

BETTER WATERWORKS, INC.
Monroe, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2023

BETTER WATERWORKS, INC.
Monroe, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2023

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		2
Financial Statements:		
Statement of Financial Position	A	6
Statement of Activities	B	7
Statement of Cash Flows	C	8
Notes to the Financial Statements		9
Supplemental Information:		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	1	21
Independent Auditor's Reports Required by <i>Government Auditing Standards:</i>		
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>		23
Schedule of Current Year Findings and Management's Planned Corrective Action		25

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

Independent Auditor's Report

BOARD OF DIRECTORS
BETTER WATERWORKS, INC.
Monroe, Louisiana

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Better Waterworks, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Better Waterworks, Inc., as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Better Waterworks, Inc., and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

BOARD OF DIRECTORS
BETTER WATERWORKS, INC.
Monroe, Louisiana
Independent Auditor's Report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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 Better Waterworks, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Better Waterworks, Inc.'s, ability to continue as a going concern for a reasonable period of time.

BOARD OF DIRECTORS
BETTER WATERWORKS, INC.
Monroe, Louisiana
Independent Auditor's Report

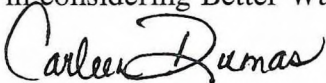
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head 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*, I have also issued my report dated March 16, 2024, on my consideration of Better Waterworks, Inc.'s internal control over financial reporting and on my 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 my 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 Better Waterworks, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Better Waterworks, Inc.'s internal control over financial reporting and compliance.



Calhoun, Louisiana
March 16, 2024

FINANCIAL STATEMENTS

BETTER WATERWORKS, INC.
Monroe, Louisiana

STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS

Current assets:

Cash	\$81,607
Accounts receivable	<u>67,613</u>
Total current assets	149,220
Cash and cash equivalents with contractual restrictions	463,536
Property, plant, and equipment (net of accumulated depreciation)	<u>3,084,899</u>
TOTAL ASSETS	<u><u>\$3,697,655</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$51,187
Contracts payable	101,463
Payroll taxes payable	2,004
Accrued interest payable	17,407
Current portion of loan payable	65,000
Customer deposits	<u>53,029</u>
Total current liabilities	<u>290,090</u>
Long-term liabilities:	
Loan payable	2,025,000
Less: unamortized bond discount and bond issuance costs	<u>(152,186)</u>
Long-term liabilities, net	<u>1,872,814</u>
Total liabilities	2,162,904
Net assets without donor restrictions	<u>1,534,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$3,697,655</u></u>

See accompanying notes and independent auditor's report.

Statement B

BETTER WATERWORKS, INC.
Monroe, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Operating Revenue:	
Water sales	\$529,462
Connection fees	1,350
Total operating revenue	<u>530,812</u>
Operating Expenses:	
Chlorine	52,991
Accounting and audit	7,315
Utilities	52,020
Insurance	3,192
Maintenance and billing	62,796
Office expense	2,604
Repairs	105,382
Salaries	25,128
Payroll taxes	1,992
Dues and fees	26,085
Meter reading	13,819
Mowing expense	4,850
Depreciation	170,373
Other operating expenses	2,695
Total operating expenses	<u>531,242</u>
Operating Income (Loss)	<u>(430)</u>
Non-Operating Revenue (Expense):	
Investment income	20,027
Federal grant revenue	178,050
Interest expense	(108,997)
Amortization of bond issuance costs	(5,177)
Non-operating revenue (expense)	<u>83,903</u>
Increase in Net Assets	83,473
Net Assets at Beginning of Year (Restated)	<u>1,451,278</u>
Net Assets at End of Year	<u><u>\$1,534,751</u></u>

See accompanying notes and independent auditor's report.

BETTER WATERWORKS, INC.
Monroe, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	<u>\$83,473</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	170,373
Amortization of bond issuance costs	5,177
Increase in accounts receivable	(29,096)
Increase in accounts and taxes payable	37,249
Increase in customer deposits	2,469
Interest expense	108,997
Investment income	(20,057)
Federal grant revenue	<u>(178,050)</u>
Total adjustments	<u>97,062</u>
Net cash provided by operating activities	<u>180,535</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal paid on long-term debt	(60,000)
Interest paid on long-term debt	(107,100)
Construction of capital assets	(197,050)
Federal grant revenue	<u>178,050</u>
Net cash used by financing activities	<u>(186,100)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>20,057</u>
-------------------	---------------

NET INCREASE IN CASH AND CASH EQUIVALENTS

14,492

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR530,651**CASH AND CASH EQUIVALENTS AT END OF YEAR**\$545,143**Reconciliation of cash and cash equivalents per statement of cash flows to cash and cash equivalents per statement of financial position:**

Cash	\$81,607
Cash and cash equivalents with contractual restrictions	<u>463,536</u>
Total cash and cash equivalents	<u><u>\$545,143</u></u>

See accompanying notes and independent auditor's report.

BETTER WATERWORKS, INC.
Monroe, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Better Waterworks, Inc., (“the water system”) is a nonprofit organization domiciled in Monroe, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five member board of directors who are members of the water system and who are elected by members of the water system. Better Waterworks, Inc. provides water to members residing within the territorial boundaries of the water system. The water system has approximately 820 members, one part-time employee, and contracts with Northeast Louisiana Utilities, Inc., and Ouachita Meter Reading Service, LLC to provide maintenance, administrative, and meter reading services to the water system.

B. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the water system considers all highly liquid investments available for current use with an initial maturity of 90 days or less to be cash equivalents.

C. RECEIVABLES

Accounts receivable consist of amounts due from active members for water service provided prior to year end. Receivables are generally reported at the net amount expected to be collected by using an allowance for credit losses. On January 1, 2023, the water system adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (Accounting Standards Codification (“ASC”) 326). This standard changes the method of recognizing credit losses from the incurred loss method to the current expected loss method. ASC 326 requires that the estimate of credit losses on trade receivables be based not only on historical experience but also on current conditions and reasonable forecasts of future events. The water system is of the opinion that an allowance for credit losses at December 31, 2023, is immaterial to the financial statements taken as a whole; therefore, no allowance for credit losses has been reported in the accompanying financial statements. It is the water system’s policy to disconnect water service for members who have not paid their account 20 days past the due date which is the 5th of the following month. Past due accounts are written off when they are considered uncollectible by management.

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

D. PROPERTY, PLANT, AND EQUIPMENT

The cost of the original water system, major improvements to the water system, and equipment costing \$1,000 or more are capitalized and recorded at actual cost. Depreciation of all exhaustible property, plant, and equipment is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of 25 years for the water system and the improvements and 10 years for equipment. Depreciation expense for the year ended December 31, 2023, is \$170,373.

E. FEDERAL GRANT FUNDS

The accounting and reporting of grants is determined by the underlying substance of the transaction. A grant may be accounted for as contribution, an exchange transaction, or a combination of the two. If it is determined to be a contribution, a grant may be considered a conditional or an unconditional grant.

The water system has adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides clarified guidance on evaluating whether grant funds should be accounted for as a contribution or an exchange transaction based on whether the grantor is receiving value in return for the resources transferred to the grantee. Grant funds are considered contributions if the grantor does not receive commensurate value in exchange for the assets transferred. ASU 2018-08 also provides guidance to determine whether grants funds that are accounted for as contributions are considered conditional or unconditional. Grant funds are considered conditional if the grantee must overcome one or more barriers before it is entitled to the funds and a right of return to the grantor exists for funds transferred. For conditional grants, revenue is recognized in the period the condition or conditions are met. For grants that are considered unconditional, revenue is recognized in the period the grant funds are received.

For the year ended December 31, 2023, the water system received American Rescue Plan Act of 2021 (“ARPA”) funding under cooperative endeavor agreements with the State of Louisiana, Division of Administration through the Office of Community Development (DOA-OCD) and with the Ouachita Parish Police Jury (the “Police Jury”). The agreement with the DOA-OCD provides for \$685,000 of funding for the water infrastructure project selected by the Water Sector Commission. The agreement with the Police Jury provides \$585,000 in funding from the Police Jury’s ARPA allocation as a “match” to the funds allocated by DOA-OCD. The ARPA funding is accounted for as a contribution and is considered conditional because the funds must be used solely for the purposes specified in the agreements and are disbursed to the water system as project costs are incurred.

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

F. INCOME TAX STATUS

The water system is a non-for-profit organization that is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code.

The water system's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2020, 2021, and 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. INTEREST COSTS

The following provides disclosure on interest costs for the year ended December 31, 2023:

Total interest cost expensed	\$108,997
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$108,997</u>

I. 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 to members; therefore, it is not feasible to allocate expenses between program services and support services.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2023, the water system has cash and cash equivalents as follows:

Checking account	\$81,607
Trust accounts held by trustee	<u>463,536</u>
Total	<u>\$545,143</u>

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

Cash (bank balance) in the checking account in the amount \$85,857, at December 31, 2023, is fully secured by federal deposit insurance. The trust accounts held by the trustee were established under the trust indenture between the Louisiana Local Government Environmental Facilities and Community Development Authority and Regions Bank as trustee in connection with the issuance of 2018 Water Revenue Bonds on behalf of the water system. These funds are held by the trustee for the benefit of the owners of the bonds. These trust accounts are insured under the Securities Investor Protection Corporation.

3. RECEIVABLES

Receivables at December 31, 2023 consist of the following:

Billed water sales	\$30,780
Unbilled water sales	36,833
Less - allowance for credit losses	<u>NONE</u>
Net	<u>\$67,613</u>

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The water system adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively ASC 606) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The water system's revenue from contracts with customers within the scope of ASC 606 is reported as water fees and connection fees on the Statement of Activities. Water fees are recognized in the period the gallons of water are produced and delivered to the customer. The customer is billed on the 15th of the month for the number of gallons of water delivered during the previous 30 days and payment is due by the 5th of the following month. The receivable for water fees was \$36,578 at the beginning of the year and \$67,613 at the end of the year. Connection fees are recognized when the customer requests the service and pays the fee.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the water system's financial assets at December 31, 2023, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date:

Financial assets at December 31, 2023	\$612,756
Less those unavailable for general expenditure within one year, due to:	
Contractual restrictions:	
Debt service	(259,281)
Debt service reserve	(188,206)

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

Replacement fund	<u>(\$16,049)</u>
Financial assets available to meet cash needs for general expenditure, within one year	<u>\$149,220</u>

6. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment at December 31, 2023 follows:

Land	\$63,450
Production and distribution system	4,565,903
Equipment	94,048
Construction in progress	<u>331,513</u>
	5,054,914
Less accumulated depreciation	<u>(1,970,015)</u>
Net	<u>\$3,084,899</u>

7. LOAN PAYABLE

In January 2018, the water system requested that the Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") issue \$2,230,000 of tax-exempt water revenue bonds Series 2018A and \$135,000 taxable water revenue bonds Series 2018B and to loan the proceeds of the bonds to the water system for the purpose of (1) providing financing for the cost of acquiring, constructing, and installing improvements to the water system, (2) the repayment of an outstanding loan, (3) funding a debt service reserve fund, and (4) to pay the costs of issuance on the bonds. In consideration for the issuance of the bonds, the water system entered into a loan agreement with the Authority on April 1, 2018, and agreed to make payments in an amount sufficient to pay the principal and interest on the bonds as they become due. The water system's revenues are pledged to secure the payment obligation under the loan agreement with the Authority. Principal on the Series 2018A bonds are payable on May 1 of each year and interest on the bonds is due May 1 and November 1 of each year. The interest rate varies from 4.25% to 5.25%. The principal payment on the Series 2018A bonds was \$60,000 during 2023. Interest payments on the Series 2018A bonds totaled \$107,100 during 2023. The Series 2018B bonds were paid in full during 2021.

The following is a summary of the loan payable transactions for the year ended December 31, 2023:

	2018A Series Water Revenue Bonds
Loan payable at January 1, 2023	<u>\$2,150,000</u>

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

	2018A Series Water Revenue Bonds
	<u>NONE</u>
Additions	
Reductions	<u>(\$60,000)</u>
Loan payable at December 31, 2023	2,090,000
Less:	
Unamortized bond discount	(47,373)
Unamortized bond issuance costs	<u>(104,813)</u>
Loan payable, net	<u><u>\$1,937,814</u></u>
Current portion	\$65,000
Long-term liability	<u>2,025,000</u>
Total	<u><u>\$2,090,000</u></u>

Unamortized bond discount and bond issuance costs are reported as a reduction from the loan payable liability on the statement of financial position. The original issue bond discount on the 2018A Series water revenue bonds in the amount of \$60,824 is being amortized and charged as interest expense over the life of the bonds, using the straight-line method. The total bond issuance costs of \$156,301 were allocated to the 2018A series and the 2018B series based on the total bond issue. The bond issuance costs are being amortized and charged as bond issuance expense over the lives of the bonds, using the straight-line method.

The annual requirements to amortize the loan outstanding at December 31, 2023, are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$65,000	\$104,444	\$169,444
2025	65,000	101,600	166,600
2026	70,000	98,562	168,562
2027	75,000	95,300	170,300
2028	75,000	91,925	166,925
2029 - 2033	445,000	397,562	842,562
2034 - 2038	565,000	269,194	834,194
2039 - 2043	<u>730,000</u>	<u>99,750</u>	<u>829,750</u>
Total	<u><u>\$2,090,000</u></u>	<u><u>\$1,258,337</u></u>	<u><u>\$3,348,337</u></u>

**8. CASH AND CASH EQUIVALENTS WITH
CONTRACTUAL RESTRICTIONS/BOARD DESIGNATIONS**

The proceeds received by the Authority from the sale of the Series 2018A bonds in the amount of \$2,125,945 (\$2,230,000 principal less bond issue discount of \$60,824 and underwriters' discount of \$43,231) were deposited with Regions Bank, the Trustee, and disbursed as follows: (1) \$1,766,500 deposited into Construction Fund; (2) \$162,641 deposited into Debt Service Reserve Fund; and (3) \$196,804 transferred to Richland State Bank to pay off a loan. The proceeds received by the Authority from the sale of the Series 2018B bonds in the amount of \$119,106 (\$135,000 principal less underwriters' discount of \$15,894) were deposited with Regions Bank, the Trustee and disbursed as follows: (1) \$9,846 deposited into Debt Service Reserve Fund and (2) \$109,260 deposited into Cost of Issuance Fund.

The terms of the loan agreement with the Authority require the water system to transfer funds to the Trustee as follows:

- 1) On the 20th day of each month, commencing May 20, 2018, 1/12th of the Trustee's annual fee;
- 2) On the 20th day of each month, commencing May 20, 2018, deposit to the Debt Service Fund, 1/6th of the amount required to pay interest payable on the bonds on the next interest payment date;
- 3) On the 20th day of each month, commencing May 20, 2018, deposit to the Debt Service Fund, 1/12th of the amount required to pay the principle payable on the bonds on the next ensuing principal payment date;
- 4) Following any drawing on the Debt Service Reserve Fund in accordance with the Trust Indenture, on the 20th day of each month, deposit to the Debt Service Reserve Fund, 1/12th of the amount necessary to cause the amount on deposit in the Debt Service Reserve Fund to equal the reserve fund requirement in 12 months;
- 5) On the 20th day of each month, deposit into any of the foregoing funds other than the Debt Service Reserve Fund, an amount sufficient to make up any deficiency in any prior payment required to be made into such fund and to restore any loss resulting from investment or other causes from such fund and any other payment required to be made to such fund.

The terms of the loan agreement with the Authority also requires the water system to make monthly payments to a Replacement Fund on or before the 20th day of each month of each year, commencing with the month following completion and acceptance of the water system improvement

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

project. The required amount is 5% of the amount to be paid into the Debt Service Fund for such month, provided funds are available after required deposits to the Debt Service Fund or the Debt Service Reserve Fund have been made. Such payments into the Replacement Fund will continue until the balance therein is equal to ½ of the Debt Service Reserve Fund requirement at which time the payments will cease and will only recommence if the balance drops below the replacement fund requirement. Payments into the Replacement Fund will only be made if there are excess revenues available after making the required payments into the Debt Service Fund, the Debt Service Reserve Fund, paying operating and maintenance expenses, and making any other payments required under the loan agreement. Prior to April 2022, the Replacement Fund was maintained by the water system and not held by the Trustee. In January and February 2022, the Construction Fund and the Costs of Issuance Fund were closed by the Trustee and the balances in the accounts were transferred to the Debt Service Fund. In April 2022, the Trustee began making monthly transfers from the Debt Service Fund to the Replacement Fund.

The following is a summary of transactions in the trust accounts held by the Trustee for the year ended December 31, 2023:

	Debt Service Fund	Debt Service Reserve Fund	Replacement Fund	Total
Balance at January 1, 2023	\$240,262	\$179,852	\$7,071	\$427,185
Deposits	183,508			183,508
Transfers	(8,500)		8,500	NONE
Bond principal and interest	(167,100)			(167,100)
Investment earnings	11,111	8,354	478	19,943
Balance at December 31, 2023	<u>\$259,281</u>	<u>\$188,206</u>	<u>\$16,049</u>	<u>\$463,536</u>

9. CONCENTRATION OF INDEBTEDNESS

As discussed in Note 7 above, all of the water system's debt at December 31, 2023 is with Louisiana Local Government Environmental Facilities and Community Development Authority. The collateral for this debt is described in Note 7.

10. RESTATEMENT OF BEGINNING NET ASSETS

As discussed in Note 1C, the water system adopted FASB ASU 2016-13 on January 1, 2023, which became effective for nonprofit organizations for fiscal years beginning after December 15, 2022. The water system is required to apply the new standard through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Net assets at the beginning of the year were restated as follows:

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

Net assets at December 31, 2022, as previously reported	\$1,445,917
Adjustment to allowance for credit losses due to adoption of new accounting principle	5,361
Net assets at January 1, 2023, restated	<u>\$1,451,278</u>

11. MAINTENANCE AND ADMINISTRATIVE CONTRACT

On December 21, 2000, the water system entered into a contract with Northeast Louisiana Utilities, Inc., to provide maintenance and administrative services to the water system. The monthly fee for providing the specified services is \$5.75 per customer. The contract is subject to review and adjustment on an annual basis. The contract in effect for the year ended December 31, 2023, was revised effective March 1, 2024. Under the new agreement, in 2024 the water system will pay \$12,600 per month for basic services with subsequent increments in 2025 and 2026 of \$16,800 and \$18,480 per month, respectively. Northeast Louisiana Utilities, Inc., billed the water system a total of \$122,741 for maintenance and billing, repairs, mowing, and water tap expenses for the year ended December 31, 2023.

12. CONTINGENCIES

On February 7, 2017, the Louisiana Department of Health (LDH) issued an administrative order citing the water system with certain violations of state drinking water regulations during the period January 1, 2011 through June 30, 2016, and ordered the water system to take certain remedial actions to comply with all applicable state rules, regulations, and standards. State law provides that if the water system fails to comply with any provision of the administrative order, LDH may assess a penalty up to a maximum of \$720 per day, for each day the water system is not in compliance. Additionally, if LDH finds it necessary to refer the matter for civil action, the court may impose a civil penalty not to exceed \$3,000 per day for each day of violation and for each act of violation.

On April 12, 2017, the attorney representing the water system requested a deadline extension for certain remedial actions required in the administrative order. On April 19, 2017, LDH approved the extension request. During 2019, the water system completed the capital improvement project needed as the remedy for the violations noted in the administrative order. As of December 31, 2023, LDH has not officially cleared the administrative order.

During the year ended December 31, 2023, the water system expended \$178,050 in ARPA grant funds under cooperative endeavor agreements with the State of Louisiana, DOA-OCD and with the Ouachita Parish Police Jury. These expenses are subject to audit and adjustment by grantor agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the grant funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

BETTER WATERWORKS, INC.
Notes to the Financial Statements (Continued)

13. SUBSEQUENT EVENTS

The water system has evaluated subsequent events through March 16, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

BETTER WATERWORKS, INC.
Monroe, Louisiana

Supplemental Information
As of and For the Year Ended December 31, 2023

**COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD**

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented in compliance with Louisiana Revised Statute 24:513 A (3).

Schedule 1

BETTER WATERWORKS, INC.
Monroe, Louisiana

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2023

Agency Head - Bobby McNease - President:

Per diem compensation

\$99

Mileage reimbursement

79

\$178

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

BOARD OF DIRECTORS
BETTER WATERWORKS, INC.
Monroe, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of Better Waterworks, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year ended then ended, and the related notes to the financial statements, and have issued my report thereon dated March 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Better Waterworks, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Better Waterworks, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Better Waterworks, Inc.'s internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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

BOARD OF DIRECTORS
BETTER WATERWORKS, INC.
Monroe, Louisiana
Independent Auditor's Report on
Internal Control Over Financial
Reporting and on Compliance
and Other Matters, etc.
December 31, 2023

of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2023-001 to be a material weakness.

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. I consider the deficiency described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

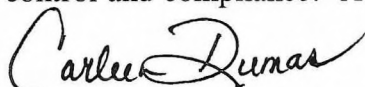
As part of obtaining reasonable assurance about whether Better Waterworks, Inc.'s financial statements are free from material misstatement, I performed tests of Better Waterworks, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Better Waterworks, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Better Waterworks, Inc.'s response to the findings identified in my audit and described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. Better Waterworks, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

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



Calhoun, Louisiana
March 16, 2024

BETTER WATERWORKS, INC.
Monroe, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2023

Section I - Summary of Auditor's Reports

Financial Statements

1. Type of auditor's report issued - Unmodified.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - Yes
3. Noncompliance material to financial statements noted? - No

Section II - Financial Statement Findings

2023-001. Inadequate Controls Over Maintaining Accurate Accounting Records

Criteria: Internal controls should be designed to detect and correct errors in the accounting records in a timely manner.

Condition: Grant revenues in the amount of \$84,713 were incorrectly posted to the accounting records as water sales. In addition, grant revenues in the amount \$93,336 were incorrectly posted to the accounting records as a reduction of the amount recorded as the cost of capital assets. These accounting errors were not detected or corrected by the individual responsible for maintaining the accounting records.

Cause: Undetermined.

Effect: Financial statements used by the Board of Directors as a basis for making decisions about the water system's operations contained material errors.

Recommendation: The individual responsible for maintaining the accounting records should review the accounting records for errors and make corrections as needed in a timely manner. The Board of Directors should carefully review the quarterly financial statements produced from these accounting records in order to detect significant errors.

BETTER WATERWORKS, INC.
Monroe, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2023

**Management's Planned
Corrective Action:**

The Board of Directors will require the individual responsible for maintaining the accounting records to take the steps necessary to ensure that the accounting records do not contain material errors.

2023-002. Inadequate Controls Over Invoices Submitted For Payment

Criteria: Internal controls should be designed to detect errors in invoices before and after they are submitted for payment.

Condition: The water system overpaid its management company a total of \$1,730 for repairs during the year due to overcharges on invoices submitted for payment. On three separate occasions, the management company included the same charges on more than one invoice. It was noted in the previous year, that the water system overpaid its management company \$1,939 due to similar billing errors. The previous year's overpayment was repaid by the management company during 2023.

Cause: Undetermined.

Effect: The water system was overcharged for services due to errors on invoices.

Recommendation: The Board of Directors should require the management company to take the necessary steps to ensure that the amount billed to the water system is accurate. The Board of Directors should review all invoices for errors and require the management company to make any necessary corrections before payment is made.

**Management's Planned
Corrective Action:**

The Board of Directors will require the management company to take the necessary steps to ensure that the amount billed to the water system is accurate.