in the Drinking Water State Revolving Fund program administered by the Louisiana Department of Health. Assistance received under the program consists of loan financing and principal forgiveness for eligible project costs. Federal expenditures reported on the Schedule of Expenditures of Federal Awards include current year loan assistance and principal forgiveness recognized during the fiscal year. The outstanding loan balance of loans subject to continuing compliance requirements on December 31, 2025, was \$1,996,808.

Note 5 – Project Costs Included in Current-Year Federal Expenditures

The entity accounts for the EPA Drinking Water State Revolving Fund Loan (ALN 66.468) debt once the funds have been received rather than when expenses are incurred by work performed. Forgiveness is recognized once the Agency has declared the debt forgiven which normally occurs at the same time as the funds are deposited. Work performed is recognized as expenditures or construction in progress at the time performed. This may result in timing differences where expenditures are recorded in one period, but the debt is shown in a different period. Readers need to keep this difference in mind when reading the financial statements. For the year ended December 31, 2025, the entity incurred \$1,449,397 in expenses for which the debt/forgiveness is expected to be recognized in the year ended December 31, 2026.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2025

Note 6 – Relationship to Financial Statements

COVID-19 State and Local Fiscal Recovery Funds

Federal grant revenue reported on the financial statements	\$	91,245
Less – difference between federal grant revenue reported in the financial statements and SEFA expenditures		(41)
Federal expenditures reported on the SEFA	\$	<u>91,204</u>

Expenditures reported on the SEFA for the State and Local Fiscal Recovery Funds program agree substantially to federal grant revenue reported in the financial statements. Federal grant revenue exceeds SEFA expenditures by \$41.

Drinking Water State Revolving Fund Loan

Construction in progress	\$	3,580,780
Less – paid with local funds / interest		(9,788)
Federal expenditures reported on the SEFA	\$	<u>3,570,992</u>

Expenditures reported on the SEFA for the Drinking Water State Revolving Fund loan are based on eligible construction expenditures incurred for the 2025 Meter Replacement Project. Construction in progress activity recorded in the financial statements includes all project costs incurred, including certain costs that were not eligible for reimbursement. Accordingly, construction in progress exceeds federal expenditures reported on the SEFA by \$9,788.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

We have audited the basic financial statements of Southwest Ouachita Waterworks, Inc. as of and for the year ended December 31, 2025, and have issued our report thereon dated September 16, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2025, resulted in an unqualified opinion.

Schedule I – Summary of Auditor’s Report

Financial Statements

Type of auditors’ report issued: Unmodified

Internal Control over financial reporting

Material Weaknesses X Yes ___ No Significant Deficiency ___ Yes X No

Noncompliance material to financial statements ___ Yes X No

Federal Awards

Type of auditors’ report issued on compliance for major programs: Unmodified

Internal Control

Material Weaknesses X Yes, ___ No Significant Deficiency ___ Yes X No

Type of Opinion on Compliance Unmodified X Modified ___

For Major Programs Disclaimer ___ Adverse

Are there findings required to be reported in accordance with the Uniform Guidance? Yes

Identification of Major Program(s):

- ALN #66.468, Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$1,000,000.

Is the auditee a “low risk” auditee ___ Yes X No

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Schedule II – Findings related to the financial statements that are required to be reported under Government Auditing Standards.

2025-001 Inadequate Segregation of Accounting Duties (first identified in 2005)

Criteria

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

Condition

The accounting duties of collecting, depositing, and posting customer payments to customers' accounts may be performed by any of the office employees.

Cause

There are a limited number of employees due to the small size of the Corporation.

Effect

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

Recommendation

Management should review the duties of billing, collecting, depositing, and posting customer payments to customer accounts along with the personnel on staff to determine whether it would be feasible to assign duties such that work is performed by one individual and checked in some way by someone different.

Management's Planned Corrective Action

See Corrective Action Plan.

2025-002 Contingency Fund not at Required Balance

Criteria

The 2016 Drinking Water Revolving Loan Fund requires a contingency fund of \$100,000 to be maintained throughout the term of the loan.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Condition

The Contingency Fund balance was \$55,779 as of December 31, 2025, and no deposits were being made to bring it to the required balance.

Cause

A transfer was made from the contingency fund account to the revenue account without a system to make monthly deposits to replace the amount deficient.

Effect

The contingency fund is not at the required balance as of December 31, 2025.

Recommendation

Management should follow the terms in Section 503(d) of the 2016 Loan Agreement with respect to the Contingency Fund for transferring the required monthly amount into the fund until it reaches the required sum of \$100,000.

Management's Planned Corrective Action

See Corrective Action Plan.

2025-003 Internal Control over Financial Reporting

Criteria

Internal controls should be properly designed and implemented to ensure adequate financial records are established and maintained.

Condition

Management did not conduct periodic review and reconciliation of the DWRLF ledger compiled by the state and the general ledger. Accordingly, the 49% loan forgiveness associated with eligible project expenditures was not recorded in the general ledger when forgiveness occurred. As a result, the loan payable balance was overstated, and forgiveness revenue was understated.

Cause

Internal controls were not designed and implemented to ensure periodic review and reconciliation of the DWRLF ledger compiled by the state and the general ledger.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Effect

The accounting records did not accurately reflect the amount of loan forgiveness earned during the period. This condition represents a material weakness in internal control over financial reporting. The misstatement in loan forgiveness was \$960,682.32. Audit adjustments were required to properly state the loan payable and related forgiveness revenue balance.

Repeat

This is not a repeat of a prior finding.

Recommendation

Management should implement procedures to periodically reconcile loan forgiveness to the DWRLF Funds Ledger provided by the state agency to ensure forgiveness is recorded accurately and timely.

Corrective Action Plan

See Corrective Action Plan.

Section III - Findings or questioned costs for Federal awards, including those specified by the Uniform Guidance.

2025-004 Material Weakness in Internal Control over Compliance

Federal program affected

ALN #66.468, Drinking Water State Revolving Fund

Entity wide or program/department specific

This finding is specific to this loan.

Criteria

Internal controls should be properly designed and implemented to ensure adequate financial records are established and maintained.

Condition

Management did not conduct periodic review and reconciliation of the DWRLF ledger compiled by the state and the general ledger. Accordingly, the 49% loan forgiveness associated with eligible

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

project expenditures was not recorded in the general ledger when forgiveness occurred. As a result, the loan payable balance was overstated, and forgiveness revenue was understated.

Cause

Internal controls were not designed and implemented to ensure periodic review and reconciliation of the DWRLF ledger compiled by the state and the general ledger.

Effect

Management failed to establish controls designed to ensure federal award activity and loan forgiveness were identified, monitored, and reconciled to supporting federal program records. As a result, loan forgiveness activity was not recorded in the accounting records and the control deficiency resulted in a material weakness in internal control over compliance.

Questioned Costs

There are no questioned costs associated with this finding.

Entity-wide or program/department specific

This finding is specific to this loan.

Repeat

This is not a repeat of a prior finding.

Recommendation

Management should implement procedures to periodically reconcile loan forgiveness to the DWRLF Funds Ledger provided by the state agency to ensure forgiveness is recorded accurately and timely.

Corrective Action Plan

See Corrective Action Plan.

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Corrective Action Plan for the Current year Audit Findings and Questioned Costs

For the Year Ended December 31, 2025

2025-001 Inadequate Segregation of Accounting Duties

Management's Corrective Action Plan

Southwest Ouachita Waterworks, Inc. is a non-profit member-owned system with a limited office staff. It is not feasible to assign duties to one single individual. However, there is a checks and balances system in place to check behind transactions. This includes billing, collecting, depositing, and posting customer payments to accounts.

Person responsible for Corrective Action Plan

Jessica Murry Still, Office Manager

Anticipated Completion

N/A

2025-002 Contingency Fund not at Require Balance

Management's Corrective Action Plan

In accordance with terms (Section 5.03(d)) of the 2026 Loan Agreement with respect to the Contingency Fund, Southwest Ouachita Waterworks, Inc. overlooked this requirement. Southwest Ouachita Waterworks, Inc. will establish a new account strictly for DWRLF Contingency Funds. Funds will be transferred from the revenue account monthly on or before the 20th day of each month of each year, a sum equal to 5% of the gross revenues from the preceding month, provided that such sum is available. Such payments shall continue until such time as there has been accumulated in the contingency fund the sum of \$100,000.

Person responsible for Corrective Action Plan

Jessica Murry Still, Office Manager

Anticipated Completion

September 30, 2026

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

**Corrective Action Plan for the Current year Audit Findings and Questioned Costs
For the Year Ended December 31, 2025**

2025-003 Internal Control Over Financial Reporting

Management's Corrective Action Plan

Management acknowledges the need for internal control over financial reporting related to recognizing and recording loan forgiveness. We will follow the auditors' recommendation and implement a procedure to allow for the monitoring of eligible project expenditures and reconciliation of loan forgiveness. We will review our policies and procedures and make any updates that are needed to ensure that internal controls are properly designed, implemented, and maintained.

Person responsible for Corrective Action Plan

Jessica Murry Still, Office Manager

Anticipated Completion

September 16, 2026

2025-004 Internal Control Over Compliance

Management's Corrective Action Plan

Management acknowledges the need for internal control over compliance related to recognizing and recording loan forgiveness. We will follow the auditors' recommendation and implement a procedure to allow for the monitoring of eligible project expenditures and the periodic reconciliation of loan forgiveness to the DWRLF Funds Ledger provided by the state agency. We will be requesting a monthly funds ledger from DWRLF. We will review our policies and procedures and make any updates that are needed to ensure that internal controls are properly designed, implemented, and maintained.

Person responsible for Corrective Action Plan

Jessica Murry Still, Office Manager

Anticipated Completion

September 30, 2026

Walter Kelley 9/16/2026

SOUTHWEST OUACHITA WATERWORKS, INC.

West Monroe, Louisiana

Summary Status of Prior Year Findings

For the Year Ended December 31, 2025

The following is a summary of the status of the prior year findings included in the audit report dated February 24, 2025, covering the audit of the financial statements of Southwest Ouachita Waterworks, Inc. as of and for the year ended December 31, 2025.

Financial Statements Findings Reported in Accordance with *Government Auditing Standards* for the fiscal year ended 2024.

2024-001 Inadequate Segregation of Accounting Duties

Criteria

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

Condition

The accounting duties of collecting, depositing, and posting customer payments to customers accounts may be performed by any of the office employees.

Cause

There are a limited number of employees due to the small size of the water system.

Effect

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

Recommendation

None.

Management's Planned Corrective Action

It is not economically feasible to correct this deficiency based on the size of the water system.

STATEWIDE AGREED-UPON PROCEDURES



1904 Stubbs Avenue, Suite B
Monroe, LA 71201

T 318.387.2672 F 318.322.8866

Keeping you on course!

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

**To the Southwest Ouachita Waterworks, Inc. Board of Commissioners
and the Louisiana Legislative Auditor**

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025, through December 31, 2025. **Southwest Ouachita Waterworks, Inc.'s** (the Corporation's) management, is responsible for those C/C areas identified in the SAUPs.

The Corporation has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2025, through December 31, 2025. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff

procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Result: Management did not have proper written policies and procedures regarding receiving, recording, or preparing deposits.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee meets with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Result: No exceptions were identified as a result of this procedure.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Result: No exceptions were identified as a result of this procedure.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- i. Employees responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is also not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Result: No exceptions were identified as a result of this procedure.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase.

- ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

Result: No exceptions were identified as a result of this procedure.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

- ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Result: This procedure is not applicable to the public funds received.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Result: This procedure is not applicable to the public funds received.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Result: No exceptions were identified as a result of this procedure.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Result: This procedure is not applicable to the public funds received.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Result: This procedure is not applicable to the public funds received.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Result: This procedure is not applicable to non-profit organizations.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the system attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: This procedure is not applicable to non-profit organizations.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures,
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing

- up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Result: This procedure is not applicable to non-profit organizations.

14) Prevention of Sexual Harassment

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

Result: This procedure is not applicable to non-profit organizations.

Management's Responses to Results

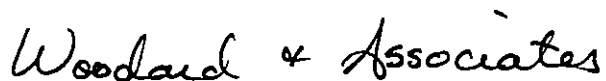
We will consider the results of the statewide agreed-upon procedures report and take action as deemed necessary and feasible.

Restriction on Use

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

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



(A Professional Accounting Corporation)
Monroe, Louisiana

September 16, 2026