D’ARBONNE WATER SYSTEM, INC.

Financial Statements
For the Years Ended December 31, 2025 and 2024

CAMERON, HINES & COMPANY, (A Professional Accounting Corporation) West Monroe, Louisiana
Certified Public Accountants

D'ARBONNE WATER SYSTEM, INC.

TABLE OF CONTENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

CAMERON, HINES & COMPANY
(A Professional Accounting Corporation)
Certified Public Accountants
104 Regency Place
West Monroe, Louisiana 71291

Mailing Address:
P. O. Box 2474
West Monroe, LA 71294-2474

Phone (318) 323-1717
Fax (318) 322-5121

The Board of Directors
D'Arbonne Water System, Inc.
Bernice, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of D'Arbonne Water System, Inc. (a Louisiana nonprofit corporation), which comprise the statements of financial position as of December 31, 2025, and the related statements of activities, changes in membership equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of D'Arbonne Water System, Inc. as of December 31, 2025, and the change in its membership equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 D'Arbonne Water System, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 D'Arbonne Water System, 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 D'Arbonne Water System, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 18 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 auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Matters

Prior Period Financial Statements

The financial statements of D'Arbonne Water System, Inc., as of December 31, 2024, were audited by other auditors, whose report dated April 28, 2025, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2026, on our consideration of D'Arbonne 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 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 D'Arbonne Water System, Inc.'s internal control over financial reporting and compliance.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
June 22, 2026

FINANCIAL STATEMENTS

D'ARBONNE WATER SYSTEM, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024 (restated)
ASSETS		
CURRENT ASSETS		
Cash	$ 293,691	$ 1,188,085
Receivables		
Trade, less allowance for credit losses of $4,217 and $5,405, respectively	161,307	166,509
Grant funds receivable	59,891	184,620
Contract assets	58,176	54,196
Investments	1,426,768	209,596
Accrued interest receivable	2,076	2,076
Prepaid insurance	14,768	11,155
	2,016,677	1,816,237
OTHER ASSETS		
Investment in CoBank	14,952	14,952
Deposits	44	44
	14,996	14,996
RESTRICTED ASSETS		
Cash	89,868	89,377
	89,868	89,377
PROPERTY AND EQUIPMENT, net	7,310,677	7,515,591
TOTAL ASSETS	$ 9,432,218	$ 9,436,201

D'ARBONNE WATER SYSTEM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

	2025	2024 (restated)
LIABILITIES AND MEMBERSHIP EQUITY		
CURRENT LIABILITIES		
Accounts payable-trade	$ 62,153	$ 41,034
Current portion of long-term debt	172,722	179,351
Current portion of deferred revenue	-	-
Accrued expenses	14,057	12,848
Customer deposits	10,437	9,762
	259,369	242,995
OTHER LIABILITIES		
Long-term debt	1,163,722	1,407,371
Deferred revenue - government grants	-	-
TOTAL LIABILITIES	1,423,091	1,650,365
MEMBERSHIP EQUITY		
Without donor restrictions	8,009,127	7,785,836
TOTAL MEMBERSHIP EQUITY	8,009,127	7,785,836
TOTAL LIABILITIES AND MEMBERSHIP EQUITY	$ 9,432,218	$ 9,436,201

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

D'ARBONNE WATER SYSTEM, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024 (restated)
OPERATING REVENUES		
Water revenue, net of adjustments	$ 1,813,268	$ 1,745,191
Water service	46,975	36,494
Total Operating Revenues	1,860,243	1,781,685
OPERATING EXPENSES		
Advertising - legal notices	-	66
Provision for credit losses	-	6,666
Computer billings	23,744	21,340
Contract labor	-	2,425
Depreciation	1,022,446	547,620
Directors' fees	43,800	41,400
Dues and subscriptions	21,718	-
Fuel	24,859	31,410
Group health insurance	15,718	1,977
Insurance	104,148	88,501
Miscellaneous	19,285	33,121
Office expense	21,556	18,877
Professional fees	56,519	45,205
Repairs and maintenance	86,200	111,183
Retirement plan contribution	8,617	7,711
Salaries	406,637	394,787
Supplies	163,441	131,435
Taxes - payroll	34,104	31,160
Telephone	-	196
Utilities	107,335	113,045
Water service costs	-	2,466
Total Operating Expenses	2,160,127	1,630,591
INCOME FROM OPERATIONS	(299,884)	151,094
OTHER INCOME (EXPENSE)		
Investment return	54,101	27,351
Interest expense	(82,083)	(86,891)
Customer penalties	32,284	42,358
Grant income recognized	504,902	4,033,084
CoBank patronage allocations	9,515	8,431
Gain (loss) on sale of assets	(1,801)	32,440
Other income	6,257	1,943
Total Other Income (Expense)	523,175	4,058,716
CHANGE IN MEMBERSHIP EQUITY	$ 223,291	$ 4,209,810

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

D'ARBONNE WATER SYSTEM, INC.

STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	UNRESTRICTED	TOTAL
MEMBERSHIP EQUITY, DECEMBER 31, 2023 (restated)	$ 3,576,026	$ 3,576,026
Change in membership equity	4,209,810	4,209,810
MEMBERSHIP EQUITY, DECEMBER 31, 2024 (restated)	7,785,836	7,785,836
Change in membership equity	223,291	223,291
MEMBERSHIP EQUITY, DECEMBER 31, 2025	$ 8,009,127	$ 8,009,127

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

D'ARBONNE WATER SYSTEM, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024 (restated)
OPERATING ACTIVITIES		
Change in membership equity	$ 223,291	$ 4,209,810
Adjustments to reconcile change in membership equity to net cash provided by operating activities:		
Depreciation	1,022,446	547,620
Provision for credit losses	-	6,666
(Gain) on sale of equipment	1,801	(32,440)
Realized (gain) loss on maturity of investments	-	(1,431)
Unrealized (gain) loss on investments	(37,172)	5,938
Equity portion of patronage allocation received	-	(4,163)
(Increase) decrease in:		
Accounts receivable, trade, net	5,202	(7,281)
Contract assets	(3,980)	(2,086)
Grant funds receivable	124,729	(184,620)
Prepaids and other	(3,613)	2,419
Increase (decrease) in:		
Accounts payable - trade	21,119	10,384
Accrued expenses	1,210	3,386
Customer deposits	675	(225)
Net cash provided (used) by operating activities	1,355,708	4,553,977
INVESTING ACTIVITIES		
Purchases of property and equipment	(819,333)	(143,880)
Purchases of construction in progress	-	(4,441,251)
Proceeds from sale of equipment	-	39,009
Proceeds from redemption of investments	60,000	51,000
Purchases of investments	(1,240,000)	(60,000)
Net cash provided (used) by investing activities	(1,999,333)	(4,555,122)
FINANCING ACTIVITIES		
Payments on capital lease	-	(135)
Proceeds of long-term debt	-	780,264
Payments of long-term debt	(250,278)	(161,780)
Net cash provided (used) by financing activities	(250,278)	618,349
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(893,903)	617,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,277,462	660,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 383,559	$ 1,277,462

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

D'ARBONNE WATER SYSTEM, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION		
Unrestricted Cash	$ 293,691	$ 1,188,085
Restricted Cash	89,868	89,377
	$ 383,559	$ 1,277,462
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest, net of amount capitalized	$ 82,083	$ 86,891

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

1. Summary of Significant Accounting Policies

Nature of Operations - D'Arbonne Water System, Inc. (the Company) was incorporated under the laws of Louisiana on April 5, 1977, for the purpose of providing water services primarily to individuals and businesses in certain rural areas of North Louisiana and South Arkansas.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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 expenses during the reporting period. Actual results could differ from those estimates.

Trade Accounts Receivable and the Allowance for Credit Losses - Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management evaluates trade receivables based on past history of writeoffs and collections, adjusted for current conditions and reasonable supportable estimates of future losses. The Company provides an allowance for credit losses equal to the estimated losses that could be incurred based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to trade accounts receivable.

Accounts receivable charged against the allowance net of recoveries were $1,297 and $2,600 for the years ended December 31, 2025 and 2024, respectively.

Investment Securities - Investments in marketable debt securities with readily determinable fair values are reported at approximate fair value in the statements of financial position. The investment in CoBank is stated at cost plus the Company’s share of patronage capital credits allocated, reduced by distributions received. Realized gains and losses on the sale of securities are determined using the specific identification method. Net investment return is reported in the statement of activities and consists of interest income and realized and unrealized gains and losses net of external investment expenses.

Fair Value Measurement - Fair value is defined as the price that would be received to sell an asset in that principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity’s assumptions (unobservable inputs). Pinnacle groups investments at fair value in up to three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,

- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Property and Equipment - Property and equipment are recorded at cost. Property and equipment additions and improvements are charged to asset accounts, while maintenance and repairs, which do not improve or extend the useful life of the assets, are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	Years
Wells, tanks and distribution lines	40
Pumps, chlorinators and motors	5-7
Well site improvements, structures and line extensions	10
Office building	40
Equipment and vehicles	5
Capitalized interest	40

Membership Fees and Customer Deposits - Membership fees are nonrefundable and are recognized as revenue when received by the Company. These are included in water service revenue in the Statements of Activities. Customer deposits received from individuals, who lease the property for which water services are provided, are refundable to the customer and are recorded as a liability. All other customer deposits are nonrefundable and are recognized as revenue when received by the Company.

Government Grant Recognition - The Company is receiving government grants to assist in the cost of major system improvements required to meet water safety requirements established by the State of Louisiana. The funds are available on a reimbursement basis, and revenue is recognized when the capital expenditures are incurred by the Company.

Compensated Absences - Employees of the Company are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. The Company does not accumulate vacation or sick time. The estimate for the amount of compensation for future absences was immaterial and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when paid to employees.

Income Taxes - The Company is a not-for-profit membership organization exempt from income tax under Section 501(c)(12) of the Internal Revenue Code but must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Company is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, the Company must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Company does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Company’s accounting records. Its federal income tax returns for the tax years 2023 and beyond remain subject to examination by the Internal Revenue Service.

Sales Taxes - The State of Louisiana imposed a sales tax on the Company's sales to non-residential customers. The Company collects that sales tax from customers and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenues and expenses.

Leased Equipment Capitalized - The imputed cost of leased equipment is capitalized and charged to earnings using the straight-line method of amortization over estimated useful lives of five years for financial reporting purposes. Generally, when items of leased property are retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income. Amortization of assets under capital leases is included in depreciation expense for 2025 and 2024.

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. Management evaluated the effects of Topic 842 and determined them to be immaterial to the financial statements. Management did not implement Topic 842.

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

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

2. Investments

Certificates of deposit are recorded at fair value. At December 31, 2025, the Company had one certificate of deposit maturing in 2026, bearing interest at 4.2%.

At December 31, 2025, investments are two government agency bonds and two corporate bonds. These investments are carried at fair value based on quoted prices in active markets on a trade-date basis and summarized as follows:

	As of December 31, 2025			As of December 31, 2024		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
CDs	$ 60,000	$ 60,035	$ 35	$ 55,000	$ 55,064	$ 64
Corporate bonds	60,000	60,016	16	60,000	59,107	(893)
Govt, agency bonds	92,996	99,156	6,160	93,020	95,425	2,405
Mutual funds	1,207,561	1,207,561	-	-	-	-
	$1,420,557	$1,426,768	$ 6,211	$208,020	$209,596	$ 1,576

The primary investment objectives are liquidity and preservation of principal, while also earning a competitive market rate of return. The investment return and its classification can be found in the statements of activities.

3. Fair Value Measurements

The fair values of assets measured on a recurring basis are as follows:

	Fair Value	Level 2
December 31, 2025		
Certificates of deposit	$ 60,035	$ 60,035
Marketable debt securities	1,366,733	1,366,733
	$ 1,426,768	$ 1,426,768
December 31, 2024		
Certificates of deposit	$ 55,064	$ 55,064
Marketable debt securities	154,532	154,532
	$ 209,596	$ 209,596

4. Property, Equipment and Depreciation

Property and equipment at December 31, is summarized as follows:

	2025	2024
Wells, tanks and distribution and extension lines	$14,438,716	$10,984,681
Pumps, chlorinators, motors and equipment	605,631	482,845
Booster station – Charles Road	52,723	52,723
Well site improvements and structures	47,289	47,289
Office building and land improvements	107,028	107,028
Office equipment	41,663	41,663
Vehicles	320,198	316,932
Capitalized interest	99,343	99,343
Land	69,859	69,859
	15,782,440	12,202,363
Less: accumulated depreciation	(8,551,841)	(7,568,002)
	7,230,599	4,634,361
Construction in progress	80,068	2,881,230
Property and equipment, net	$ 7,310,677	$ 7,515,591

Depreciation expense for the years ended December 31, 2025 and 2024, totaled $1,022,446 and $547,620, respectively. As discussed in Note 6, certain property and equipment serves as collateral for notes payable.

5. Leases

During the year ended December 31, 2025, the Company had one capital lease for office equipment. The economic substance of this lease is that the Company was financing the acquisition of the equipment through the lease. The equipment is recorded as an asset and the lease is recorded as a liability.

The following is an analysis of the leased assets included in furniture and equipment at December 31:

	2025
Equipment Under Capital Lease	$ 4,860
Less: Accumulated Depreciation	2,390
Total	$ 2,470

6. Long-Term Debt and Line of Credit

Long-term debt as of December 31, is summarized as follows:

	2025	2024
CoBank	$ 239,928	$ 300,372
CoBank	166,563	237,022
CoBank	929,953	976,410
Ford Motor Credit	-	39,065
GM Financial	-	33,853
Total	1,336,444	1,586,722
Less current installments of long-term debt	172,722	179,351
Long-term debt	$ 1,163,722	$ 1,407,371

The first CoBank note payable is due in 84 monthly installments of approximately $5,500 including interest at 3.65%. The note matures December 20, 2029 and is collateralized by all personal property and revenues of the Company.

The second CoBank note payable was incurred on May 15, 2023, in the original amount of $332,786 to facilitate the payoff of the Origin Bank loan. It is due in 60 monthly installments of approximately $6,369 including interest at 5.34%. The note matures May 20, 2028, and is collateralized by all personal property and revenues of the Company.

The third CoBank note payable was incurred on April 28, 2023, and was originally a line of credit of up to $1,000,000 to be used to fund expenditures made in making required improvements to the system. At May 31, 2024, the balance was $1,000,000 and was converted to a fixed long-term note bearing interest at 6.25%. It is collateralized by all personal property and revenues of the Company.

As of April 28, 2023, the Company also has an additional $300,000 line of credit with CoBank to facilitate its participation in the Water Sector grant program. The line of credit was renewed in 2024. The balance on the line of credit was $0 at December 31, 2025.

The Ford Motor Credit and GM Financial notes payable were paid in full in 2025.

The Company has agreed to certain financial covenants with CoBank, the more significant being as follows:

- Debt service coverage ratio will be no less than 1.25 times tested annually based on year-end financial statements.
- Maintenance of a reserve account with a balance of $79,000.

The Company was in compliance with these covenants as of December 31, 2025.

The combined aggregate amounts of maturities for long-term debt are presented as follows:

Year Ending December 31	
2026	$ 172,722
2027	181,719
2028	139,465
2029	114,779
2030	59,090
Later years	668,669
	$ 1,336,444

For the year ended December 31, 2025 and 2024, interest costs totaled $82,083 and $86,891, all of which was expensed.

7. Restricted Assets

Under FASB ASU 2016-14 only net assets restricted by donors are grouped as restricted in equity. However, cash set aside for customer deposits and reserve balances as required by lenders as described in Note 6, are presented as restricted assets. These monies are released from restriction when the loan is repaid, or a customer leaves the system.

Restricted assets are described as follows:

The Company maintains an interest-bearing bank account for refundable customer deposits. The balance in this account was $10,868 and $10,377 at December 31, 2025 and 2024, respectively.

In 2023, CoBank increased the required reserve account from $36,000 to $79,000. The Company is utilizing $79,000 of its bank account designated as a reserve account to satisfy this requirement. This restriction ends when all debt is paid in full.

8. Simple IRA

Effective January 1, 2003, the Company established a SIMPLE IRA plan (the Plan). The Plan covers substantially all employees and allows participants to make pre-tax contributions (salary reductions up to statutory limits) with the Company making matching contributions of up to 3% of employee compensation. The Company’s matching contributions for 2025 and 2024 were $8,617 and $7,711, respectively.

9. Revenue Recognition

The Company derives its revenues primarily from the sales of water to residential, agricultural and commercial customers. Revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the company expects to be entitled to in exchange for those services. Sales and other taxes the Company collects concurrent with revenue producing activities are excluded from revenue. The Company does not have significant financing components as payment is normally received in the month following sale. The Company does not incur costs to obtain customer contracts.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2024 and 2023:

	2025	2024
Performance obligations satisfied at a point in time	$ -	$ -
Performance obligations satisfied over time	$ 1,860,243	$ 1,781,685
Total Operating Revenue	$ 1,860,243	$ 1,781,685

Revenue from performance obligations satisfied over time consists of the sale of water. These services are sold to residential and commercial customers. The Company has different rate structures for each type of customer, so that the relative volume of water sold to the various customer classifications could impact total revenue.

Performance Obligations

For performance obligations related to sales of water, control transfers to the customer over time. The water sold is received and consumed by the customer as the Company provides the service. Customers are billed near the end of each month based on usage at stated rates, with payment due by the 10th of the following month. Service is disconnected if payment is not received by the 20th of the following month.

Variable Consideration

The nature of the Company's business generally does not give rise to variable consideration, including rebates, allowances, and returns.

Contract Assets and Liabilities

Contract assets include the estimated unbilled amount resulting from sales from the last billing date through the last day of the year, approximately 11 days of usage. Contract assets were $58,176 and $54,196 for the year ended December 31, 2025 and 2024, respectively.

10. Financial Instruments

Concentrations of Credit Risk

The Company extends credit to its water customers in rural North Louisiana and South Arkansas.

The Company maintains its cash balances at two financial institutions located in North Louisiana.

Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000.

At December 31, 2025, the Company had approximately $235,840 in cash balances that exceeded federal depository insurance.

Collateralization Policy

Unless otherwise disclosed, the Company does not obtain collateral or other security to support financial instruments subject to credit risk.

11. Grant Funds Received

Under a Cooperative Endeavor Agreement with the State of Louisiana, the Company was approved for American Rescue Plan funds under the Water Sector Program in 2023. Initial approval for grant funds of $573,276 for the South System was later increased to $717,261 The funding was to be used to construct activated carbon absorption units for one well in the South system. Total funds received in 2025 and 2024 under this grant were $0 and $471,631, respectively.

An additional grant of $4,533,777 for the North System was received which requires a matching contribution by the Company. These funds are being used to construct carbon vessels for treatment at four well sites and other improvements in the North System. The funds are available on a reimbursement basis so that the Company must first expend the funds. Funds received under this grant were $629,633 and $3,376,831 in the years ended December 31, 2025 and 2024, respectively. At December 31, 2025, an additional $59,891 was receivable for 2025 expenditures.

12. Liquidity and Availability

The Company regularly monitors the availability of resources required to meet its operating needs, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Company considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without contractual restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2025	2024
Cash - unrestricted	$ 293,691	$1,188,085
Certificates of deposit	60,035	55,064
Receivables – Trade	161,307	166,509
Grant receivables	59,891	184,622
Contract assets	58,176	54,196
Investments	1,366,733	154,532
	$ 1,999,833	$1,803,008

13. Other

In 2011, the Company signed a lease for 99 years for a booster station site at a cost of $30 per year.

14. Restatement of 2024 Financial Statements

Under generally accepted accounting standards, nonprofit organizations must recognize revenue from reimbursement grants as qualifying expenses are incurred. For 2024, these capital grants were reported as deferred revenue to be recognized as revenue over the useful life of the assets. The 2024 financial statements have been restated to reflect the correct accounting treatment of the grant funds. The cumulative effect of this adjustment on periods prior to 2024 resulted in an increase to the opening balance of Membership Equity as of January 1, 2024, of $574,379.

The following summarizes the impact of the restatement on the 2024 financial statements:

	As Originally Stated	Increase (Decrease)	As Restated
Balance Sheet Accounts:			
Grant funds receivable	$ 272,284	$ (87,664)	$ 184,620
Current portion of deferred revenue	331,185	(331,185)	-
Deferred Revenue – government grants	4,183,106	(4,183,106)	-
	$ 4,786,575	$ (4,601,955)	$ 184,620
Income Statement Accounts:			
Grant income	$ 180,835	$ 3,852,249	$ 4,033,084

15. Subsequent Events

Management evaluates events and transactions that occur after the balance sheet date but before the financial statements are made available. Management evaluated such events and transactions through June 22, 2026, the date for which financial statements were made available for distribution, and other than what is referenced below, noted no significant subsequent events as of this date.

SUPPLEMENTARY INFORMATION

D'ARBONNE WATER SYSTEM, INC.

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2025

D’Arbonne Water System, Inc., is a nonprofit entity that receives public funds. However, no public funds were used to pay for the compensation, benefits, and other payments to the agency head.

OTHER REPORTS

CAMERON, HINES & COMPANY
(A Professional Accounting Corporation)
Certified Public Accountants
104 Regency Place
West Monroe, Louisiana 71291

Mailing Address:
P. O. Box 2474
West Monroe, LA 71294-2474

Phone (318) 323-1717
Fax (318) 322-5121

The Board of Directors
D'Arbonne Water System, Inc.
Bernice, Louisiana

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

We have audited, 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, the financial statements of D'Arbonne Water System, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, changes in membership equity and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated June 22, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered D'Arbonne 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 D'Arbonne Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of D'Arbonne Water System, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether D'Arbonne Water System, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
June 22, 2026

D'ARBONNE WATER SYSTEM, INC.

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2025

We have audited the financial statements of D'Arbonne Water System, Inc., as of and for the year ended December 31, 2025, and have issued our report thereon dated June 22, 2026. 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 audit of the financial statements as of December 31, 2025, resulted in an unmodified opinion.

Section I- Summary of Auditors' Results

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness	___ yes _X_ no
Significant Deficiencies not considered to be Material Weaknesses	___ yes _X_ no

Compliance

Compliance Material to Financial Statements	___ yes _X_ no

B. Federal Awards: N/A

Material Weakness Identified	___ yes ___ no
Significant Deficiencies not considered to be Material Weaknesses	___ yes ___ no

Type of Opinion on Compliance For Major Programs
Unmodified ____ Modified _____
Disclaimer _____ Adverse _____

Are there findings required to be reported in accordance with the Uniform Guidance?

C. Identification of Major Programs: N/A

Name of Federal Program (or cluster):

Dollar threshold used to distinguish between Type A and Type B Programs:

Is the auditee a "low-risk" auditee, as defined by the Uniform Guidance?

Section II - Financial Statement Findings - N/A

Section III - Federal Award Findings and Questioned Costs - N/A

2024-01 – Noncompliance with Community Drinking Water Infrastructure Sustainability Act

D'Arbonne Water System received a grade of "D" on the North Section of the Water System from the Louisiana Department of Health, indicating it was out of compliance with the standards established by the Louisiana Department of Health.

Status: This finding has been resolved.