

SOUTH GRANT WATER CORPORATION, INC.

FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2025



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Independent Auditors' Report

To the Board of Directors
South Grant Water Corporation, Inc.
Bentley, Louisiana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of South Grant Water Corporation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses 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 South Grant Water Corporation, Inc. as of December 31, 2025, 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

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 South Grant Water Corporation, 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 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 South Grant Water Corporation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Rozier, McKay & Willis
Certified Public Accountants
Voice: 318.442.1608

160 Brown's Bend Road
Alexandria, Louisiana 71303
Online: CenlaCPAs.com

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

South Grant Water Corporation, Inc.
June 24, 2026

opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2026, on our consideration of South Grant 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 South Grant 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 South Grant Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Rozier, McKay & Willis".

Rozier, McKay & Willis
Certified Public Accountants
Alexandria, Louisiana

June 24, 2026

South Grant Water Corporation, Inc.

Statement of Financial Position

December 31, 2025

Assets

Current Assets:

Cash and Cash Equivalents	\$ 190,193
Accounts and Other Receivables	173,198
Grants Receivable	188,311
Restricted Cash and Cash Equivalents	476,066
Designated Cash and Cash Equivalents	<u>150,772</u>

Total Current Assets 1,178,540

Property and Equipment, Net of Accumulated Depreciation 10,122,819

Total Assets \$ 11,301,359

Liabilities

Current Liabilities:

Accounts Payable and Other Payables	\$ 6,768
Construction Payables	279,059
Current Portion of Long-term Debt	126,276
Other Current Liabilities	<u>12,556</u>

Total Current Liabilities 424,659

Long-term Liabilities:

Deferred Revenues	95,000
Customer Deposits	126,240
Long-term Debt	<u>2,710,245</u>

Total Long-term Liabilities 2,931,485

Total Liabilities 3,356,144

Net Assets

Without Donor Restrictions	7,756,904
With Donor Restrictions	<u>188,311</u>

Total Net Assets 7,945,215

Total Liabilities and Net Assets \$ 11,301,359

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

South Grant Water Corporation, Inc.**Statement of Activities****For the Year Ended December 31, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Support</u>			
Water Sales	\$ 1,501,199	\$ -	\$ 1,501,199
Grants Awards Restricted for Construction		1,315,416	1,315,416
Fees and Other Income	67,501	-	67,501
Net Assets Released From Restrictions	<u>2,441,105</u>	<u>(2,441,105)</u>	<u>-</u>
 Total Revenue and Support	 <u>4,009,805</u>	 <u>(1,125,689)</u>	 <u>2,884,116</u>
 <u>Expenses</u>			
Program Services			
Water Production and Delivery	1,130,996	-	1,130,996
Support Services			
Management and General	<u>411,040</u>	<u>-</u>	<u>411,040</u>
 Total Expenses	 <u>1,542,036</u>	 <u>-</u>	 <u>1,542,036</u>
 Change in Net Assets	 2,467,769	 (1,125,689)	 1,342,080
Net Assets - Beginning of Year	<u>5,289,135</u>	<u>1,314,000</u>	<u>6,603,135</u>
 Net Assets - End of Year	 <u>\$ 7,756,904</u>	 <u>\$ 188,311</u>	 <u>\$ 7,945,215</u>

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

South Grant Water Corporation, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2025

	<u>Program Services</u> Water Production and Delivery	<u>Support Services</u> Management and General	<u>Total</u>
Chemicals and Supplies	\$ 161,928	\$ -	\$ 161,928
Depreciation	215,941	-	215,941
Dues and Subscriptions		7,786	7,786
Insurance	89,866	101,524	191,390
Interest	88,283	-	88,283
Legal and Professional	-	52,710	52,710
Office Expense	-	76,340	76,340
Permits and Fees	8,368	-	8,368
Repairs and Maintenance	102,991	-	102,991
Salaries and Employee Benefits	307,438	146,034	453,472
Telephone	-	15,435	15,435
Utilities	83,112	-	83,112
Vehicle	43,089	-	43,089
Other	29,980	11,211	41,191
Total Expenses	<u>\$ 1,130,996</u>	<u>\$ 411,040</u>	<u>\$ 1,542,036</u>

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

South Grant Water Corporation, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2025

Cash Flows From Operating Activities

Change in Net Assets	\$ 1,342,080
Adjustments to Reconcile Increases in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	215,941
Contributions Restricted for Capital Purchases	(1,315,416)
(Increase) Decrease in Operating Receivables	(25,557)
(Increase) Decrease in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable and Other Current Liabilities	(18,145)
	<u>1,184</u>
Net Cash Provided (Used) by Operating Activities	<u>200,087</u>

Cash Flows From Investing Activities

Purchases of Property and Equipment	<u>(2,355,907)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,355,907)</u>

Cash Flows From Financing Activities

Payment of Debt	(207,308)
Receipts from Contributions Restricted for Capital Purchases	<u>2,536,105</u>
Net Cash Provided (Used) by Financing Activities	<u>2,328,797</u>
Net Increase (Decrease) in Cash	172,977
Cash and Equivalents- Beginning of Year	<u>644,054</u>
Cash and Equivalents- End of Year	<u>\$ 817,031</u>

For the year ended December 31, 2025, there were no significant investing or financing activities that did not result in cash flows. In addition, supplemental disclosures of cash flow information is presented as follows:

Cash Paid for Income Taxes	<u>\$ -</u>
Cash Paid for Interest Expense	<u>\$ 88,283</u>

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

South Grant Water Corporation, Inc.

Notes to Financial Statements

December 31, 2025

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

South Grant Water Corporation, Inc. (SGWC) is a non-profit organization incorporated under the laws of the State of Louisiana in 1972 to provide water to consumers in its service area. The service area consists of the Southern Part of Grant Parish, Louisiana. Revenue necessary to sustain operations is provided by fees charged in exchange for water service.

SGWC is governed by a Board of Directors elected by its membership. Membership consists of persons and legal entities with an interest in properties served by SGWC.

South Grant Water Corporation, Inc. qualifies as a tax-exempt organization under Section 501(c)(12) of the U.S. Internal Revenue Code and comparable Louisiana law and, accordingly, is not subject to federal or state income tax. Furthermore, SGWC is not classified as a "private foundation" by the internal revenue service.

The more significant of SGWC's accounting policies are described below.

BASIS OF PRESENTATION

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles. Preparation of financial statements in conformity with generally accepted accounting principles requires certain estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As required by Generally Accepted Accounting Standards, net assets and activities are classified in the following manner:

Net Assets without Donor Restrictions – Net assets that are not subject to donor imposed restrictions. This classification includes restricted contributions whenever the restriction is fulfilled prior to the end of the period in which the contribution was awarded.

Net Assets with Donor Restrictions – Net assets subject to certain donor imposed restrictions and restrictions imposed by grant agreements. Donor restrictions apply when the restriction can be fulfilled by specific actions or by the passage of time.

Satisfaction of donor restrictions is presented in the accompanying financial statements as net assets released from restrictions. This process simultaneously increases net assets without donor restrictions and decreases net assets with donor restrictions. Expenses are presented as decreases in net assets without donor restrictions.

REVENUE RECOGNITION

Revenue from water sales is based on metered usage. Recognition occurs when the customer receives the water. Usage occurring between the most recent meter reading and the end of the reporting period is estimated based on historical trends and other relevant information.

Grant awards restricted for construction activity are recognized when qualifying construction expenditures are incurred.

South Grant Water Corporation, Inc.

Notes to Financial Statements

December 31, 2025

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents represent bank deposits and highly liquid investments with original maturities of three months or less.

Certain cash and certificate of deposit balances are classified as restricted on the Statements of Financial Position because of the nature of the funds or bond covenants limiting their use. Restricted Cash and Certificates of Deposit include:

1. Meter Funds (Meter Funds) are used to account for customer's meter deposits received from and returned to customers.
2. United State of Agriculture funds (USDA Funds) are used to account for debt service funds, as required by the bond covenants. Transfers are made monthly from the Corporation's operating account until there has been an accumulation of \$128,628. The USDA accounts are currently fully funded.
3. The Drinking Water Revolving Loan Sinking Funds (Sinking Funds) are used to account for funds sufficient in amount to pay promptly and fully the principal of and the interest on the note, as they become due and payable, as required by the loan and pledge agreement. Transfers are to be made monthly from the Corporation's operating account, under a formula provided in an agreement.
4. The Drinking Water Revolving Loan Reserve Fund (Reserve Fund) is used to account for funds reserved solely for the purpose of paying the principal and interest on the note payable, as required by the loan and pledge agreement. Transfers are to be made monthly or annually within a period not exceeding five (5) years from the delivery date until there has been an accumulation of \$46,000.
5. The Drinking Water Revolving Loan Depreciation and Contingencies Fund (Contingencies Fund) is used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the water system, as required by the loan and pledge agreement. Transfers are to be made monthly from the Corporation's operating accounting until there has been an accumulation of \$85,000.

ACCOUNTS AND OTHER RECEIVABLES:

Accounts and other receivables consist of balances due from customers for water sales and reimbursements earned under grant arrangements. SGWC typically does not receive donations, including donations of services, materials and supplies and accordingly does not typically report promises to give.

Accounts receivable from water customers are recorded when bills are issued. In addition, an estimated of unbilled usage is recorded at the end of each accounting period.

Accounts and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. Any allowances are based on experience, and other circumstances, which may affect collections. In addition, customers are required to provide deposits to secure receivables and limit credit losses.

South Grant Water Corporation, Inc.

Notes to Financial Statements

December 31, 2025

PROPERTY AND EQUIPMENT

Land, buildings and equipment are recorded at cost on the date of acquisition. Depreciation on buildings and equipment is computed using the straight-line basis over estimated useful lives ranging from 5 to 40 years.

CUSTOMER DEPOSITS

When service is established, customers are required to provide deposits to secure accounts receivable and prevent credit losses. Deposits held by SGWC are reported as a liability until services are terminated. Upon termination, deposits are applied to the unpaid balance and any excess is refunded.

COMPENSATED ABSENCES

SGWC's policies do not permit employees to carryover unused vacation or other leave. Accordingly, there are no liabilities associated with unused vacation time.

ADVERTISING

Any advertising is associated with distributing information to members and is not considered to have any significant benefits for future periods. Accordingly, any advertising costs are expensed as incurred.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND EQUIVALENTS

Amounts reported as cash at December 31, 2025 are summarized as follows:

	Carrying Amount			
	Demand Deposits	Certificates of Deposits	Total Carrying Amount	Bank Balance
Operating	\$ 143,634	\$ 46,559	\$ 190,193	\$ 190,042
Restricted	476,066	----	476,066	476,066
Designated	47,097	103,676	150,773	150,773
Total Cash and Equivalents	<u>\$ 666,797</u>	<u>\$ 150,235</u>	<u>\$ 817,032</u>	<u>\$ 816,881</u>

Amounts reported as operating cash and cash equivalents are available to be used at SGWC's discretion. Restricted Cash is detailed further in Note 1. Designated Cash consists of amounts set aside by the Board of Directors for Employee Benefits, and System Improvements and Maintenance.

Deposits are secured from risk by \$250,000 federal insurance (FDIC) and remaining deposits are secured by collateral held by the pledging bank in SGWC's name.

South Grant Water Corporation, Inc.

Notes to Financial Statements

December 31, 2025

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables arising from water service furnished to members consists of uncollected billings rendered to customers on monthly cycle billing and estimated services provided to members between billing cycles. Receivables at December 31, 2025, net of allowance for uncollectible accounts, are summarized as follows:

Accounts Receivable from Customers	\$ 203,961
Less, Allowance for Credit Losses	(30,763)
Grant Proceeds Receivable	<u>188,311</u>
Accounts and Other Receivables	<u>\$ 361,509</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment utilized by South Grant Water Corporation, Inc. at December 31, 2025 is presented as follows:

	Construction in Process	Placed In Service	Total
Land	\$ ----	\$ 78,002	\$ 78,002
Buildings	----	249,354	249,354
Machinery and Equipment	----	906,452	906,452
Water System Infrastructure	<u>6,143,591</u>	<u>7,211,047</u>	<u>13,354,638</u>
Total	6,143,591	8,444,855	14,588,446
Accumulated Depreciation	<u>----</u>	<u>(4,465,627)</u>	<u>(4,465,627)</u>
Property and Equipment, net	<u>\$ 6,143,591</u>	<u>\$ 3,979,228</u>	<u>\$10,122,819</u>

NOTE 5 – CONTINGENCIES

Existing conditions that may have financial consequences are referred to as contingencies. SGWC has used grant funds to improve its water system. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

With the exception of property and equipment, essentially all of SGWC's assets are of a financial nature. Liquidity is provided by maintaining a significant cash reserve on deposit with a regulated financial institution. Deposits include certificates of deposit with balances necessary to meet reserve requirements imposed by bond covenants. In addition, SGWC has a stable customer base that provides a reliable source of revenue for meeting general expenditure during the subsequent period.

The water system was constructed with resources provided by the United States Department of Agriculture (USDA). Restrictions imposed by the USDA place limits on SGWC's ability to liquidate or dispose of the water system.

South Grant Water Corporation, Inc.

Notes to Financial Statements

December 31, 2025

NOTE 7 – MANAGEMENT’S REVIEW

Management has evaluated subsequent events through June 24, 2026 which is the date the financial statements were available to be issued. There were no subsequent events that require recording or disclosure in the financial statements for the year ended December 31, 2025.

NOTE 8 – LONG-TERM DEBT

Bonds and Notes Payable at December 31, 2025 consisted of the following:

	Interest Rate	Maturity Date	Beginning Balance	Current Repayments	Ending Balance
USDA	5.750%	10/20/2029	\$ 93,605	\$ 93,605	\$ ----
USDA	4.875%	03/04/2038	225,269	12,478	212,791
USDA	4.250%	11/19/2047	1,180,178	32,038	1,148,140
LDH, Revolving Loan	1.950%	08/01/2037	843,000	56,000	787,000
LDH, Revolving Loan	2.950%	08/01/2033	132,296	13,000	119,296
LA DOTD	None	Open Ended	559,544	----	559,544
			3,033,892	207,121	2,826,771
Less:					
Current Portion			(207,121)		(116,527)
Noncurrent Portion			\$2,826,771		\$2,710,244

All property, plant, and equipment of the Corporation serve as collateral for the U.S. Department of Agriculture (USDA) Bonds.

All available revenues of the Corporation serve as collateral for the Louisiana Department of Health, Office of Public Health (LDH) note.

The Corporation entered into agreements with the Louisiana Department of Transportation and Development (LA DOTD) for utility relocation assistance funding. Issuance of future permits to the Corporation by the LA DOTD for location of additional longitudinal facilities within any state owned right of way is contingent upon repayment of this funding. The Corporation must show a good faith effort to repay the debt by making annual payments to the LA DOTD. The LA DOTD provided a payment schedule for these agreements with 10% of the original balance due each year beginning in January 2012. However, management continues to negotiate with the LA DOTD for a more favorable payment schedule. No payments were made to the LA DOTD during 2025.

South Grant Water Corporation, Inc.

Notes to Financial Statements

December 31, 2025

Scheduled maturities, excluding the note payable to LA DOTD, are summarized as follows:

Years Ending December 31 st	
2026	\$ 116,527
2027	121,628
2028	124,826
2029	130,122
2030	133,523
2031-2035	703,920
2036-2040	474,697
2041-2045	344,399
2046-2049	<u>117,585</u>
Total	2,267,227
Current Portion	<u>116,527</u>
Long-Term Portion	<u>\$ 2,150,700</u>



June 24, 2026

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
South Grant Water Corporation, Inc.
Bentley, 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 South Grant Water Corporation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2026.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered South Grant Water Corporation, Inc.'s internal control over financial reporting (internal control) to determine the 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 SGWC's internal control. Accordingly, we do not express an opinion on the effectiveness of SGWC'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Rozier, McKay & Willis
Certified Public Accountants
Voice: 318.442.1608

160 Brown's Bend Road
Alexandria, Louisiana 71303
Online: CenlaCPAs.com

South Grant Water Corporation, Inc.
June 24, 2026

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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



Rozier, McKay & Willis
Certified Public Accountants
Alexandria, Louisiana



June 24, 2026

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
South Grant Water Corporation, Inc.
Bentley, Louisiana

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited South Grant Water Corporation, 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 South Grant Water Corporation, Inc.'s major federal programs for the year ended December 31, 2025. South Grant Water Corporation, 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, South Grant Water Corporation, 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, 2025.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

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

We are required to be independent of South Grant Water Corporation, 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 South Grant Water Corporation, Inc.'s compliance with the compliance requirements referred to above.



Rozier, McKay & Willis
Certified Public Accountants
Voice: 318.442.1608

160 Brown's Bend Road
Alexandria, Louisiana 71303
Online: CenlaCPAs.com

South Grant Water Corporation, Inc.

June 24, 2026

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 South Grant Water Corporation, Inc.'s federal programs.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Grant Water Corporation, 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 South Grant Water Corporation, 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 South Grant Water Corporation, 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 South Grant Water Corporation, 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 South Grant Water Corporation, 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

South Grant Water Corporation, Inc.
June 24, 2026

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



Rozier, McKay & Willis
Certified Public Accountants
Alexandria, Louisiana

South Grant Water Corporation, Inc.

Schedule of Findings and Questioned Costs **For the Year Ended December 31, 2025**

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditor's Report on the financial statements for South Grant Water Corporation, Inc. as of December 31, 2025 and for the year then ended expressed an unmodified opinion.
- No control deficiencies were disclosed during the audit of the financial statements. Accordingly, there were no material weaknesses.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of South Grant Water Corporation, Inc..
- The Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance, expressed an unmodified opinion on compliance for major programs.
- The audit did not disclose any audit findings which are required to be reported as findings and questioned cost.
- Major programs for the year ended December 31, 2025 are presented as follows:

Department of the Treasury

CFDA No. 21.027 – Coronavirus State and Local Fiscal Recovery Funds

- A threshold of \$1,000,000 was used for distinguishing between Type A and Type B programs for purposes of identifying major programs.
- South Grant Water Corporation, Inc. was not considered to be a low risk auditee as defined by the Uniform Guidance.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY THE UNIFORM GUIDANCE:

- None

South Grant Water Corporation, Inc.

Management's Corrective Action Plan For the Year Ended December 31, 2025

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
No findings were reported in the schedule of findings and questioned cost.	Response - N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings were reported in the schedule of findings and questions cost.	Response – N/A
SECTION III MANAGEMENT LETTER	
No findings were reported in the schedule of findings and questions cost.	Response – N/A

South Grant Water Corporation, Inc.

Schedule of Prior Year Findings and Questioned Costs For the Year Ended December 31, 2025

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
No findings of this nature were reported as a result of the previous audit.	Response – N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings of this nature were reported as a result of the previous audit.	Response – N/A
SECTION III MANAGEMENT LETTER	
No findings of this nature were reported as a result of the previous audit.	Response – N/A

South Grant Water Corporation, Inc.

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2025

<u>FEDERAL GRANTOR / Pass-through Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF THE TREASURY</u>		
Coronavirus State and Local Fiscal Recovery Funds (COVID 19)		
Passed Through:		
Louisiana Division of Administration - Water Sector Program		\$ 1,298,766
Total Coronavirus State and Local Fiscal Recovery Funds (COVID 19)	21.027	<u>1,298,766</u>
Total Department of the Treasury		<u>1,298,766</u>
Total Expenditures of Federal Awards		<u>\$ 1,298,766</u>

Note

The schedule of expenditures of federal awards was prepared in conformity with generally accepted accounting principles for Governmental Units. South Grant Water Corporation, Inc does not use any cost allocation and has not used the de minimis indirect cost rate. See notes to the accompanying financial statements for further details.