

EAST SIDE WATER SYSTEM, INC.

Ville Platte, Louisiana

Financial Report

Year Ended December 31, 2024

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

Retired

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
East Side Water System, Inc.
Ville Platte, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Side Water System, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Side Water System, 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 of 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 East Side Water System, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

To the Board of Directors of
East Side Water System, Inc.
Ville Platte, Louisiana

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.

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.

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 on page 23, the schedule of board of directors on page 14, and the number of customers, water rates, and aged accounts receivable on page 16 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 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 above listed schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors of
East Side Water System, Inc.
Ville Platte, Louisiana

The schedule of insurance on page 15 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 underlying accounting and other records used to prepare the financial statements. The schedule of insurance has not been subjected to the audit procedures applied in the audit to 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 June 11, 2025, on our consideration of East Side 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 East Side 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 East Side Water System, Inc.'s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 11, 2025, on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

John L. Dowling & Company

Opelousas, Louisiana
June 11, 2025

FINANCIAL STATEMENTS

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Statement of Financial Position
December 31, 2024

	<u>2024</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 608,827
Accounts receivable, net of uncollectibles of \$27,842	87,053
Unbilled utility receivable	37,962
Grant receivable	402,374
Prepaid expense	11,996
Inventory	<u>9,400</u>
Total current assets	<u>1,157,612</u>
Noncurrent assets:	
Restricted assets -	
Cash - meter deposits	62,669
Edward Jones - cash reserve account	847
Edward Jones - certificate of deposit - reserve account	<u>150,000</u>
Total restricted assets	<u>213,516</u>
Property, plant and equipment, net	<u>3,972,293</u>
Other assets	<u>10</u>
Total assets	<u><u>\$ 5,343,431</u></u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Current liabilities (payable from current assets):	
Accounts and other payables	\$ 25,817
Accrued interest payable	2,303
Contracts payable	708,333
Current liabilities (payable from restricted assets):	
Notes payable	32,402
Meter deposits	<u>43,590</u>
Total current liabilities	812,445
Noncurrent liabilities:	
Notes payable	<u>920,118</u>
Total liabilities	1,732,563
Net assets:	
Without donor restrictions	<u>3,610,868</u>
Total liabilities and net assets	<u><u>\$ 5,343,431</u></u>

The accompanying notes are an integral part of the financial statements

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Statement of Activities
For the Year Ended December 31, 2024

	<u>2024</u>
Changes in net assets without donor restrictions -	
Revenues:	
Water sales	\$ 910,554
Connection charges	9,588
Interest income	6,888
Grant income	1,708,861
Miscellaneous	<u>22,100</u>
Total revenues	<u>2,657,991</u>
Expenses:	
Program services -	
Bad debt	27,842
Continuing education	1,380
Depreciation expense	138,774
Insurance	43,721
Miscellaneous expense	6,579
Outside services	23,906
Professional fees	2,226
Repairs and maintenance	110,162
Salaries and related benefits	365,977
Supplies	150,108
Utilities	60,864
Vehicle expense	<u>29,171</u>
Total program services	<u>960,710</u>
Supporting services -	
Director fees	26,010
Dues & subscriptions	547
Interest expense	44,492
Miscellaneous expense	1,541
Office expense	40,018
Professional fees	<u>5,795</u>
Total supporting services	<u>118,403</u>
Total expenses	<u>1,079,113</u>
Changes in net assets without donor restrictions	1,578,878
Net assets, beginning	2,031,615
Change in memberships	<u>375</u>
Net assets, ending	<u>\$3,610,868</u>

The accompanying notes are an integral part of the financial statements

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Statement of Cash Flows
For the Year Ended December 31, 2024

	<u>2024</u>
Cash flows from operating activities:	
Receipts from customers	\$ 935,336
Other receipts	22,100
Payments to suppliers	(1,283,313)
Payments to employees	<u>365,977</u>
Net cash provided (used) by operating activities	<u>40,100</u>
Cash flows from noncapital financing activities:	
Net change in meter deposits	<u>2,350</u>
Net cash provided (used) by noncapital financing activities	<u>2,350</u>
Cash flows from capital and related financing activities:	
Proceeds from grant	1,708,861
Acquisition of property and equipment	(1,382,318)
Proprietary certificates	375
Principal paid on revenue bonds and notes	<u>(53,743)</u>
Net cash provided (used) by capital and related financing activities	<u>273,175</u>
Cash flows from investing activities:	
Purchase of investments	<u>(13,000)</u>
Net cash provided (used) by investing activities	<u>(13,000)</u>
Net increase in cash, cash equivalents, and restricted cash	302,625
Cash, cash equivalents, and restricted cash, beginning	<u>369,718</u>
Cash, cash equivalents, and restricted cash, ending	<u>\$ 672,343</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,578,878
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	138,774
Grant income	(1,708,861)
Changes in current assets and liabilities:	
Accounts receivable	12,648
Unbilled utility receivable	3,492
Grant receivable	5,626
Prepaid expense	218
Accounts and other payables	9,390
Accrued interest payable	<u>(65)</u>
Net cash provided (used) by operating activities	<u>\$ 40,100</u>

The accompanying notes are an integral part of the financial statements

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

East Side Water System, Inc. (the System) is a non-profit organization established under laws of the State of Louisiana in July of 1969. The System provides water to the residents and businesses within the designated areas of Evangeline and St. Landry Parishes. The System is governed by a board of directors composed of seven members.

A. Financial Reporting Entity

The accompanying financial statements are presented 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 based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent expendable funds available for operations which are not otherwise limited by donor restrictions. Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the entity may spend the funds. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

B. Cash and Cash Equivalents

The System considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. A schedule of cash, cash equivalents, and restricted cash follows:

Cash and interest-bearing deposits	\$608,827
Cash - meter deposits	62,669
Edward Jones – cash reserve account	<u>847</u>
Total	<u>672,343</u>

C. Receivables

The System reports customer water service receivables as their major receivable. Uncollectable amounts due for customers' water receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the receivable. Unbilled water service receivables resulting from water services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

At December 31, 2024, the System reported an amount due from the State of Louisiana in the amount of \$402,374 for the Water Sector grant program.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Notes to Financial Statements (Continued)

D. Prepaid Expenses

Expenses paid during the current fiscal year that benefit the next fiscal year are recorded as prepaid expenses.

E. Property, Plant and Equipment

Property and equipment are recorded at cost at the date of acquisition, less accumulated depreciation. Depreciation of equipment, buildings, and water system is calculated on the straight-line method over an estimated useful life of 5 - 50 years.

F. Functional Expenses

The costs of program and supporting services are summarized on a functional basis in the statement of activities. The statement of activities presents the natural classification detail of expenses by function.

G. Compensated Absences

There were no compensated absences for the year ended December 31, 2024.

H. Income Tax Status

The 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 of the Internal Revenue Service. Management has analyzed the tax positions taken by the System, and has concluded that as of December 31, 2024, 2023, and 2022, 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.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Notes to Financial Statements (Continued)

(2) Liquidity and Availability of Financial Assets

At December 31, 2024, the System has \$608,827 cash and cash equivalents available to meet needs for general expenditures and \$125,015 of accounts receivable. None of these financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the System in the next twelve months. In addition, the System maintains customer meter deposits and reserve accounts with combined balances of \$213,516. These funds are restricted and used for the payment of customer deposit refunds, debt, and maintenance and improvements of the System. The System manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures to meet its liabilities and other obligations as they become due. The System invests its excess cash with Edward Jones. Cash needs of the System are expected to be met monthly from water sales.

(3) Concentration of Credit Risk

The System maintains cash balances at financial institutions, which at times may exceed federally insured limits. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The amount in excess of insured limits was \$430,977 at December 31, 2024.

(4) Restricted Assets

The System has restricted assets of \$150,847 for reserve requirements and \$62,669 for customer meter deposits.

The System is required by USDA Rural Development to have a reserve balance of \$33,327 and \$96,566 for loans 91-04 and 91-05, respectively.

(5) Property, Plant and Equipment

A summary of property, plant and equipment follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 168,510	\$ -	\$ -	\$ 168,510
Construction in progress	298,000	1,709,381	-	2,007,381
Vehicles	125,976	-	-	125,976
Equipment	836,271	-	-	836,271
Water System	3,475,048	83,270	-	3,558,318
Total	4,903,805	1,792,651	-	6,696,456
Less accumulated depreciation	2,585,389	138,774	-	2,724,163
Net property, plant and equipment	<u>\$2,318,416</u>	<u>\$1,653,877</u>	<u>\$ -</u>	<u>\$3,972,293</u>

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Notes to Financial Statements (Continued)

(6) Notes Payable

Notes payable is comprised of the following:

	<u>2024</u>
\$265,000 promissory note payable to USDA Rural Development #91-04 dated January 30, 1997, due in monthly installments of \$1,291, including interest at 5.00%, final maturity in 2037.	\$ 137,814
\$1,098,000 promissory note payable to USDA Rural Development dated #91-05 May 8, 2006, due in monthly installments of \$4,898, including interest at 4.375%, final maturity in 2046.	814,706
\$28,887 notes payable to Ally dated May 17, 2022, due in monthly installments of \$489.54, including interest at 6.69%, secured by a vehicle.	<u>-</u>
Total notes payable	952,520
Less: current maturities	<u>(32,402)</u>
Notes payable long-term	<u>\$ 920,118</u>

The USDA Rural Development loans are secured by a pledge of revenues from the System, mortgage on the real estate, and personal property owned or purchased by the System.

The long-term debt is due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 32,402	\$ 42,066
2026	33,906	40,362
2027	35,479	38,789
2028	37,127	37,141
2029	38,851	35,417
2030-2034	223,059	148,280
2035-2039	226,190	95,470
2040-2044	249,398	45,482
2045-2046	<u>76,108</u>	<u>2,516</u>
	<u>\$ 952,520</u>	<u>\$ 485,523</u>

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Notes to Financial Statements (Continued)

(7) Construction in Progress

The system was awarded a Water Sector Program grant from the State of Louisiana, Division of Administration for \$8,500,000. This grant is being used for the upgrade of the water system. As of December 31, 2024, East Side Water System, Inc. has a total construction in progress of \$2,007,381.

(8) Revenue from Contracts with Customers

The System's revenue is recognized as performance obligations are satisfied, which is on a monthly basis as billed. Customers are billed monthly around the end of the month for the water delivered during the month and payments are due within 15 days. All other revenues from customers, such as reconnection charges and meter installation are recorded when collected. The accounts receivable beginning balance was \$99,701. The customers meter deposit payable beginning balance was \$41,240.

(9) Commitments and Contingencies

There was no litigation pending against the System at December 31, 2024.

(10) Subsequent Events

The System has evaluated subsequent events through June 11, 2025, which is the date which the financial statements were available to be issued. The System was awarded a water sector grant from the State of Louisiana, Division of Administration for \$8,500,000. These proceeds are being used to upgrade the water system. As of December 31, 2024, the System has drawn down 2,038,379. The project is still ongoing and expected to use the entirety of the grant.

SUPPLEMENTARY INFORMATION

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Schedule of Board of Directors
December 31, 2024

<u>Name and Address</u>	<u>Contact Information</u>	<u>Term Expiration Date</u>	<u>Per Diem Payments</u>
John Vidrine - President		2025	\$ 6,420
Curtis - Marcantel - Vice President		2026	6,420
Neal Ardoin		2025	1,800
Kim Vidrine		2025	1,800
Monica Fontenot		2025	1,800
Sadie Fontenot - Treasurer		2026	6,420
Ted Demoruelle		2026	<u>1,350</u>
Total			<u><u>\$ 26,010</u></u>

See independent auditor's report.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Schedule of Insurance (Unaudited)
December 31, 2024

Description of Coverage	Expiration Date	Coverage Amounts
Liability Insurance:		
Property	4/30/2025	\$2,092,281
Crime	4/30/2025	100,000
Inland marine	4/30/2025	12,750
Auto	4/30/2025	1,000,000
General liability	4/30/2025	3,000,000
Public officials and management liability	4/30/2025	3,000,000
Excess liability	4/30/2025	1,000,000
Worker' Compensation	4/30/2025	500,000

See independent auditor's report.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Number of Customers, Water Rates, and Aged Receivables
December 31, 2024

The following number of customers were being served during the month of December 2024:

Residential	1,801
Commercial and other	83
Total	<u>1,884</u>

The following water rates were in effect during the month of December 2024:

Customer Type	Gallons	Rate
Residential	0-2,000	\$ 24.00
Residential	Over 2,000 per 1,000 gallons	4.25
Commercial		
Meter size: 1½"	0-2,000	41.00
2"	0-2,000	71.00
3"	0-2,000	86.00
4"	0-2,000	111.00
Commercial	Over 2,000 per 1,000 gallons	4.25

The aged receivables as of December 31, 2024 were as follows:

Current	\$ 71,450
31 - 60 days	8,075
61 90 days	4,128
> 90 days	<u>31,242</u>
	114,895
Less provision for uncollectible accounts	<u>(27,842)</u>
	<u>87,053</u>

See independent auditor's report.

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

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Retired

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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 of
East Side Water System, Inc.
Ville Platte, 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 East Side Water System, 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, and have issued our report thereon dated June 11, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Side 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 East Side 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 questioned costs as item 2024-1 that we consider to be a significant deficiency.

To the Board of Directors of
East Side Water System, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Side 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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

East Side Water System, Inc.'s Response to Findings

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

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

John S. Dowling & Company

Opelousas, Louisiana
June 11, 2025

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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 of
East Side Water System, Inc.
Ville Platte, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Side Water System, Inc.'s 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 East Side Water System, Inc.'s major federal programs for the year ended December 31, 2024. East Side Water System, Inc.'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, East Side Water System, Inc. 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 December 31, 2024.

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 East Side Water System, Inc. 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 East Side Water System, Inc.'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 East Side Water System, Inc.'s federal programs.

Auditor's Responsibilities for the Audit Compliance

P. O. Box 1549
4766 I-49 North Service Road
Opelousas, Louisiana 70570
Phone: 337-948-4848
Fax: 337-948-6109

112 Fountain Bend Dr.
Lafayette, LA 70506
Phone: 337-984-9717
Fax: 337-984-5544

The Board of Directors of
East Side Water System, Inc.

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 East Side Water System, Inc.'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 East Side Water System, Inc.'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 East Side Water System, Inc.'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 East Side Water System, Inc.'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 East Side Water System, Inc.'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.

The Board of Directors of
East Side Water System, Inc.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

John S. Dowling & Company

Opelousas, Louisiana
June 11, 2025

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass Through Grantor/Program Title	Pass-through Entity Number	Assistance Listing Number	Expenditures
United States Department of the Treasury - Passed through Louisiana Division of Administration Coronavirus State and Local Fiscal Recovery Funds - Water Sector Program	LAWSP10869	21.027	<u>\$1,708,861</u>

See independent auditor's report.

The accompanying notes are an integral part of this schedule.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

NOTE (1) – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity for East Side Water System under programs of the federal government for the year ended December 31, 2024. 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 East Side Water System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of East Side Water System.

NOTE (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.

NOTE (3) – INDIRECT COST RATE

East Side Water System, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Schedule of Findings and Questioned Costs
December 31, 2024

I. 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 weaknesses relating to the audit of the financial statements was reported.
3. No material noncompliance relating to the audit of the financial statements was reported.
4. No significant deficiencies relating to the audit of the major federal award program were reported.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on the major federal program.
6. The audit disclosed no findings required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance.
7. The following program was considered to be a major program:

United States Department of the Treasury-Coronavirus State and Local Fiscal Recovery Funds, Assistance listing number 21.027
8. The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.
9. The auditee did not qualify as a low-risk auditee.
10. No management letter was issued.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

2024-1 Inadequate segregation of duties

Condition: Due to the small number of employees, East Side Water System 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: East Side Water System should have adequate segregation of duties over accounting functions.

Cause: There is a small number of employees at East Side Water System 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.

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Schedule of Findings and Questioned Costs
December 31, 2024

II. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2024-1 Inadequate segregation of duties

Management's Response: Due to the size of the entity, it is difficult to fully segregate duties. The board oversees the employee job performances.

Contact Person: Garrett Dupre, Manager

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

Schedule of Prior Year Findings and Responses
December 31, 2024

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No findings.

II. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

N/A

III. MANAGEMENT LETTER

No findings.

STATEWIDE AGREED-UPON PROCEDURES

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

Van L. Auld, CPA



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2024

The Board of Directors of
East Side Water System, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2024 through December 31, 2024. East Side Water System's management is responsible for those C/C areas identified in the SAUPs.

East Side Water System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2024 through December 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

iii. Disbursements, including processing, reviewing, and approving.

The water system does not have any policies or procedures addressing disbursements related to the expenses paid with Water Sector grant funds.

2) *Board or Finance Committee*

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

No exceptions noted.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Auditor selected the bank account that was effected by the Water Sector grant funds.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

There were no outstanding items therefore no bank reconciliation was required to be completed.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within in 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

There were no outstanding items therefore no bank reconciliation was required to be completed.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No reconciling items outstanding.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

There is only one location that processes payments.

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exceptions noted.

- ii. At least two employees are involved in processing and approving payments to vendors;

No exceptions noted.

The Board of Directors of
East Side Water System, Inc.
and the Louisiana Legislative Auditor

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

No exceptions noted.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

The president signs checks, and the manager, who is responsible for processing payments, mails checks.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No electronic disbursements in the bank account.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- 1. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity, and

No exceptions noted.

- 2. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No electronic disbursements in the bank account.

The Board of Directors of
East Side Water System, Inc.
and the Louisiana Legislative Auditor

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

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

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

John S. Dowling & Company

Opelousas, Louisiana
June 11, 2025

EAST SIDE WATER SYSTEM, INC.
Ville Platte, Louisiana

December 31, 2024

Management's responses to the following agreed-upon procedures sections:

Written Policies and Procedures:

1. Aii) Disbursements, including processing, reviewing, and approving.
 - As the Water System receives invoices, they are checked for accuracy, a copy is made, and it is listed on the bill form. At the time of the monthly meeting, all board members have a copy of the bill list with a grand total for all bills to be approved as read or disapproved. All disbursements require dual signature. We do not feel it is necessary to have a disbursement policy.

Non-payroll Disbursements

5. Biv) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - Due to the size of the entity, it is difficult to fully segregate duties.