

MILTON WATER SYSTEM, INC.

Milton, Louisiana

Financial Report

Years Ended June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milton Water System, Inc.
Milton, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Milton 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, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Milton Water System, Inc. (the System) 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 for Opinion

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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 11, 2025

FINANCIAL STATEMENTS

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,345,370	\$ 2,560,442
Investments	67,872	50,410
Accounts receivable	142,291	138,611
Federal grant receivable	2,194,384	777,184
Prepaid expense	26,818	21,571
Other assets	53,239	40,109
Total current assets	3,829,974	3,588,327
Restricted assets:		
Cash and cash equivalents	397,825	395,750
Property, plant and equipment, net	16,249,831	7,906,882
Total assets	\$ 20,477,630	\$ 11,890,959
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 154,570	\$ 135,005
Contract payable	1,797,950	1,221,700
Retainage payable	466,750	104,327
Unearned revenue	-	716,255
Notes payable-current	169,680	65,150
Other payables	90,110	69,862
Total current liabilities	2,679,060	2,312,299
Long - term liabilities:		
Notes payable-long term	5,741,630	2,189,436
Customer deposits	337,825	335,750
Total long-term liabilities	6,079,455	2,525,186
Total liabilities	8,758,515	4,837,485
Net assets:		
Without donor restrictions	11,719,115	7,053,474
Total liabilities and net assets	\$ 20,477,630	\$ 11,890,959

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Activities
Years Ended June 30, 2025 and 2024

	2025	2024
Changes in Net Assets Without Donor Restrictions -		
Revenues:		
Water sales	\$ 1,907,991	\$ 1,849,788
Finance charges	26,476	26,260
Meter installation fees	22,185	65,960
Reconnect fees	38,320	41,011
Connection fees	12,285	14,313
NSF charges	3,684	4,075
Grant income	4,205,395	1,406,326
Investment income	38,384	23,717
Loan forgiveness	537,344	494,498
Miscellaneous income	12,456	15,729
Total revenues	6,804,520	3,941,677
Expenses:		
Program services	1,636,785	1,551,626
Supporting services:		
Management and general	502,094	487,847
Total expenses	2,138,879	2,039,473
Change in net assets without donor restrictions	4,665,641	1,902,204
Net assets, beginning of year	7,053,474	5,151,270
Net assets, end of year	\$ 11,719,115	\$ 7,053,474

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	2025	2024
Program services:		
Auto and truck	\$ 5,386	\$ 5,568
Bad debt	399	5,338
Chemicals	2,850	2,810
Depreciation	368,742	366,568
Dottie expense	1,301	1,550
Insurance	35,988	29,377
Maintenance and supplies	7,848	6,165
Meter reading	64,793	62,969
Rent - equipment	8,400	7,700
Repairs and maintenance (equipment)	15,454	22,884
Repairs and maintenance (treatment)	7,930	10,009
Repairs and maintenance (line)	41,255	52,441
Salaries	127,117	121,300
Taxes - payroll	3,917	3,690
Telephone	730	792
Supplies and tools	6,158	5,716
Training and education	85	-
Utilities	8,410	11,401
Water purchases	930,022	835,348
Total program services	\$ 1,636,785	\$ 1,551,626
Supporting services:		
Management and general		
Accounting	\$ 28,725	\$ 16,140
Bank charges	3,421	2,909
Depreciation	966	1,038
Dues and subscriptions	2,837	5,074
Insurance	66,760	92,175
Interest	68,607	54,900
Legal	4,745	7,340
Maintenance contract	2,831	2,647
Management fees	5,391	-
Miscellaneous	1,069	1,429
Office expense	24,416	24,771
Postage	47,578	44,069
Repairs and maintenance	15,573	14,029
Salaries	196,147	191,204
Taxes - payroll	20,015	20,208
Telephone	7,347	5,299
Utilities	5,666	4,615
Total supporting services	\$ 502,094	\$ 487,847

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets without donor restrictions	<u>\$ 4,665,641</u>	<u>\$ 1,902,204</u>
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	369,708	367,606
(Increase) decrease in operating assets		
Accounts receivable	(3,680)	(26,770)
Federal grant receivable	(1,417,200)	(777,184)
Prepaid expenses	(5,247)	(5,281)
Other assets	(13,130)	(11,379)
Unrealized (gains)/losses on investments	(17,462)	(4,505)
Increase (decrease) in operating liabilities		
Accounts payable	19,565	64,150
Unearned revenue	(716,255)	716,255
Accrued expenses and other payables	20,248	(11,117)
Customer deposits	2,075	2,055
Total adjustments	<u>(1,761,378)</u>	<u>313,830</u>
Net cash provided by operating activities	<u>2,904,263</u>	<u>2,216,034</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	<u>(4,052,110)</u>	<u>(533,742)</u>
Cash flows from financing activities:		
Principal paid on notes payable	<u>(65,150)</u>	<u>(62,769)</u>
Net (decrease) increase in cash and cash equivalents	(1,212,997)	1,619,523
Cash and cash equivalents, beginning of year	<u>2,956,192</u>	<u>1,336,669</u>
Cash and cash equivalents, end of year	<u>\$ 1,743,195</u>	<u>\$ 2,956,192</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 68,607</u>	<u>\$ 54,900</u>
Supplemental schedule of noncash investing and financing activities:		
Construction cost financed	<u>\$ 4,259,199</u>	<u>\$ 1,224,508</u>
Loan proceeds	<u>\$ 4,259,199</u>	<u>\$ 1,224,508</u>
Loan forgiveness	<u>\$ 537,344</u>	<u>\$ 494,489</u>

(continued)

The accompanying notes are an integral part of the basic financial statements.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Statements of Cash Flows (Continued)
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of financial position:		
Cash and cash equivalents, beginning of period -		
Cash and interest bearing deposits - unrestricted	\$ 2,560,442	\$ 942,974
Cash and interest bearing deposits - restricted	<u>395,750</u>	<u>393,695</u>
Total cash and cash equivalents	<u>2,956,192</u>	<u>1,336,669</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	1,345,370	2,560,442
Cash and interest bearing deposits - restricted	<u>397,825</u>	<u>395,750</u>
Total cash and cash equivalents	<u>1,743,195</u>	<u>2,956,192</u>
Net (decrease) increase	<u><u>\$ (1,212,997)</u></u>	<u><u>\$ 1,619,523</u></u>

The accompanying notes are an integral part of the basic financial statements.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Operations

Milton Water System (the System) was incorporated January 10, 1974, under the provisions of non-profit corporation laws under the State of Louisiana. The System was organized to construct, maintain, and operate a private water system that provides water to its members. Members elect directors who appoint or elect officers to manage the organization. The organization was granted non-profit status, by the Internal Revenue Service under IRS Code 501 (c)(12).

B. Financial Statement Presentation

The financial statements of the System have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified on the existence of donor-imposed restrictions. Accordingly, net assets of the System and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the System. These net assets may be used at the discretion of the System’s management and board of directors.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met, either (1) incurring expenses to satisfying the restricted purpose (purpose restricted, and/or passage of time or other events (time restricted), or (2) will never expire (perpetual in nature). When restrictions expire, 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 System’s board of directors has designated, from net assets without donor restrictions for the following purpose:

	<u>2025</u>	<u>2024</u>
Designated for reserve accounts	<u>\$ 60,000</u>	<u>\$ 60,000</u>

C. Cash and Cash Equivalents

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

D. Investments

Investments are carried at fair value. The System reports investment income and gains restricted by donors as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

E. Allocation of Functional Expenses

Direct expenses are charged to program or support based on specific identification.

F. Revenue Recognition

The System recognizes revenues on the accrual basis of accounting. Revenues from water sales are recognized at the time services are rendered. The performance obligations for substantially all services relate to contracts with terms of one year or less. As a result, the System does not separately disclose aggregate amounts of fully or partially unsatisfied performance obligations as of the end of the year.

G. Income Taxes

The Water System is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the System and recognize a tax liability (or asset) if the System has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the System, and has concluded that as of June 30, 2025 and 2024, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The System is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

H. Property and Equipment

The cost of property and equipment, which have an acquisition cost of \$500 or more are capitalized. Property and equipment are valued at historical cost and are being depreciated on a straight-line basis. Depreciation expense totaled \$369,708 and \$367,606 for the years ended June 30, 2025 and 2024, respectively.

I. Bad Debts

Generally accepted accounting principles require the accrual of uncollectible receivables through an allowance account. An allowance for credit losses on receivables is recorded at the balance sheet date. The allowance for credit losses is evaluated on a case by case basis. Potential credit losses exist when the clients have historically been unable to pay their bill, water lines are damaged by outside sources, or very specific extenuating circumstances. An allowance for credit losses was \$399 and \$5,388 for the years ended June 30, 2025 and 2024.

J. Vacation, Sick Leave, and Compensated Absences

The System allows one regular workweek of paid vacation after one year as a full-time employee and increased vacation each additional year of service. Vacation is normally taken in the year accrued, but one week of unused vacation days may be carried over to the next year. Accrued vacation is payable at termination of employment. Accrued vacation will not be accrued because it is immaterial. Sick leave may not be carried over and is not payable at termination of employment; it is recorded as an expense of the period in which paid.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

K. Statement of Cash Flows

The System considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

L. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to use estimates and make assumptions regarding certain types of assets, liabilities, support, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(2) Investments

FASB provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in inactive markets, quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize that use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, The Milton Water System’s assets at fair value as of:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2025				
Total Investments	<u>\$ 67,872</u>	<u>\$ 67,872</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2024				
Total Investments	<u>\$ 50,410</u>	<u>\$ 50,410</u>	<u>\$ -</u>	<u>\$ -</u>

Gains and losses are included in the Statement of Activities for the years ended June 30, 2025 and 2024 and are reported in Investments in the Statement of Net Position.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

The System's policy is to recognize transfers between Level 1 and 2 and into and out of Level 3 as of the date of the event of change in circumstances that caused the transfer. For the years ended June 30, 2025 and 2024, there are no significant transfers between Levels 1 and 2 and no transfers into or out of Level 3.

(3) Contract Balances

The timing of revenue recognition, billings and cash collections result in billed accounts receivables (contract assets). The System requires customers deposits resulting in contract liabilities. The beginning and ending contract balances are as follows:

	June 30,		
	2025	2024	2023
Accounts Receivable	\$ 142,291	\$ 138,611	\$ 111,841
Customer Deposits	<u>\$ 337,825</u>	<u>\$ 335,750</u>	<u>\$ 333,695</u>

(4) Accounts Receivable

The aging of the accounts receivable is as follows:

	2025	2024
Current	\$ 116,636	\$ 133,345
Over 30 Days	17,133	1,866
Over 60 Days	284	-
Over 90 days	<u>8,238</u>	<u>3,400</u>
Total	<u>\$ 142,291</u>	<u>\$ 138,611</u>

(5) Restricted Assets

Restricted assets relate to funds transferred to separate accounts to meet the requirements of the loan agreements and customer deposits. The balance of restricted assets for June 30, 2025 and 2024 is as follows:

	2025	2024
Debt reserves	\$ 60,000	\$ 60,000
Customer deposits	<u>337,825</u>	<u>335,750</u>
Total	<u>\$ 397,825</u>	<u>\$ 395,750</u>

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(6) Property, Plant and Equipment

All costs associated with the construction of the water system are included in this account. The System follows a policy of capitalizing interest as a part of property, plant and equipment constructed. A schedule of property, plant and equipment for the periods ended June 30, 2025 and 2024 is as follows:

	2025	2024
Land	\$ 351,898	\$ 351,898
Construction in Progress	11,594,305	2,917,218
Water Treatment Plant	459,849	447,529
Waterwell	101,297	101,297
Ground Storage Reserve	27,794	27,794
Water Distribution System	7,567,133	7,567,133
Meters	1,598,090	1,574,840
Treatment Equipment	3,155	3,155
Equipment and/or Building	3,500	3,500
Filtering System	328,912	328,912
Furniture and Fixtures	37,832	37,832
Vehicles	72,759	72,759
Total	22,146,524	13,433,867
Less: accumulated depreciation	5,896,693	5,526,985
Net Property, Plant and Equipment	\$ 16,249,831	\$ 7,906,882

Depreciation of property, plant and equipment is computed over the estimated useful lives of the respective assets on a straight-line basis. All property, plant and equipment is pledged as collateral for notes payable.

(7) Department of Health Drinking Water Revolving Loan

On September 21, 2023, the System issued \$6,600,000 of Promissory Note, Series 2023, bearing interest of 1.95% for the construction of the New Water Treatment Plant. The System entered into a loan and pledge agreement with the Department of Health that allows the System to make draws of the \$6,600,000 commitment as construction funds are expended for the construction of the New Water Treatment Plant. At June 30, 2025 and 2024, amounts drawn to date totaled \$4,259,199 and \$1,224,507. During the fiscal years ended June 30, 2025 and 2024, loan principal of \$537,344 and \$494,498, respectively, was forgiven and recognized as loan forgiveness revenue in the Statement of Activities.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(8) Notes Payable

The System's note payable balances consisted of the following:

	2025	2024
Note payable to the Louisiana Department of Health, dated September 21, 2023, in the original amount not to exceed \$6,600,000, payable in thirty annual installments, including interest at 1.95 percent annum, secured by a pledge of revenues from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 09/21/2054.	\$ 4,451,883	\$ 730,009
Note payable to CoBank, dated September 13, 2021, in the original amount not to exceed \$1,800,000, payable in two hundred forty monthly installments, including interest at 3.45 percent annum, secured by a pledge of revenues from the Water System, a mortgage on the real estate, and personal property owned or purchased by the Water System, and maturing 10/20/2041.	1,459,427	1,524,577
Total notes payable	5,911,310	2,254,586
Less: Current portion	169,680	65,150
Long-term debt	\$ 5,741,630	\$ 2,189,436

Notes payable at June 30, 2025, is scheduled to mature as follows:

Year	Principal Only
2026	67,466
2027	69,864
2028	72,224
2029	74,914
2030	77,577
2031 to 2035	431,159
2036 to 2040	513,450
2041 to 2045	152,773
Thereafter	4,451,883
	\$ 5,911,310

(9) Commitments and Contingencies

There was no litigation pending against the System as of June 30, 2025.

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

(10) Concentration of Credit Risk

The System maintains bank accounts at three separate institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at June 30, 2025 and 2024 exceed federally insured limits by \$2,019,684 and \$1,738,945.

(11) Board of Directors and Compensation

The Board of Directors of the System for the year ended June 30, 2025 are as follows:

<u>Board Member</u>	<u>Term</u>	<u>Address</u>
President - Bob Bixenman	October 2022 - October 2025	PO Box 359, Milton, LA
Sinda Soileau	October 2022 - October 2025	129 Julie Drive, Lafayette, LA
Lisa Noel	September 2023 - September 2026	221 Julie Drive, Lafayette, LA
Larry Soileau	October 2021 - October 2027	122 Julie Drive, Lafayette, LA
Glen Gudiry	October 2023 - October 2026	PO Box 398, Milton, LA

The System is governed by the Board of Directors, which are not compensated.

(12) Concentrations

The System purchases the majority of its water from a local government. Without these purchases, The System would not be able to provide water to its customers.

(13) Subsequent Events

The System has evaluated subsequent events through December 11, 2025, the date which the financial statements were available to be issued.

(14) Liquidity and Availability of Resources

The System's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,345,370	\$ 2,560,442
Investments	67,872	50,410
Accounts receivable	142,291	138,611
Grants receivable	2,194,384	777,184
Prepaid expense	26,818	21,571
Other assets	<u>53,239</u>	<u>40,109</u>
Total current assets	<u>\$ 3,829,974</u>	<u>\$ 3,588,327</u>

Milton Water System, Inc.
Milton, Louisiana

Notes to Financial Statements

Certain assets are restricted by lenders for specific purposes and, therefore, are not available for general expenditure. As part of the System's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the System does not intend to spend from its restricted assets other than amounts appropriated for general expenditures as part of its annual appropriation process, amounts from its restricted assets could be made available if necessary.

(15) Deferred Compensation Contracts

The System has established a deferred compensation contract with a certain key employee. The agreement provides for a lump sum cash benefit upon his normal retirement date or his beneficiary upon death. Provisions for these benefits are charged to operations ratably over the employee's expected term of employment. The net amount of deferred compensation paid to cover key employees for years ended June 30, 2025 and 2024 was \$12,955 and \$12,156, respectively. The System has also recognized as liability (included in other payable) for the years ended June 30, 2025 and 2024 in the amounts of \$52,287 and \$39,332, respectively.

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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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
Milton Water System, Inc.
Milton, 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 Milton 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, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Milton Water System, Inc.'s (the System) 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 the System's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 System'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 the 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 certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Milton Water System Inc.’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The System’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 11, 2025

KOLDER, SLAVEN & COMPANY, LLC

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

To the Board of Directors
Milton Water System, Inc.
Milton, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Milton Water System, Inc.'s (the System) 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 System's major federal programs for the year ended June 30, 2025. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System'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 System'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 System'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 System'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 System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. However, under Louisiana Revised Statute 25:513, this report is distributed by the Legislative Auditor as a public document

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 11, 2025

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
United States Environmental Protection Agency Passed through the State of Louisiana's Department of Health Drinking Water State Revolving Fund	66.468	N/A	<u>\$ 4,259,199</u>
United States Department of Treasury Passed through Louisiana State Office of Community Development Coronavirus State and Local - Fiscal Recovery Funds - COVID-19	21.027	LAWSP10694	3,597,518
Direct payments Coronavirus State and Local - Fiscal Recovery Funds - COVID-19	21.027	N/A	<u>716,255</u>
Total			<u>4,313,773</u>
Total Expenditures of Federal Awards			<u>\$ 8,572,972</u>

Milton Water System, Inc.
Milton, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Milton Water System, Inc. (the System) under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the System.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

The System has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Loans Outstanding

The System had debt balance outstanding of \$4,451,883 at June 30, 2025 as it relates to the Drinking Water State Revolving Loan.

MILTON WATER SYSTEM, INC.
Milton, Louisiana

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Part I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified?	_____ <u>X</u> yes	_____ no

Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no
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Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified?	_____ yes	_____ <u>X</u> no

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance	_____ yes	_____ <u>X</u> no
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Major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local - Fiscal Recovery Funds - COVID-19
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no
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Milton Water System, Inc.
Milton, Louisiana

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2025

Part II. Findings which are required to be reported in accordance with generally accepted *Governmental Auditing Standards*:

A. Internal Control Findings –

There is an internal control finding reported. See item 2025-001 in the schedule of current and prior audit findings and managements corrective action plan.

B. Compliance Findings –

There are no findings to be reported under this section.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in 2 CFR section 200 of the Uniform Guidance:

There are no findings to be reported under this section.

Milton Water System, Inc.
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2025

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2025-001 Inadequate Segregation of Accounting Functions

CONDITION: The Milton Water Systems, Inc. did not have adequate segregation of functions within the accounting system.

CRITERIA: Committee of Sponsoring Organizations (COSO) *Internal Control-Integrated Framework* and the Louisiana Legislative Auditor's *Governmental Auditing Guide*.

CAUSE: The cause of the condition is the fact that the Milton Water System, Inc. does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board members have determined that it is not cost effective to achieve complete segregation of duties within the accounting department. Management will attempt to use current staff and board members to segregate accounting functions as much as possible.

B. Compliance

There are no compliance findings to be reported.

Milton Water System, Inc.
Milton, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended June 30, 2025

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2024-001 Inadequate Segregation of Accounting Functions

CONDITION: The Milton Water System, Inc. did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Based upon the cost-benefit of additional personnel, it would not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 2025-001.

B. Compliance

There were no compliance findings reported.



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December 11, 2025

Audit conducted by:

Kolder, Slaven & Company, LLC
P.O. Box 1055
Abbeville, LA 70511-1055

Audit Period: Fiscal year ended June 30, 2025

The finding from the June 30, 2025 schedule of current year and prior year audit findings and management's corrective action plan are discussed below. The finding is numbered consistently with the number assigned in the schedule.

2025-001 Inadequate Segregation of Accounting Functions

CONDITION: The Milton Water Systems, Inc. did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board members have determined that it is not cost effective to achieve complete segregation of duties within the accounting department. Management will attempt to use current staff and board members to segregate accounting functions as much as possible.

Should you have any questions, feel free to contact me at your convenience.

Respectfully,

A handwritten signature in cursive script that reads "William Theriot".

William Theriot, CEO



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337-856-6206

December 11, 2025

Audit conducted by:
Kolder, Slaven & Company, LLC
P.O. Box 1055
Abbeville, LA 70511-1055

Milton Water System respectfully submits the following schedule of prior audit findings for the year ended June 30, 2024.

2024-001 Inadequate Segregation of Accounting Functions

CONDITION: The Milton Water Systems, Inc. did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board members have determined that it is not cost effective to achieve complete segregation of duties within the accounting department. Management will attempt to use current staff and board members to segregate accounting functions as much as possible.

Should you have any questions, feel free to contact me at your convenience.

Respectfully,

A handwritten signature in cursive script that reads "William Theriot".

William Theriot, CEO