

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2026 AND 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Water System, Inc. as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

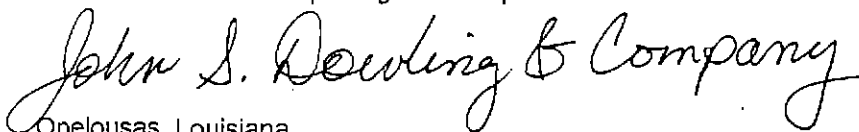
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2026, on our consideration of United Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Water System, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering United Water System, Inc.'s internal control over financial reporting and compliance.


Opelousas, Louisiana
August 27, 2026

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND 2025

<u>ASSETS</u>	<u>2026</u>	<u>2025</u>
Cash - unrestricted	\$ 26,472	\$ 59,161
Accounts receivable, net	83,038	85,734
Grant receivable	37,218	15,833
Prepaid insurance	13,794	13,568
Restricted assets		
Cash - tenant deposits	13,164	12,717
Cash - notes payable/debt service	262,765	250,831
Due to/from unrestricted cash	(1,264)	(872)
Due to/from restricted cash	1,264	872
Property and equipment, net	<u>2,161,287</u>	<u>2,228,642</u>
<u>Total assets</u>	<u>2,597,738</u>	<u>2,666,486</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 33,902	\$ 91,891
Payroll taxes payable	5,133	5,307
Sales tax payable	13	77
Safe drinking water payable	4,219	4,223
Accrued interest payable	2,973	3,472
Restricted payables		
Customer deposits	11,900	11,845
Construction payable	29,307	38,256
Retainage payable	-	63,636
Insurance note payable	7,478	7,352
Notes payable	<u>862,208</u>	<u>956,115</u>
<u>Total liabilities</u>	<u>957,133</u>	<u>1,182,174</u>
 <u>NET ASSETS</u>		
Without donor restrictions	<u>1,640,605</u>	<u>1,484,312</u>
<u>Total net assets</u>	<u>1,640,605</u>	<u>1,484,312</u>
 <u>Total liabilities and net assets</u>	 <u>2,597,738</u>	 <u>2,666,486</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	Without Donor Restrictions	
	2026	2025
<u>REVENUES AND OTHER SUPPORT</u>		
Water sales & reconnection charges	\$ 879,140	\$ 709,707
Connection charges	1,761	2,370
Interest income	4,861	6,217
Membership fees	3,730	4,800
Meter changeout	20,130	23,515
Miscellaneous income	-	1,030
Grant income	116,739	1,087,176
<u>Total revenues and other support</u>	<u>1,026,361</u>	<u>1,834,815</u>
<u>EXPENSES</u>		
Management & General		
Salaries	30,640	29,894
Payroll taxes	2,566	2,299
Board fees	5,200	5,375
Utilities	2,475	2,093
Insurance	3,521	3,619
Professional fees	24,661	23,415
Kitchen supplies	4,363	3,141
Office supplies and printing	910	1,665
Telephone and internet	398	386
Depreciation expense	1,259	1,077
Program Services		
Salaries	167,545	149,061
Payroll taxes	14,539	13,028
Auto & gas	16,977	13,421
Bank charges	578	2,240
Chemicals	147,220	161,218
Utilities	47,027	39,763
Insurance	55,158	56,703
Miscellaneous expenses	6,440	4,669
Office supplies and printing	5,158	9,435
Postage	12,027	14,505
Repairs and maintenance	80,749	84,943
Water supplies	54,490	42,645
Certification and training	375	375
Chemical testing	2,312	2,095
Advertising	1,408	1,648
Telephone and internet	7,558	7,334
Uniforms	-	638
Licenses and permits	390	390
Dues and subscriptions	9,195	7,184
Bad debt (recovery)	132	(7)

Continued on next page

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	Without Donor Restrictions	
	2026	2025
Depreciation expense	\$ 124,679	\$ 106,625
Interest expense	40,118	35,367
<u>Total expenses</u>	<u>870,068</u>	<u>826,244</u>
 <u>CHANGE IN NET ASSETS</u>	 156,293	 1,008,571
 <u>NET ASSETS</u> , beginning of year	 <u>1,484,312</u>	 <u>475,741</u>
 <u>NET ASSETS</u> , end of year	 <u>1,640,605</u>	 <u>1,484,312</u>

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 907,444	\$ 707,407
Interest earned on investments	4,861	6,217
Cash paid to suppliers	(527,941)	(471,541)
Cash paid to employees	(198,359)	(177,213)
Interest paid on loans	(40,617)	(35,786)
Net cash provided by operating activities	<u>145,388</u>	<u>29,084</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from grants	95,354	1,071,343
Proceeds from loans	-	246,302
Principal payments on loans	(129,682)	(131,225)
Net cash provided or (used) by capital and related financing activities	<u>(34,528)</u>	<u>1,186,420</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(131,168)	(1,225,973)
Net cash provided or (used) by investing activities	<u>(131,168)</u>	<u>(1,225,973)</u>
<u>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</u>	(20,308)	(10,469)
<u>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</u>	<u>322,709</u>	<u>333,178</u>
<u>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</u>	<u>302,401</u>	<u>322,709</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Change in net assets	\$ 156,293	\$ 1,008,571
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	125,938	107,701
Grant income	(95,354)	(1,071,343)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	2,696	(34,575)
(Increase) decrease in grant receivable	(21,385)	(15,833)
(Increase) decrease in prepaid insurance	35,875	1,191
(Increase) decrease in prepaid expense	-	2,500
Increase (decrease) in accounts payable	(57,989)	28,988
Increase (decrease) in sales tax payable	(64)	56
Increase (decrease) in safe drinking water payable	(4)	9
Increase (decrease) in accrued interest payable	(499)	(419)
Increase (decrease) in payroll taxes payable	(174)	1,743
Increase (decrease) in tenant deposits	55	495
Net cash provided by operating activities	<u>145,388</u>	<u>29,084</u>
<u>SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES</u>		
Loan funded for insurance	\$ 36,101	\$ 35,406

The accompanying notes are an integral part of these statements.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

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

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

A. Basis of Accounting.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

B. Estimates

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

C. Cost Allocation

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

D. Property, Plant and Equipment

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

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

E. Income Taxes

United Water System, Inc. is a nonprofit organization exempt from income taxes under the Internal Revenue Code Section 501(c)(12) and similar provisions of the State Code. Therefore, no provisions for income taxes have been made. United Water System, Inc. is required to file a Form 990 with the Internal Revenue Service annually. The years open to examination by the Internal Revenue Service are fiscal years after June 30, 2022.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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

F. Statement of Cash Flows

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

	2026	2025
Cash on hand	\$ 200	\$ 200
Operating account	26,272	58,961
Savings account	46,126	40,610
Reserve account	48,222	46,943
Debt service account	96,667	95,964
Contingency account	58,990	57,424
Debt reserve account	12,760	9,890
Renter's deposit account	13,164	12,717
	<u>302,401</u>	<u>322,709</u>

G. Allowance for Credit Losses

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

H. Compensated Absences

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

Accrued compensated absences are inconsequential at June 30, 2026 and 2025, and thus not recorded in these financial statements.

I. Liquidity and Availability of Financial Assets

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

	2026	2025
Financial assets at year-end	\$ 146,728	\$ 160,728
Less those unavailable for general expenditures within one year - donor imposed restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>146,728</u>	<u>160,728</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (2) - CASH AND INVESTMENTS

Deposits: The bank balances for the years ended June 30, 2026 and 2025, were as follows:

	<u>2026</u>	<u>2025</u>
<u>Washington State Bank</u>		
Bank Balance	\$ 117,649	\$ 138,385
Federal deposit insurance	\$ 117,649	\$ 138,385
Pledged securities	-	-
Total FDIC and collateral pledged	<u>117,649</u>	<u>138,385</u>
<u>FM Bank</u>		
Bank Balance	\$ 203,878	\$ 200,331
Federal deposit insurance	\$ 200,331	\$ 200,331
Pledged securities	-	-
Total FDIC and collateral pledged	<u>200,331</u>	<u>200,331</u>

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE

United Water System, Inc.'s accounts receivable consists of uncollected billed and unbilled water sales. Accounts receivable aging schedules at June 30, 2026 and 2025, are as follows:

<u>Days</u>	<u>2026</u>	<u>2025</u>
Unbilled receivables	\$ 19,005	\$ 16,342
0-30	60,197	61,423
31-60	5,934	8,959
61-90	(100)	759
91-120	404	30
120 and older	1,945	2,436
	<u>87,385</u>	<u>89,949</u>
Allowance for credit losses	<u>(4,347)</u>	<u>(4,215)</u>
<u>Totals</u>	<u>83,038</u>	<u>85,734</u>

An analysis of the change in the allowance for credit losses for June 30, 2026 and 2025, are as follows:

	<u>2026</u>	<u>2025</u>
Balance at July 1	\$ 4,215	\$ 4,222
Charge offs	-	-
Recoveries	-	(7)
	<u>4,215</u>	<u>4,215</u>
Provision of credit losses	<u>132</u>	<u>-</u>
Balance at June 30	<u>4,347</u>	<u>4,215</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (3) - UTILITY ACCOUNTS RECEIVABLE – Continued

The following is a user classification of members for the years ended June 30, 2026 and 2025.

	<u>2026</u>	<u>2025</u>
Residential users	1,475	1,475
Commercial users	<u>9</u>	<u>9</u>
<u>Total</u>	<u>1,484</u>	<u>1,484</u>

The rates for United Water System, Inc. for the year ended June 30, 2026 are as follows:

Residential rates:

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

Commercial rates:

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

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

Residential rates:

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

Commercial rates:

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

NOTE (4) - RESTRICTED ASSETS

A reserve shall be set aside and shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by any unforeseen catastrophe, for making extensions or improvements with prior written approval and when necessary for the purpose of making the United States Department of Agriculture - Rural Development's loan payments in the event the amount in the revenue account is insufficient to meet such payments. An amount of \$283 per month will be deposited to a reserve until \$33,816 is accumulated. As of June 30, 2026 and 2025, the balances in the reserve accounts were \$46,126 and \$40,610, respectively.

A debt service fund shall be set up for the purpose of making payments on loan to Louisiana Department of Health and Hospitals. An amount of 1/12th of each year's debt service requirement should be deposited monthly into this account. United Water should have a balance of \$103,761 in this account at June 30, 2026. As of June 30, 2026 and 2025, the balances in the debt service account were \$96,667 and \$95,964, respectively. A reserve shall be set aside to provide a cushion against shortfalls in revenues to cover debt service payments to Louisiana Department of Health and Hospitals. An amount of \$42,000 is required in the reserve fund and must be accumulated over five years, beginning in 2005. As of June 30, 2026 and 2025, the balances in the reserve account were \$48,223 and \$46,943, respectively. Although the Louisiana Department of Health and Hospitals requirement was short by \$871, the Water System satisfied all other reserve requirements at a surplus to cover this shortfall.

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (4) - RESTRICTED ASSETS – Continued

A contingency fund shall be set aside and shall be used to provide an available reserve for extensions, additions, improvements, renewals and replacements necessary to properly operate the Water System. The Contingency fund should be funded by transferring 5% of the gross revenue of the Water System each month until \$50,000 has accumulated, provided that such funds are available. At June 30, 2026 and 2025, the balances in the contingency fund were \$58,989 and \$57,424, respectively.

A debt reserve fund shall be set up for the purpose of repaying Communities Unlimited, Inc. in the event that adequate revenue is not available from operations to make a monthly installment. The debt reserve fund shall be funded at the rate of not less than \$245.13 per month until \$29,415 has been accumulated. At of June 30, 2026 and 2025, the balance in the debt reserve fund is \$12,760 and \$9,890, respectively.

Restricted assets for notes payable at June 30, 2026 consist of:

	USDA		LDHH		COMMUNITIES UNLIMITED
	Note	Depreciation	Note	Contingency	Note
Beginning balances	\$ 40,610	\$ -	\$ 142,907	\$ 57,424	\$ 9,890
Interest income	56	-	3,223	1,565	-
Withdrawals	-	-	(71,240)	-	(130)
Transfers					
Per loan agreement (LDHH)	-	-	70,000	-	-
Per loan agreement (CU)	-	-	-	-	3,000
Per loan agreement (USDA)	5,460	-	-	-	-
Ending balances	46,126	-	144,890	58,989	12,760

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

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

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (5) - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment of United Water System, Inc. at June 30, 2026 and 2025, is as follows:

<u>Description</u>	<u>2026</u>	<u>2025</u>
Total depreciable assets		
Water distribution system, furniture and equipment	\$ 4,354,594	\$ 2,901,860
Accumulated depreciation	<u>(2,195,225)</u>	<u>(2,075,949)</u>
Net	2,159,369	825,911
Total non-depreciable assets		
Construction in progress	-	1,400,813
Land (at cost)	<u>1,918</u>	<u>1,918</u>
Total	<u>2,161,287</u>	<u>2,228,642</u>
Depreciation	<u>\$ 125,938</u>	<u>\$ 107,702</u>
Changes during the year		
Asset disposals	\$ 6,662	\$ -
Asset additions	131,168	770,954

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (6) - LONG-TERM DEBT

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

	<u>2026</u>	<u>2025</u>
<u>United States Department of Agriculture - Rural Development</u>		
Note dated August 24, 1995, in the original amount of \$250,000 due in monthly installments of \$1,218 which includes interest at 5% per annum, collateralized by the property, plant and equipment and revenues from water sales.	\$ 89,334	\$ 99,213
Note dated February 27, 2007, in the original amount of \$371,000 due in monthly installments of \$1,600 which includes interest at 4.125% per annum, collateralized by revenue and income.	<u>255,908</u>	<u>264,361</u>
<u>Total Rural Development debt</u>	<u>345,242</u>	<u>363,574</u>
<u>Louisiana Department of Health and Hospitals</u>		
Drinking water revolving loan dated June 6, 2008, in the original amount of \$360,333 for new water meter changeout project. The loan requires annual principal payments with the first one due October 2009 and the last one due October 2028. The note has an interest rate of 3.45%.	73,000	95,000
Drinking water revolving loan entered into for a total amount of \$667,000 with an interest rate of 2.95% requiring annual principal payments beginning in October 2011. Funds were used to replace water lines and fire hydrants for the Water System.	<u>210,626</u>	<u>248,626</u>
<u>Total Louisiana Department of Health and Hospitals debt</u>	<u>283,626</u>	<u>343,626</u>
<u>Communities Unlimited</u>		
Note dated May 2, 2022, in the amount of \$300,000 due in monthly installments of \$2,328 which includes interest at 5% per annum, collateralized by revenues from water sales and income.	<u>233,340</u>	<u>248,915</u>
<u>Total Communities Unlimited debt</u>	<u>233,340</u>	<u>248,915</u>
<u>Total notes payable</u>	<u>862,208</u>	<u>956,115</u>

Long-term debt obligations mature as follows:

2027	\$ 98,836
2028	102,589
2029	106,429
2030	85,359
2031	88,010
2032-2036	208,957
2037-2041	95,215
2042-2046	<u>76,813</u>
<u>Total</u>	<u>862,208</u>

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (7) - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Water System's revenue is recognized as performance obligations are satisfied, which is on a monthly basis as billed. Customers are billed monthly on the last day of the month for the water delivered during the month and payments are due by the 10th of the following month. All other revenues from customers, such as connection charges and memberships are recorded when collected. The accounts receivable was \$85,734 and \$51,159 at the beginning of the June 30, 2026 and 2025 fiscal years, respectively. The renters' deposits payable was \$11,845 and \$11,350 at the beginning of the June 30, 2026 and 2025 fiscal years, respectively.

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

The following is a list of the Board of Directors and the compensation paid for each member for the years ended June 30, 2026 and 2025:

	<u>Term Expires</u>	<u>2026</u>	<u>2025</u>
Terry Begnaud, President	9/2027	\$ 1,200	\$ 950
Lorna Mills, Vice President	9/2028	900	900
Joanne Artigue, Secretary/Treasurer	9/2026	1,200	1,200
Milton Frederick, Board Member	9/2026	300	300
Tony Sokolowicz, Board Member	9/2028	300	300
Barbara Hebert, Board Member	9/2027	300	525
Michael Taylor, Former Secretary/Treasurer	9/2027	<u>1,000</u>	<u>1,200</u>
		<u>5,200</u>	<u>5,375</u>

Agency Head Name: Terry Begnaud, President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits	-
Car allowance	-
Vehicle provided by government	-
Per diem	1,200
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE (9) – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 27, 2026, which is the date the financial statements were available to be issued. As of August 27, 2026, there were no subsequent events noted.

RELATED REPORTS

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

Hannah R. Simpson, CPA
Van L. Auld, CPA



JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
www.jsdc-cpas.com

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

Retired

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of United Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2026, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2026-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

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

United Water System, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on United Water System, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and responses. United Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Opelousas, Louisiana
August 27, 2026

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2026

A. SUMMARY OF AUDIT RESULTS

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2026-1 Inadequate segregation of duties

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

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

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

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

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

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

Contact Person: Terry Begnaud, President

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

N/A

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

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

2025-1 Inadequate segregation of duties

Repeat comment.

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

None

UNITED WATER SYSTEM, INC.
ARNAUDVILLE, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
JUNE 30, 2026

INSURER	TYPE OF COVERAGE	COVERAGE	LIMITS	EFFECTIVE DATE	
				TO	FROM
Scottsdale Insurance Company	Commercial Property	Blanket Limit of Insurance	\$2,096,000	10/15/2025	10/15/2026
Hiscox Insurance Company Inc.	Commercial Crime	Fidelity	\$500,000	10/15/2025	10/15/2026
		Forgery	\$400,000		
		Inside and Outside Loss	\$300,000		
		Tech Fraud	\$700,000		
		Claim Expenses	\$100,000		
		Identity Fraud Expenses	\$25,000		
Scottsdale Insurance Company	Commercial Inland Marine	2001 Ditch Witch Trencher	\$29,630	10/15/2025	10/15/2026
		Blanket Small Tools & Equipment	\$72,073		
Liberty Mutual Fire Insurance Company	Equipment Breakdown	Equipment Breakdown	\$2,000,000	10/15/2025	10/15/2026
		Expediting Expenses	\$100,000		
		Extra Expense	\$50,000		
		Data or Media	\$100,000		
		Spoilage	\$100,000		
		Utility Interruption	\$100,000		
		Newly Acquired Premises	\$500,000		
		Ordinance or Law	\$500,000		
		Consequential Loss	\$100,000		
		Data and Media	\$100,000		
		Hazardous Substance	\$100,000		
		Water Damage	\$25,000		
Travelers Casualty and Surety Co. of America	Liability	Directors and Officers	\$1,000,000	10/15/2023	10/15/2026
		Employment Practices	\$1,000,000		
Progressive Paloverde Insurance Co.	Commercial Auto	Liability	\$1,000,000 Combined Single Limit	10/15/2025	10/15/2026
		Uninsured/Underinsured Motorist	\$1,000,000 Combined Single Limit		
		Medical Payments	\$5,000 per person		
		Comprehensive	Limit of Liability Less Deductible		
		Collision	Limit of Liability Less Deductible		
LWCC	Workers Compensation		Statutory	4/18/2026	4/18/2027

See independent auditor's report.