RURAL FRANKLINTON WATER CORPORATION

Audits of Financial Statements

December 31, 2025 and 2024

Contents

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
Rural Franklinton Water Corporation
Franklinton, Louisiana

Report of the Audit of the Financial Statements

We have audited the accompanying financial statements of Rural Franklinton Water Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2025, the related statements of revenues, expenses, and changes in fund equity, 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 the Corporation as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Other Matter

The financial statements of the Corporation, as of and for the year ended December 31, 2024, were audited by other auditors, whose report dated May 27, 2025, expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the Corporation 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 U.S. GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

Other Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic 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 May 26, 2026, on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Baton Rouge, LA
May 26, 2026

RURAL FRANKLINTON WATER CORPORATION
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	$ 202,641	$ 208,693
Accounts Receivable	104,611	55,823
Less Allowance for Credit Losses	(30,066)	(8,864)
Accounts Receivable, Net	74,545	46,959
Total Current Assets	277,186	255,652
Restricted Cash		
Cash Restricted for Meter Deposits	57,602	58,477
Cash Restricted per Loan Agreement	271,844	233,946
Total Restricted Cash	329,446	292,423
Property, Plant, and Equipment, Net	1,308,890	1,339,784
Other Assets		
Prepaid Insurance	5,415	5,131
Utility Deposits	745	745
Total Other Assets	6,160	5,876
Total Assets	$ 1,921,682	$ 1,893,735

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

RURAL FRANKLINTON WATER CORPORATION
Statements of Financial Position (Continued)
December 31, 2025 and 2024

	2025	2024
Liabilities and Fund Equity		
Current Liabilities		
Accounts Payable and Accrued Expenses	**$ 11,790**	$ 8,291
Accrued Interest Payable	**1,136**	1,136
Customer Meter Deposits	**57,702**	58,477
Current Portion of Long-Term Debt	**33,210**	31,674
Total Current Liabilities	**103,838**	99,578
Other Liabilities		
Long-Term Debt, Less Current Portion	**656,099**	689,309
Total Liabilities	**759,937**	788,887
Fund Equity Without Donor Restrictions		
Restricted for Meter Deposits and Debt Service	**238,534**	202,272
Unrestricted	**923,211**	902,576
Total Fund Equity	**1,161,745**	1,104,848
Total Liabilities and Fund Equity	**$ 1,921,682**	$ 1,893,735

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

RURAL FRANKLINTON WATER CORPORATION
Statements of Revenues, Expenses, and Changes in Fund Equity
For the Years Ended December 31, 2025 and 2024

	2025	2024
Revenues		
Water Sales	$ 749,601	$ 629,224
Reconnect Fees	5,838	34,478
Miscellaneous Income	42,853	6,031
Grant Income	-	381,764
Interest Income	69	7
Total Revenues	798,361	1,051,504
Expenses		
Program Services		
Water Distribution	469,578	413,192
Supporting Services		
General and Administrative	271,886	252,017
Total Expenses	741,464	665,209
Changes in Fund Equity	56,897	386,295
Fund Equity, Beginning of Year	1,104,848	718,553
Fund Equity, End of Year	$ 1,161,745	$ 1,104,848

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

RURAL FRANKLINTON WATER CORPORATION
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services	Supporting Services	
	Water Distribution	General and Administrative	Total
Salaries	$ 77,161	$ 110,932	$ 188,093
Payroll Taxes and Benefits	99,462	-	99,462
Depreciation	83,143	1,527	84,670
Repairs and Maintenance	57,983	-	57,983
Other Expenses	-	53,811	53,811
Insurance	51,545	-	51,545
Utilities	-	43,467	43,467
Line Supplies	42,328	-	42,328
Interest	27,798	-	27,798
Auto	16,410	-	16,410
Office Supplies and Postage	-	14,625	14,625
Uniform	13,748	-	13,748
State Management Fees	-	13,111	13,111
Professional Fees	-	10,500	10,500
Board Compensation	-	9,849	9,849
Telephone	-	5,421	5,421
Taxes and License	-	3,995	3,995
Bank Fees	-	3,250	3,250
Travel and Training	-	1,398	1,398
Total	$ 469,578	$ 271,886	$ 741,464

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

RURAL FRANKLINTON WATER CORPORATION
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Services	Services	
	Water Distribution	General and Administrative	Total
Salaries	$ 77,937	$ 108,125	$ 186,062
Payroll Taxes and Benefits	78,828	-	78,828
Depreciation	66,336	1,237	67,573
Insurance	53,990	-	53,990
Line Supplies	48,795	-	48,795
Utilities	-	41,093	41,093
Other Expenses	-	38,585	38,585
Interest	29,418	-	29,418
Repairs and Maintenance	25,112	-	25,112
Auto	22,381	-	22,381
Office Supplies and Postage	-	16,272	16,272
State Management Fees	-	13,110	13,110
Professional Fees	-	10,500	10,500
Uniform	10,395	-	10,395
Board Compensation	-	9,900	9,900
Telephone	-	4,543	4,543
Taxes and License	-	3,074	3,074
Bank Fees	-	2,970	2,970
Travel and Training	-	2,608	2,608
Total	$ 413,192	$ 252,017	$ 665,209

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

RURAL FRANKLINTON WATER CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Changes in Fund Equity	**$ 56,897**	$ 386,295
Adjustments to Reconcile Changes in Fund Equity		
to Net Cash Provided by Operating Activities		
Depreciation	**84,670**	67,573
Bad Debt Expense	**21,202**	15,180
(Increase) Decrease in:		
Accounts Receivable	**(48,788)**	(28,724)
Prepaid Insurance	**(284)**	(5,131)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	**3,499**	1,310
Accrued Interest Payable	**-**	171
Customer Meter Deposits	**(775)**	400
Net Cash Provided by Operating Activities	**116,421**	437,074
Cash Flows from Investing Activities		
Purchase of Property and Equipment	**(53,776)**	(401,733)
Net Cash Used in Investing Activities	**(53,776)**	(401,733)
Cash Flows from Financing Activities		
Repayment of Long-Term Debt	**(31,674)**	(30,225)
Net Cash Used in Financing Activities	**(31,674)**	(30,225)
Net Increase in Cash and Restricted Cash	**30,971**	5,116
Cash and Restricted Cash, Beginning of Year	**501,116**	496,000
Cash and Restricted Cash, End of Year	**$ 532,087**	$ 501,116
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	**$ 27,798**	$ 29,589

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

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Rural Franklinton Water Corporation (the Corporation) was formed on March 26, 1974, as a non-profit corporation under the provisions of Title 12, Sections 201-269 of the Louisiana Revised Statutes. The purpose of the Corporation is to construct, maintain, and operate a private water system for the mutual benefit of its members.

The Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follow.

Basis of Accounting

The accompanying financial statements are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred. Interest paid on loan proceeds used in financing construction of certain assets is capitalized during the construction period.

The Corporation reports information regarding its financial position and activities according to two classes of fund equity:

Fund Equity Without Donor Restrictions - Fund equity for general use that is not subject to donor-imposed restrictions.

Fund Equity With Donor Restrictions - Fund equity whose use is limited by donor- or grantor-imposed time and/or purpose restrictions. Once funds are expended for their restricted purpose, this restricted fund equity is released to fund equity without donor restrictions. The Corporation had no donor-restricted fund equity for 2025 or 2024.

Accounts Receivable

The Corporation's accounts receivable are amounts due from water customers and are carried at original billed amount, net of an allowance for doubtful accounts. Credit is extended to customers and collateral is not required, but deposits are collected when service is originally connected. Accounts are due monthly and are considered delinquent if not paid by the 15th of the month subsequent to the month billed. Service is disconnected if payment is not received by the 1st of the second month subsequent to the original month billed.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

After adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326-20 *Financial Instruments - Credit Losses* on January 1, 2023, management determines the allowance using an estimate of expected credit losses, applied to customer groupings with similar risk characteristics, based on historical experience, current economic conditions and certain forward-looking information. Account balances are written-off against the established allowance when management determines it is probable the receivable will not be collected. During 2023, management wrote-off several stale balances against the allowance for credit losses, significantly reducing gross receivables and the allowance balance. As of December 31, 2025 and 2024, the total allowance recorded for credit losses was $30,066 and $8,864 respectively.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Improvements are capitalized and maintenance and repairs are charged to operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. It is the Corporation’s policy to capitalize fixed assets over $500.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code. Accordingly, no income tax provision has been recorded. The Corporation is, however, required to file federal Form 990 - Return of Organization Exempt from Income Tax. This is an informational return only. The Corporation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that require adjustment to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Statements of Cash Flows

The Corporation considers all highly liquid short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the statements of cash flows:

	2025	2024
Cash	**$ 202,641**	$ 208,693
Cash Restricted for Meter Deposits	**57,602**	58,477
Cash Restricted per Loan Agreement	**271,844**	233,946
Total	**$ 532,087**	$ 501,116

Note 1. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis on the statements of revenues, expenses, and changes in fund equity. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, expenses are allocated between those attributable to program services (water distribution) and those attributable to supporting services (general and administrative). Salaries and related payroll expenses are allocated based upon the time spent for each function.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Water Sales Revenue

The Corporation’s primary revenue source consists of fees collected from customers in exchange for water utility service. All customers must complete an application for connection to water service. Customers are billed monthly based on the prior month’s usage. The Corporation also collects reconnection fees in the event of service transfers and new meter installation. Revenue from water sales and related services are recognized once the performance obligation is satisfied, typically when the customer is billed for that month’s water usage and any related service fees. Rates charged for water usage are disclosed in Note 9.

Note 2. Cash and Restricted Cash

The Corporation periodically maintains cash in bank accounts in excess of insured limits. Cash held in bank accounts in excess of insured limits was $226,153 at December 31, 2025. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 2. Cash and Restricted Cash (Continued)

Revenue Note Account
The mortgage payable to USDA requires that $2,682 be deposited into this account monthly until the amount needed to pay the annual note payment has been attained. At December 31, 2025 and 2024, the Revenue Note Accounts balance was $59,540 and $59,534, respectively. The required deposit amount has been attained.

Depreciation and Contingency Account
Monthly deposits of $2,156 have been made as a reserve for the purpose of paying the cost of major repairs or damage caused by an unforeseen catastrophe and for replacements made necessary by the depreciation of the facility. At December 31, 2025 and 2024, the Depreciation and Contingency Account balance was $129,302 and $103,418, respectively. The required deposit amount has been attained.

Reserve Account
The mortgage payable to USDA requires that $501 be deposited into this account monthly until $62,532 is accumulated. This reserve is to act an as emergency fund for maintenance and repairs and debt repayment should the need arise. Whenever disbursements are made from the Reserve Account, monthly deposits must be resumed. At December 31, 2025 and 2024, the Reserve Account balance was $83,002 and $70,994, respectively.

Note 3. Liquidity and Availability of Financial Assets

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

	2025	2024
Unrestricted Cash	**$ 202,641**	$ 208,693
Accounts Receivable	**74,545**	46,959
Total	**$ 277,186**	$ 255,652

Cash restricted for meter deposits and loan agreements are contractual restrictions and therefore not reported as fund equity with donor restrictions. More information on cash restricted for loan agreements and meter deposits can be found in Note 2 and Note 7, respectively.

Note 4. Accounts Receivable

A summary of accounts receivable at December 31, 2025 and 2024 is as follows:

	2025	2024
Billed Accounts Receivable	$ 102,430	$ 55,823
Other Receivable	2,181	-
	104,611	55,823
Less: Allowance for Credit Losses	(30,066)	(8,864)
Total	$ 74,545	$ 46,959

Accounts receivable at January 1, 2024 totaled $37,280 and the allowance for credit losses was $3,865.

The following is an analysis of the activity in the allowance for credit losses on accounts receivable for the year ended December 31, 2025:

	2025	2024
Allowance at January 1, 2025	$ 8,864	$ 3,865
Write-offs	-	-
Recoveries	-	-
Net Write-Offs	-	3,865
Provision for Credit Losses	21,202	4,999
Allowance at December 31, 2025	$ 30,066	$ 8,864

The following is an aging of billed accounts receivable at December 31, 2025 and 2024:

	2025	2024
0 to 90 days	$ 83,567	$ 45,057
91 to 180 days	1,906	1,902
Over 180 days	16,957	8,864
Total	$ 102,430	$ 55,823

Note 5. Pledged Assets and Contingent Liabilities

Assets pledged to secure the mortgage and notes payable described in Note 8 include all land, improvements, and personal property, as well as accounts receivable and proceeds from revenue of the Corporation.

Note 6. Property, Plant, and Equipment

A summary of property, plant, and equipment at December 31, 2025 and 2024 is as follows:

	2025	2024
Water Distribution Center	**$ 2,720,747**	$ 2,720,747
Line Service Equipment	**753,370**	699,594
Building	**46,931**	46,931
Office Furniture	**17,120**	17,120
Sheds	**13,927**	13,927
	3,552,095	3,498,319
Less: Accumulated Depreciation	**(2,254,905)**	(2,170,235)
	1,297,190	1,328,084
Land	**11,700**	11,700
Total Property, Plant, and Equipment, Net	**$ 1,308,890**	$ 1,339,784

Depreciation expense for the years ending December 31, 2025 and 2024 was $84,670 and $67,573, respectively.

Note 7. Customer Meter Deposits

Meter deposits are collected from customers when water service connection is set up, and held by the Corporation until a customer becomes inactive. At that time, the deposit is applied to any balance the customer owes and any remainder is refunded to the customer. Balances collected for meter deposits are classified as a liability until they are applied to an account or refunded to a customer.

Note 8. Long-Term Debt

At December 31, 2025 and 2024, the Corporation's long-term debt consisted of the following:

	2025	2024
3.625% mortgage payable to USDA, secured by a first mortgage on all land owned by Rural Franklinton Water Corporation, along with the waterworks supply system and a pledge of all revenue and receivables, payable in monthly installments of $3,172 through the year 2049.	**$ 601,114**	$ 617,067
5.875% mortgage payable to USDA, secured by a first mortgage on all land owned by Rural Franklinton Water Corporation, along with the waterworks supply system and a pledge of all revenue and receivables, payable in monthly installments of $1,784 through the year 2031.	**88,195**	103,916
	689,309	720,983
Less: Current Portion of Long-Term Debt	**(33,210)**	(31,674)
Total Long-Term Debt	**$ 656,099**	$ 689,309

Principal and interest payments required in future years are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 33,210	$ 26,262	$ 59,472
2027	34,826	24,646	59,472
2028	36,525	22,947	59,472
2029	38,312	21,160	59,472
2030	34,368	19,313	53,681
Thereafter	512,068	191,404	703,472
Total	$ 689,309	$ 305,732	$ 995,041

Note 9. Water Rates

The water rates in effect during the year ended and at December 31, 2025 are as follows:

Residential and Commercial	
First 2,000 Gallons	$26.00
Over 2,000 Gallons	$5.00 per 1,000 gallons

The Corporation's customers at December 31, 2025 and 2024 are categorized as follows:

	2025	2024
Residential	**1,165**	1,171
Commercial	**39**	33
Total	**1,204**	1,204

Note 10. Insurance Coverage

At December 31, 2025, the Corporation maintained the following insurance coverage:

Type of Coverage	**Expiration Date**	**Amount of Coverage**
Automobile Liability	July 1, 2026	$ 1,000,000
Commercial Property	July 1, 2026	
Building 1		$ 100,000
Building 2		$ 25,000
Contents		$ 25,000
Income		$ 150,000
Equipment Floater		Actual Cash Value
Crime	July 1, 2026	
Crime/Employment Theft		$ 250,000
Employee Dishonesty Bond	December 22, 2026	$ 150,000
General Liability	July 1, 2026	
Each Occurrence		$ 1,000,000
Aggregate		$ 2,000,000
Medical Expense		$ 15,000
Workers' Compensation	February 5, 2026	
Each Accident		$ 100,000
Disease - Policy Limit		$ 500,000
Disease - Employee		$ 100,000

Note 11. Compensated Absences

According to the Corporation's policy regarding paid vacation, each full-time employee receives 5 days paid vacation annually which can be accumulated up to 25 days. As of December 31, 2025, the amount of accrued vacation was immaterial and is not reflected in these financial statements. Employees also receive one-half day sick leave per month, which may be accumulated up to a maximum of 45 days. Since accumulated sick leave is not paid on termination, it also is not reflected in these financial statements.

Note 12. Pension Plan

The Corporation maintains a defined contribution pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. The Corporation matches employee contributions up to 5% of their annual salary. Employees may elect to contribute 5%, 3%, or 2% of their earnings. Employer contributions during the years ended December 31, 2025 and 2024 were approximately \$21,000 and \$7,000, respectively.

Note 13. Board Members

Below is a listing of the Corporation's Board Members as of December 31, 2025:

Board Member	Compensation
Reginald McMasters, President 25505 Harvey Road Franklinton, LA 70438 (985) 500-4805	$ 2,700
Lenward Thompson, Vice President 590 Martin Luther King Drive Franklinton, LA 70438 (985) 839-5178	1,500
L.B. Rogers, Secretary/Treasurer 46770 Highway 1072 Franklinton, LA 70438 (985) 839-5447	1,500
Clifford Jefferson 43692 Columbia Estates Franklinton, LA 70438 (985) 515-4521	1,500
Larry Magee 26472 Ray Jones Road Franklinton, LA 70438 (985) 335-6689	1,500

Note 14. Subsequent Events

The Corporation has evaluated subsequent events through the date that the financial statements were available to be issued, May 26, 2026, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

RURAL FRANKLINTON WATER CORPORATION
Schedule of Compensation, Benefits, and Other Payments
To Agency Head
For the Year Ended December 31, 2025

Agency Head
Reginald McMasters, President

Purpose	Amount
Salary	$2,700
Benefits - Insurance	$0
Benefits - Retirement	$0
Benefits - Other	$0
Car Allowance	$0
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements - Telephone	$0
Reimbursements - Supplies	$0
Registration Fees	$0
Conference Travel	$716
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0

See independent auditor's report.

MAULDIN & JENKINS
CPAs & ADVISORS

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*

Independent Auditor's Report

To the Board of Directors
Rural Franklinton Water Corporation
Franklinton, Louisiana

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 Rural Franklinton Water Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2025, the related statements of revenues, expenses, and changes in fund equity, 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 May 26, 2026.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

Mauldin & Jenkins

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 have not been identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

Responses to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Baton Rouge, LA
May 26, 2026

Part I - Summary of Auditor's Results

<u>Financial Statements</u>

1.	Type of auditor's report issued:	Unmodified
2.	Internal control over financial reporting and compliance and other matters:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	None reported
	c. Noncompliance material to the financial statements?	No

Part II - Findings Related to the Financial Statements

2025-001 Inadequate Segregation of Duties

Criteria: Adequate segregation of duties is an important internal control to prevent misappropriation of assets.

Condition: Due to the small size of the Corporation, there are only two office employees. It was noted during the conduct of the audit that the office manager will occasionally accept utility payments especially when the other employee is out of the office. This is an incompatible function since the office manager prepares the daily reconciliation and the bank deposit.

Cause: The small size of the Corporation.

Effect: Internal controls may not be effective in preventing misappropriation of assets.

Recommendation: We recommend that adequate segregation of duties is maintained, and that the office manager does not accept utility payments.

Management's Response: The Corporation has determined that it does not have sufficient resources to hire an additional office employee. Therefore, no action will be taken by management at this time.

Part II - Findings Related to the Financial Statements (Continued)

2025-002 Significant Adjusting Journal Entries

Criteria: Proper internal control requires that controls are put into place to prevent or timely identify errors in financial reporting.

Condition: During our audit we noted several instances in which transactions were recorded incorrectly, either due to improper accounting treatment or misclassification of transactions, resulting in misstated asset and liability accounts, as well as overstatement of sales revenue as customer deposits were not segregated from sales revenue at time of recording. Significant journal entries were required to correct payroll liabilities, property, plant, and equipment and debt.

Cause: Unknown.

Effect: Material weakness in internal control.

Recommendation: We recommend that the Corporation implement controls to prevent or timely identify errors in financial reporting.

Management's Response: Management will review the procedures over financial reporting and implement controls to prevent or identify errors.

Part III - Compliance and Other Matters

None.

2024-001 Inadequate Segregation of Duties

Current Status: Unresolved. See current year finding 2025-001.

2024-002 Significant Adjusting Journal Entries

Current Status: Unresolved. See current year finding 2025-002.