

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2024

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Financial Statements
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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Opinion

I have audited the accompanying financial statements of Southwest Ouachita Waterworks, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Southwest Ouachita Waterworks, Inc., as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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; and the *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Southwest Ouachita Waterworks, Inc., and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 Southwest Ouachita Waterworks,

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Independent Auditor's Report

Inc.'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

My 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 my 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*, I:

- 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 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.
West Monroe, Louisiana
Independent Auditor's Report

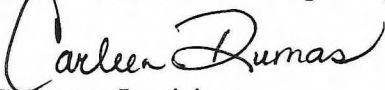
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Insurance Policies in Force and the Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are 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 my opinion, the Schedule of Insurance Policies in Force and the Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head are 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*, I have also issued my report dated February 24, 2025, on my consideration of Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and on my 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 my 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 Southwest Ouachita Waterworks, 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 Southwest Ouachita Waterworks, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
February 24, 2025

FINANCIAL STATEMENTS

Statement A

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS

Current assets:

Cash	\$106,429
Accounts receivable (net of allowance for credit losses)	<u>233,716</u>
Total current assets	340,145
Cash with contractual restrictions/board designations	1,299,218
Property, plant, and equipment (net of accumulated depreciation)	<u>5,920,335</u>
TOTAL ASSETS	<u><u>\$7,559,698</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$33,601
Accrued interest payable	12,091
Customer meter deposits	166,754
Current portion of loan payable	<u>196,000</u>
Total current liabilities	<u>408,446</u>
Long-term liabilities:	
Loan payable	2,765,000
Utility Relocation Assistance Funding liability	<u>40,698</u>
Total long-term liabilities	<u>2,805,698</u>
Total liabilities	3,214,144
Net assets without donor restrictions	<u>4,345,554</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$7,559,698</u></u>

See accompanying notes and independent auditor's report.

Statement B

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

Operating Revenue:

Water fees	\$1,944,035
Meter installation fees	45,575
Late charges	60,597
Reconnection and tamper fees	46,970
Other revenue	6,154
Total operating revenue	<u>2,103,331</u>

Operating Expenses:

Accounting	6,000
Auto expense	39,861
Bad debts and collection expense	17,012
Bank charges	7,542
Billing expense	60,801
Chemicals and carbon replacement	437,153
Commissioners fees	29,250
Contract labor	193,399
Depreciation	342,565
Employee health insurance	38,879
Installations labor and material	52,657
Insurance	90,004
Janitorial service	5,100
Lab testing	13,315
Miscellaneous	17,574
Office supplies and postage	27,838
Payroll taxes	25,826
Permits and licenses	2,460
Repairs and maintenance	334,049
Salaries	331,109
Small tools	5,489
Utilities	177,861
Total operating expenses	<u>2,255,744</u>

Operating Income (Loss)

(152,413)

Non-Operating Revenue (Expenses):

Lease income	4,200
Interest income	60,329
Federal grant revenue	187,056
Loss on disposal of vehicle	(7,001)
Interest expense	(76,444)
Total non-operating revenue (expenses)	<u>168,140</u>

Increase in Net Assets

15,727

Net Assets at Beginning of Year

4,329,827

Net Assets at End of Year

\$4,345,554

See accompanying notes and independent auditor's report.

Statement C

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	<u>\$15,727</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	342,565
Increase in accounts receivable	(56,172)
Decrease in accounts payable	(14,733)
Increase in customer deposits	9,779
Lease income	(4,200)
Interest income	(60,329)
Federal grant revenue	(187,056)
Loss on disposal of vehicle	7,001
Interest expense	<u>76,444</u>
Total adjustments	<u>113,299</u>
Net cash provided by operating activities	<u>129,026</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal on long-term debt	(191,000)
Interest on long-term debt	<u>(77,224)</u>
Net cash used by financing activities	<u>(268,224)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Lease income	4,200
Interest income	60,329
Federal grant revenue	187,056
Construction/purchase of property, plant, and equipment	<u>(550,594)</u>
Net cash used by investing activities	<u>(299,009)</u>

NET DECREASE IN CASH

(438,207)

CASH AT BEGINNING OF YEAR1,843,854**CASH AT END OF YEAR**\$1,405,647

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

Cash	\$106,429
Cash with contractual restrictions/board designations	<u>1,299,218</u>
Total cash	<u><u>\$1,405,647</u></u>

See accompanying notes and independent auditor's report.

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2024

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Southwest Ouachita Waterworks, Inc., (“the water system”) is a nonprofit organization domiciled in West Monroe, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Southwest Ouachita Waterworks, Inc. provides water to approximately 3,527 members residing within the territorial boundaries of the water system and has 8 employees.

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 water system follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (collectively Accounting Standards Codification (“ASC”) 326) in determining the allowance for credit losses. In accordance with this standard, the water system 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 water system’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 water system’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 charged as

SOUTHWEST OUACHITA WATERWORKS, INC.
Notes to the Financial Statements

an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of 25 years for the water system and improvements and 5 to 15 years for vehicles and equipment. Depreciation expense for the year ended December 31, 2024 is \$342,565.

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 water system 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 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, 2024, the water system 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 water system'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 to the water system as project costs are incurred.

SOUTHWEST OUACHITA WATERWORKS, INC.
Notes to the Financial Statements

E. INCOME TAX STATUS

The water system is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

The water system's Form 990, *Return of Organization Exempt From Income Tax*, for the years ended 2021, 2022, and 2023 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

F. 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.

G. INTEREST COSTS

The following provides disclosure on interest costs for the year ended December 31, 2024:

Total interest cost expensed	\$76,444
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u><u>\$76,444</u></u>

H. FUNCTIONAL ALLOCATION OF EXPENSES

The water system's only activity is to provide water service to its members. All costs incurred by the water system are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2024, the water system has cash as follows:

Cash on hand	\$900
Non-interest-bearing checking accounts	434,683
Interest-bearing checking/money market accounts	<u>970,064</u>
Total	<u><u>\$1,405,647</u></u>

SOUTHWEST OUACHITA WATERWORKS, INC.
Notes to the Financial Statements

Cash (bank balances) totaled \$1,433,971 at year end. Of this amount, \$1,220,064 was fully secured by federal deposit insurance and \$213,907 was uninsured at December 31, 2024.

3. RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Receivables at December 31, 2024 consist of the following:

Water sales	\$263,424
Less - allowance for credit losses	<u>(29,708)</u>
Net	<u>\$233,716</u>

The water system's estimate of the allowance for credit losses at December 31, 2024 is as follows:

Allowance for credit losses at January 1, 2024	\$29,708
Writeoffs charged against allowance	(21,213)
Recoveries of amounts previously written off	5,402
Current period provision for expected credit losses	<u>15,811</u>
Allowance for credit losses at December 31, 2024	<u>\$29,708</u>

For the year ended December 31, 2024, the total amount billed for water services was \$1,933,130. The water system implemented a rate increase in November 2024. For the months of January through October 2024, the average monthly billing per customer was \$41.90. For the months of November and December 2024, the average monthly billing per customer was \$49.12. The water system has 3,527 active customers at December 31, 2024. After the water rate increase, 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 connect fee and a \$40 reconnect fee when service is disconnected for nonpayment.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system 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 water system'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 the gallons of

SOUTHWEST OUACHITA WATERWORKS, INC.

Notes to the Financial Statements

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 \$207,251 and \$263,424 at the end of the year. Meter installation fees are recognized when the customer signs the water user agreement and pays the installation fee.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system's financial assets at December 31, 2024, 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 at December 31, 2024	\$1,639,363
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions:	
Customer meter deposits	(160,232)
Debt service	(179,478)
Contingencies	(100,000)
Board designations:	
Construction	(101)
Vehicle Fund	(40,388)
Debt service	(230,572)
Carbon replacement	(247,331)
Capital additions and contingencies	<u>(341,116)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$340,145</u>

In addition to the above amounts, the water system has an available line of credit in the amount of \$250,000 from Chase Bank to be used to meet general expenditures.

6. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment at December 31, 2024 follows:

	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
Assets not being depreciated:				
Land	\$63,320	\$20,750		\$84,070

SOUTHWEST OUACHITA WATERWORKS, INC.
Notes to the Financial Statements

	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
Construction in progress	NONE	\$486,717		486,717
Total assets not being depreciated	63,320	507,467	NONE	570,787
Assets being depreciated:				
Water system	10,477,500			10,477,500
Vehicles and equipment	660,729	48,627	(\$31,254)	678,102
Total assets being depreciated	11,138,229	48,627	(31,254)	11,155,602
Less accumulated depreciation for:				
Water system	5,202,856	276,245		5,479,101
Vehicles and equipment	279,385	66,320	(18,752)	326,953
Total accumulated depreciation	5,482,241	342,565	(18,752)	5,806,054
Total assets being depreciated, net	5,655,988	(293,938)	(12,502)	5,349,548
Total assets	<u>\$5,719,308</u>	<u>\$213,529</u>	<u>(\$12,502)</u>	<u>\$5,920,335</u>

The increase to the water system was the replacement of one well and the purchase of a vehicle, other equipment, and office improvements.

7. UTILITY RELOCATION ASSISTANCE FUNDING

On August 23, 2012, the water system entered into an agreement with the State of Louisiana Department of Transportation and Development (DOTD) for Utility Relocation Assistance Funding (URAF) to relocate the water system'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 water system 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 water system 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 water system will repay the URAF funds in a lump sum when billed by DOTD. The agreement also allows the water system to request to 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.

SOUTHWEST OUACHITA WATERWORKS, INC.

Notes to the Financial Statements

In November 2019, the water system was billed by DOTD for \$40,698 with an option to pay the minimum amount of \$8,139. The water system did not make a payment in 2019 and has made no payments since 2019.

8. LOAN PAYABLE

On November 1, 2016, the water system 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 water system. 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 water system 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 water system.

The following is a summary of loan payable transactions for the year ended December 31, 2024:

	LDH DWRLF Loan
Loan payable at January 1, 2024	\$3,152,000
Additions	NONE
Reductions	(191,000)
Loan payable at December 31, 2024	<u>\$2,961,000</u>

The annual requirements to amortize the LDH DWRLF loan balance at December 31, 2024, are as follows:

Year	Principal	Interest	Total
2025	\$196,000	\$72,544	\$268,544
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	<u>769,000</u>	<u>38,000</u>	<u>807,000</u>
Totals	<u>\$2,961,000</u>	<u>\$532,482</u>	<u>\$3,493,482</u>

SOUTHWEST OUACHITA WATERWORKS, INC.
Notes to the Financial Statements

9. CONCENTRATION OF INDEBTEDNESS

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

10. LOAN AGREEMENT RESERVE REQUIREMENTS

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

	Amount Required by Loan Agreement	Balance at December 31, 2024
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	\$160,438
Debt Service Reserve Fund - to provide funds to pay debt service that would otherwise be in default.	134,721	249,612
Capital Additions and Contingencies Fund - to provide an available reserve for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system.	<u>100,000</u>	<u>147,012</u>
Totals	<u>\$279,478</u>	<u>\$557,062</u>

11. CONTINGENCIES

During the year ended December 31, 2024, the water system expended \$187,056 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 water system 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 water system'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.

12. SUBSEQUENT EVENTS

In February 2025, the water system entered into a loan and pledge agreement with LDH DWRLF dated January 1, 2025 relating to a loan in an amount not to exceed \$6,340,000 for the purpose of making

SOUTHWEST OUACHITA WATERWORKS, INC.
Notes to the Financial Statements

improvements to the water system. The agreement also provides for a maximum of \$3,000,000 of principal forgiveness. The principal and accrued interest will be repaid over 30 years beginning in January 1, 2028.

During 2024, the water system entered into a contract with Benchmark Construction Group of Louisiana, LLC in the amount of \$2,495,000 for a meter replacement project that will be financed from the LDH DWRLF loan proceeds. The water system also entered into an engineering contract in the amount of \$117,000 in connection with the water system improvement projects to be financed from the loan proceeds. As of December 31, 2024, the water system has incurred \$112,370 in engineering and legal fees in connection with the projects that are not reported in the accompanying financial statements.

The water system has evaluated subsequent events through February 24, 2025, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Supplemental Information
As of and for the Year Ended December 31, 2024

SCHEDULE OF INSURANCE POLICES IN FORCE

The Schedule of Insurance Policies in Force is presented in compliance with the 2016 loan agreement with LDH DWRLF.

**COMPENSATION, BENEFITS, REIMBURSEMENTS, AND
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head is presented in compliance with Louisiana Revised Statute 24:513 A (3).

Schedule 1

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

SCHEDULE OF INSURANCE POLICIES IN FORCE
For the Year Ended December 31, 2024

Insurer	Limits of Insurance	Risks Covered	In Effect
Allied Public Risk	\$25,000 - \$5,418,877	Property	01/15/2024 - 01/15/2025
Allied Public Risk	\$10,000 - \$3,000,000	General Liability	01/15/2024 - 01/15/2025
Allied Public Risk	\$5,000- \$100,000	Commercial Crime	01/15/2024 - 01/15/2025
Allied Public Risk	\$5,000- \$3,000,000	Public Officials and Management Liability	01/15/2024 - 01/15/2025
Allied Public Risk	\$1,000,000	Commercial Excess Liability	01/15/2024 - 01/15/2025
Allied Public Risk	Actual cash value \$1,000,000	Business Auto	01/15/2024 - 01/15/2025
Louisiana Workers' Compensation Corporation	\$1,000,000	Workers Compensation	04/16/2024 - 04/16/2025

Schedule 2

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

**Schedule of Compensation, Reimbursements, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2024**

Agency Head - Walter Kelley - President:
Compensation

\$6,000

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**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***

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

I have audited, 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 *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Southwest Ouachita Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated February 24, 2025.

Report on Internal Control Over Financial Reporting

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

BOARD OF DIRECTORS
SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana
Independent Auditor's Report on
Internal Control Over Financial
Reporting and on Compliance
and Other Matters, etc.
December 31, 2024

My 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. I identified a certain deficiency in internal control, described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2024-001 that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Ouachita Waterworks, Inc.'s financial statements are free from material misstatement, I performed tests of Southwest Ouachita Waterworks, Inc.'s 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southwest Ouachita Waterworks, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Southwest Ouachita Waterworks, Inc.'s response to the finding identified in my audit and described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Southwest Ouachita Waterworks, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southwest Ouachita Waterworks Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Ouachita Waterworks, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Calhoun, Louisiana

February 24, 2025

SOUTHWEST OUACHITA WATERWORKS, INC.
West Monroe, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2024

Section I - Summary of Auditor's Reports

Financial Statements

1. Type of auditor's report issued - Unmodified.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? -
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

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: 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.