

START WATER SYSTEM, INC.

*Financial Statements
For the Years Ended December 31, 2024 and 2023*



START WATER SYSTEM, INC.
DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report -----	1-3
Statements of Financial Position -----	4
Statements of Activities -----	5
Statements of Cash Flows -----	6
Statements of Functional Expenses -----	7
Notes to Financial Statements -----	8-12

SUPPLEMENTAL INFORMATION

Schedule 1 – Schedule of the Board of Directors -----	13
Schedule 2 – Schedule of Residential and Commercial Users -----	14
Schedule 3 – Schedule of Water Rates -----	15
Schedule 4 – Schedule of Insurance Coverage -----	16
Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	17-18
Schedule of Findings and Responses -----	19-20
Management's Corrective Action Plan -----	21
Schedule of Prior Year Findings and Responses -----	22

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Start Water System, Inc.

Opinion

We have audited the accompanying financial statements of Start Water System, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Start Water System, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in conformity 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 Start 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; this includes 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 Start 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 Start 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 Start 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 13 to 16 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

To the Board of Directors
of Start Water System, Inc.
Page 3

accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 April 10, 2025, on our consideration of Start 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 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 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 Start Water System, Inc.'s internal control over financial reporting and compliance.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
April 10, 2025

START WATER SYSTEM, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2024	2023
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents - Unreserved	\$ 262,176	\$ 151,230
Accounts Receivable	49,486	31,409
Interest Receivable	7,806	3,490
Prepaid Insurance	22,452	19,056
Total Current Assets	341,920	205,185
<u>Property, Plant, and Equipment</u>		
Land	17,500	17,500
Buildings and Water System	4,111,363	4,030,717
Furniture and Equipment	110,399	167,828
Accumulated Depreciation	(2,564,656)	(2,524,492)
Net Property, Plant and Equipment	1,674,606	1,691,553
<u>Other Assets</u>		
Certificates of Deposit	432,287	424,020
<u>TOTAL ASSETS</u>	<u>\$ 2,448,813</u>	<u>\$ 2,320,758</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accrued Expenses	\$ 9,766	\$ 10,328
Accounts Payable	-	-
Customers Deposits Payable	86,252	82,175
Notes Payable	50,545	48,284
Total Current Liabilities	146,563	140,787
<u>Long-Term Liabilities</u>		
Notes Payable	1,117,884	1,168,435
<u>Total Liabilities</u>	1,264,447	1,309,222
<u>Net Assets</u>		
Net Assets Without Donor Restrictions		
Unrestricted	862,524	693,771
Restricted Due to Loan Agreements from the USDA	321,842	317,765
<u>Total Net Assets</u>	1,184,366	1,011,536
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,448,813</u>	<u>\$ 2,320,758</u>

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

START WATER SYSTEM, INC.
STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2024	2023
<u>Changes in Net Assets</u>		
Revenue:		
Water Sales	\$ 506,701	\$ 379,528
Tap Fees	22,850	13,150
Connection / Reconnection Fees	6,722	6,267
Interest Income	12,699	10,519
Grants	99,250	-
Other Income	19,611	17,099
Total Revenues	667,833	426,563
<u>Expenses</u>		
Salaries	\$ 108,653	\$ 101,903
Chemicals	34,825	42,136
Contract Labor	39,250	21,536
Taxes and Licenses	8,809	14,326
Office	12,142	6,363
Professional Fees	9,063	9,710
Repair and Maintenance	35,793	31,914
Material and Supplies	5,180	4,668
Dues and Subscriptions	3,122	3,567
Telephone	7,036	6,260
Utilities	24,917	23,223
Insurance	26,068	22,512
Interest	50,472	52,636
Postage and Delivery	5,305	5,272
Depreciation	124,368	124,909
Total Expenses	495,003	470,935
<u>Change in Net Assets</u>	172,830	(44,372)
<u>Net Assets at Beginning of Year</u>	1,011,536	1,055,908
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 1,184,366</u>	<u>\$ 1,011,536</u>

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

START WATER SYSTEM, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities</u>		
Change in Net Assets	\$ 172,830	\$ (44,372)
Adjustments to Reconcile Change in Net Assets for the Year to Net Cash Provided by Operating Activities:		
Depreciation	124,368	124,909
(Increase) Decrease in Accounts Receivable	(18,077)	2,448
(Increase) Decrease in Interest Receivable	(4,316)	(2,593)
(Increase) Decrease in Prepaid Expenses	(3,396)	(2,209)
Increase (Decrease) in Accounts Payable	-	-
Increase (Decrease) in Accrued Expenses	(562)	605
Total Adjustments	<u>98,017</u>	<u>123,160</u>
Net Cash Provided by Operating Activities	270,847	78,788
<u>Cash Flows From Investing Activities</u>		
Increase in Customers Deposits Payable	4,077	1,075
Increase in Certificates of Deposit	(8,267)	(7,877)
Purchases of Property and Equipment	<u>(107,421)</u>	<u>(105,476)</u>
Net Cash Used by Investing Activities	(111,611)	(112,278)
<u>Cash Flows From Financing Activities</u>		
Principal Payments on Notes	<u>(48,290)</u>	<u>(46,131)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	110,946	(79,621)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>151,230</u>	<u>230,851</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 262,176</u>	<u>\$ 151,230</u>

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

START WATER SYSTEM, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2024

<u>Expense Type</u>	<u>Operations and Maintenance</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 85,836	\$ 22,817	\$ 108,653
Chemicals	34,825	-	34,825
Contract Labor	39,250	-	39,250
Taxes and Licenses	6,959	1,850	8,809
Office	9,592	2,550	12,142
Professional Fees	7,160	1,903	9,063
Repair and Maintenance	35,793	-	35,793
Material and Supplies	4,092	1,088	5,180
Dues and Subscriptions	2,466	656	3,122
Telephone	5,558	1,478	7,036
Utilities	19,684	5,233	24,917
Insurance	20,594	5,474	26,068
Interest	39,873	10,599	50,472
Postage and Delivery	4,191	1,114	5,305
Depreciation	98,251	26,117	124,368
TOTAL	\$ 414,124	\$ 80,879	\$ 495,003

For the Year Ended December 31, 2023

<u>Expense Type</u>	<u>Operations and Maintenance</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 80,503	\$ 21,400	\$ 101,903
Chemicals	42,136	-	42,136
Contract Labor	21,536	-	21,536
Taxes and Licenses	11,318	3,008	14,326
Office	5,027	1,336	6,363
Professional Fees	7,671	2,039	9,710
Repair and Maintenance	31,914	-	31,914
Material and Supplies	3,688	980	4,668
Dues and Subscriptions	2,818	749	3,567
Telephone	4,945	1,315	6,260
Utilities	18,346	4,877	23,223
Insurance	17,784	4,728	22,512
Interest	41,582	11,054	52,636
Postage and Delivery	4,165	1,107	5,272
Depreciation	98,678	26,231	124,909
TOTAL	\$ 392,111	\$ 78,824	\$ 470,935

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

START WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies

A. Historical Background

Start Water System, Inc. (the System) is a nonprofit corporation incorporated in 1969 for the following purpose: To associate its members together for their mutual benefit and to that end to construct, maintain and operate a private water system for the supplying of water for domestic, livestock, garden, industrial and commercial purposes, and for the sale of any surplus water remaining after the needs of its members have been satisfied. To engage in any activity related thereto, including but not limited to the acquisition of water by appropriation, drilling, pumping and/or purchase and the purchase, laying, installation, operation, maintenance and repair of wells, pumping equipment, water mains, pipelines, valves, meters, and all other equipment necessary to the construction, maintenance and operation of a water system.

B. Financial Statements Presentation

FASB Accounting Standards Codification (ASC) section 958-205 *Not-for-Profit Entities, Presentation of Financial Statements* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and are not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources has been fulfilled, or both. As of the year ended December 31, 2024, Start Water System, Inc. does not have any donor-imposed restrictions that are either temporary or perpetual in nature.

C. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

D. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an initial maturity of three months or less.

START WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Support and Revenue

Start Water System, Inc. received its source financial support from the United States Department of Agriculture, Farmers Home Administration (now referred to as Rural Development), in the form of long-term loans of forty years. The System also receives income for billable services for water sales and recognizes this income when earned.

F. Fixed Assets

Fixed assets acquired by the System are considered to be owned by Start Water System, Inc. with a lien on the fixed assets by the United States Department of Agriculture, Office of Rural Development for the life of the loan.

Start Water System, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Water System Improvements	40 Years
Building	20 Years
Furniture and Equipment	5 Years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Income Taxes

Start Water System, Inc. is a nonprofit corporation exempted from federal income taxes under Section 501 (c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made; however, should the System engage in activities unrelated to its exempt purpose, taxable income could result. The System had no material unrelated business income for the year ended December 31, 2024. The earliest income tax year that is subject to examination is 2021.

J. Compensated Absences

Employees are allowed ten days paid sick leave and ten days paid vacation leave each year. If the days are not used in a two-year period, they expire unpaid. Because the system has only three employees, management believes the amount is immaterial and does not accrue compensated absences.

START WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Note 2- Liquidity and Availability

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

Cash and cash equivalents	\$262,176
Accounts receivable	49,486
Interest receivable	7,806
Certificates of deposit less reserve requirements	<u>110,445</u>
Total	<u>\$429,913</u>

Note 3- Cash

The System is required by the United States Department of Agriculture (USDA) to maintain cash equal to the total of one year's loan payments and all members' refundable deposits. On December 31, 2024 and 2023 the System was in compliance with these requirements.

Note 4 - Accounts Receivable

As of December 31, 2024, and 2023 accounts receivable from water sales for the month of December was \$49,486 and \$31,409, respectively.

Note 5 - Interest Receivable

Accrued interest receivable is related to the certificates of deposit owned by the System.

Note 6 - Notes Payable

The System has three (3) notes payable at December 31, 2024 to the United States Department of Agriculture, Rural Development, totaling \$1,168,429. The notes are payable in monthly installments including interest. Interest accrues at 4.36 percent per annum.

The aggregate principal amounts scheduled for repayment is as follows:

Fiscal Year Ended <u>December 31,</u>	<u>Amount</u>
2025	50,545
2026	52,914
2027	55,396
2028	57,994
2029	60,523
Thereafter	<u>891,057</u>
<u>TOTAL</u>	<u>\$ 1,168,429</u>

Interest paid on the notes payable was \$50,472 and \$52,636 for the years 2024 and 2023, respectively.

START WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Note 6 - Notes Payable (Continued)

The loans are secured by promissory notes, a pledge of revenues from the sale of water, and a first mortgage on the real estate and personal property owned or purchased by the System. The System will also pledge as collateral all permits and franchises granted or to be granted by any governing body or board for the installation and operation of a water system, and future contracts, accounts receivables, and any general intangibles arising in connection with the facility.

Note 7 - Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectability of the particular receivable. Although the specific charge/off method is not in conformity with accounting principles generally accepted in the United States of America, no allowance for uncollectible accounts receivable was made due to immateriality at December 31, 2024 and 2023. During 2024 and 2023, \$2,314 and \$908 respectively, was written off as bad debt expense.

Note 8 - Certificates of Deposit

To meet the reserve requirements the System has Certificates of Deposit of \$432,287 and \$424,020 at December 31, 2024 and 2023, respectively. Reserves are as follows:

	<u>2024</u>	<u>2023</u>
Operation and Maintenance	\$ 48,000	\$ 48,000
Debt Service Reserve	98,880	98,880
Customer Deposit	86,252	82,175
Capital Improvement water well	<u>88,710</u>	<u>88,710</u>
<u>TOTAL</u>	<u>\$ 321,842</u>	<u>\$ 317,765</u>

Note 9 - Deposits with Financial Institutions

The System has various checking, certificate and time deposit accounts at local financial institutions as follows:

	System	Bank
	<u>Balances</u>	<u>Balances</u>
Cash on Deposit	\$ 262,176	\$ 291,453
Certificates of Deposit	<u>432,287</u>	<u>432,287</u>
<u>TOTAL</u>	<u>\$ 694,463</u>	<u>\$ 723,740</u>

The System's deposits are collateralized as follows:

FDIC Insured Deposits	\$ 578,275
Pledged Securities	79,930
Uninsured Deposits	<u>65,535</u>
Total Deposits	<u>\$ 723,740</u>

START WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Note 10 - Subsequent Events

Subsequent events have been evaluated through April 10, 2025, which is the day the financial statements were available to be issued, and it has been determined that no significant events have occurred for disclosure.

SUPPLEMENTAL INFORMATION

START WATER SYSTEM, INC.
SCHEDULE OF THE BOARD OF DIRECTORS
DECEMBER 31, 2024

SCHEDULE 1

Elliott Colvin President
435 Brimberry Road
Rayville, LA 71269
318-801-0946
Term: 2023-2027

Beverly Weeks
P.O. Box 335
Start, LA 71279
318-728-5202
Term: 2022-2026

Greg Pickens Secretary-Treasurer
164 Dummy Line Road
Rayville, LA 71269
318-728-6383
Term: 2023-2027

Tracey Barnett Vice President
167 Leon Road
Rayville, LA 71269
318-805-3451
Term : 2021-2025

Greg Temple
P.O. Box 265
Start, LA 71279
318-381-6960
Term: 2024-2028

Jeremy Crow
853 Charleston Drive
Rayville, LA 71269
318-376-0318
Term: 2024-2028

Camille Mize
1254 Scales Road
Rayville, LA 71269
318-548-8954
Term: 2024-2028

START WATER SYSTEM, INC.
SCHEDULE OF RESIDENTIAL AND COMMERCIAL USERS
DECEMBER 31, 2024

SCHEDULE 2

Number of residential users on the sewer and water systems	1055
Number of commercial users on the sewer and water systems	59
Number of commercial users having a meter larger than the residential size (3/4")	30

START WATER SYSTEM, INC.
SCHEDULE OF WATER RATES
DECEMBER 31, 2024

SCHEDULE 3

First 2,000 gallons	\$ 20.00
Every 1,000 gallons after first 2,000 gallons	\$ 5.00

START WATER SYSTEM, INC.
SCHEDULE OF INSURANCE COVERAGE
DECEMBER 31, 2024

SCHEDULE 4

<u>Type</u>	<u>Insurance Company</u>	<u>Coverage Amount</u>	<u>Expiration of Policy</u>	<u>Policy Number</u>
Auto Liability	Allied Public Risk	\$ 1,000,000	12/4/2025	T9A2CA0000224-00
Property Insurance	Allied Public Risk	\$ 2,043,000	12/4/2025	T9A2CP0000939-00
Fidelity Policy	Western Surety Company	\$ 500,000	3/23/2025	69139915

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

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

Board of Directors of
Start Water System, Inc.

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 Start Water System, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2025.

Report on Internal Control over Financial Reporting

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

deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as item 2024-001.

Report on Compliance and Other Matters

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

Start Water System, Inc.'s Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

West Monroe, Louisiana
April 10, 2025

Cameron, Hines & Company (APAC)

START WATER SYSTEM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024

Start Water System, Inc.
Start, Louisiana

We have audited the financial statements of the Start Water System, Inc. as of and for the year ended December 31, 2024, and have issued our report thereon dated April 10, 2025. 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, 2024, 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 X yes ___ 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 their findings required to be reported in accordance with Title 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), subpart F? N/A

C. Identification of Major Programs:

Name of Federal Program (or cluster): N/A

CFDA Number(s): N/A

Dollar threshold used to distinguish between Type A and Type B Programs. N/A

Is the auditee a "low-risk" auditee, as defined by Title 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), subpart F? N/A

START WATER SYSTEM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024

Section II - Financial Statement Findings

2024-001 Lack of Separation of Incompatible Duties

Condition:

Start Water System has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Criteria:

Proper internal control requires separation of incompatible duties.

Effect:

Lack of separation of incompatible duties increases the risk that errors would not be detected or corrected in a timely manner.

Recommendation:

To the extent possible other Start Water System employees could assist with incompatible duties.

Response:

Start Water System has an accounting workload that can be easily managed by one employee. The hiring of additional employees to provide enhanced internal control does not appear to be the best use of resources. We will continue to keep the Board involved in review of credits issued to customers if over \$25 per occurrence.

Section III - Federal Award Findings and Questioned Costs

This section is not applicable for this entity.

START WATER SYSTEM, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2024

Internal Control and Compliance Material to the Financial Statements

2024-001 Lack of Separation of Incompatible Duties

Condition:

Start Water System, Inc.'s office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Recommendation:

To the extent possible other System employees could assist with incompatible duties.

Response:

Start Water System, Inc. has an accounting workload that can be easily managed by one employee. The hiring of additional employees to provide enhanced internal control does not appear to be the best use of resources. Our Board continues to review credits issued to customers if over \$25 per occurrence.

START WATER SYSTEM, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024

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

2023-001 Lack of Separation of Incompatible Duties

Condition:

Start Water System has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Recommendation:

To the extent possible other Start Water System employees could assist with incompatible duties.

Current Status:

Item is repeated as finding 2024-001.

Section II - Internal Control and Compliance Material to Federal Awards

No findings were reported under this section.

Section III - Management Letter

No management letter was issued.