

BAYOU TECHE WATER WORKS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2024

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	I and 2
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5
Statements of functional expenses	6
Statements of cash flows	7 and 8
Notes to financial statements	9 - 17
OTHER SUPPLEMENTARY INFORMATION	
Schedule of the number of water customers, water rates, and water produced and sold	20
Schedule of insurance in force	21
Schedule of compensation, benefits, and other payments to agency head	22
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>	23 and 24
Schedule of findings and responses	25
Schedule of prior findings	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bayou Teche Water Works, Inc.
Loreauville, Louisiana

Opinion

We have audited the accompanying financial statements of Bayou Teche Water Works, Inc., (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bayou Teche Water Works, Inc. as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Bayou Teche Water Works, 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 Bayou Teche Water Works, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bayou Teche Water Works, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the number of water customers, water rates, water produced and sold, schedule of insurance in force, and schedule of compensation, benefits and other payments to agency head are presented for the purposes of additional analysis and is not a required part of the financial statements.

The schedule of the number of water customers, water rates, water produced and sold and the schedule of insurance in force have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provided any assurance on it.

The schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to the agency head are 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 January 10, 2025, on our consideration of Bayou Teche Water Works, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bayou Teche Water Works, 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 Bayou Teche Water Works, Inc.'s internal control over financial reporting and compliance.

Brussard Roche, LLP

Lafayette, Louisiana
January 10, 2025

FINANCIAL STATEMENTS

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 430,612	\$ 487,533
Certificates of deposit	<u>730,721</u>	<u>511,835</u>
Accounts receivable	\$ 183,716	\$ 189,750
Less: allowance for credit losses	<u>(2,883)</u>	<u>-</u>
Accounts receivables, net	\$ 180,833	\$ 189,750
Prepaid expenses	<u>40,546</u>	<u>3,656</u>
Total current assets	<u>\$ 1,382,712</u>	<u>\$ 1,192,774</u>
RESTRICTED ASSETS		
Cash – meter deposits	\$ 50,588	\$ 49,695
Certificate of deposit – debt service reserve	<u>260,889</u>	<u>250,015</u>
Total restricted assets	<u>\$ 311,477</u>	<u>\$ 299,710</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>\$ 3,003,107</u>	<u>\$ 3,288,478</u>
Right of use assets for financing leases, net	<u>\$ 16,853</u>	<u>\$ -</u>
Total assets	<u>\$ 4,714,149</u>	<u>\$ 4,780,962</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 74,333	\$ 63,527
Financing lease liabilities	3,724	-
Notes payable	619,529	108,646
Sewer fees payable	14,277	12,924
Accrued interest payable	719	1,093
Payroll taxes payable	6,846	2,583
Due to Louisiana Department of Health	<u>9,611</u>	<u>9,574</u>
Total current liabilities	<u>\$ 729,039</u>	<u>\$ 198,347</u>
LONG-TERM LIABILITIES		
Meter deposits	\$ 50,588	\$ 49,695
Financing lease liabilities, less current portion	13,170	-
Notes payable, less current portion	<u>1,537,526</u>	<u>2,157,712</u>
Total long-term liabilities	<u>\$ 1,601,284</u>	<u>\$ 2,207,407</u>
Total liabilities	<u>\$ 2,330,323</u>	<u>\$ 2,405,754</u>
NET ASSETS		
Without donor restrictions	<u>\$ 2,383,826</u>	<u>\$ 2,375,208</u>
Total liabilities and net assets	<u>\$ 4,714,149</u>	<u>\$ 4,780,962</u>
See Notes to Financial Statements.		

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF ACTIVITIES
Years ended September 30, 2024 and 2023

	Without Donor Restrictions	
	2024	2023
Revenues:		
Water sales	\$ 1,751,983	\$ 1,548,222
Connection charges	39,664	48,450
Other income	45,827	34,537
Total revenues	<u>\$ 1,837,474</u>	<u>\$ 1,631,209</u>
Expenses:		
Program services	\$ 1,663,503	\$ 1,555,915
Supporting services	106,521	98,089
Total expenses	<u>\$ 1,770,024</u>	<u>\$ 1,654,004</u>
Operating income (loss)	<u>\$ 67,450</u>	<u>\$ (22,795)</u>
Other increases (decreases) in net assets:		
Interest income	\$ 30,550	\$ 10,999
Interest expense	(89,382)	(85,530)
Total other decrease in net assets	<u>\$ (58,832)</u>	<u>\$ (74,531)</u>
Change in net assets	\$ 8,618	(97,326)
Net assets, beginning of year	<u>2,375,208</u>	<u>2,472,534</u>
Net assets, end of year	<u>\$ 2,383,826</u>	<u>\$ 2,375,208</u>

See Notes to Financial Statements.

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Program services		
Auto and truck	\$ 13,832	\$ 18,049
Bad debts	5,710	2,316
Bank charges	2,535	2,507
Chemicals	517,447	440,395
Depreciation and amortization expense	290,463	290,845
Dottie fees	1,180	1,216
Insurance expense	97,405	95,986
Meter and reconnection costs	37,775	37,477
Miscellaneous expense	14,189	4,421
Office expense	14,102	13,538
Payroll taxes	21,784	20,320
Per diem – directors	6,960	7,170
Printing and postage	21,340	21,337
Professional fees	66,508	66,059
Repairs and maintenance	142,528	119,215
Retirement	8,200	7,470
Salaries	281,337	265,633
Small tools and supplies	8,794	7,163
Taxes and licenses	16	489
Uniforms	2,585	1,456
Utilities and telephone	<u>108,813</u>	<u>132,853</u>
Total program services	<u>\$ 1,663,503</u>	<u>\$ 1,555,915</u>
Supporting services		
Salaries	\$ 82,248	\$ 75,480
Insurance expense	15,507	14,712
Payroll taxes	6,369	5,774
Retirement	<u>2,397</u>	<u>2,123</u>
Total supporting services	<u>\$ 106,521</u>	<u>\$ 98,089</u>

See Notes to Financial Statements.

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF CASH FLOWS
Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 8,618	\$ (97,326)
Adjustments to reconcile change in net assets to operating activities:		
Interest income earned on certificates of deposit	(29,760)	(10,463)
Depreciation and amortization	290,463	290,845
Bad debt expense	5,710	2,316
(Increases) decreases in operating assets		
Accounts receivable	3,207	(73,311)
Prepaid expenses	(8,161)	2,024
Increases (decreases) in operating liabilities:		
Accounts payable	10,806	(7,553)
Sewer fees payable	1,353	(11,530)
Accrued interest and other payables	3,926	443
Meter deposits	893	1,852
Net cash provided by operating activities	<u>\$ 287,055</u>	<u>\$ 97,297</u>
INVESTING ACTIVITIES		
Purchase of certificate of deposit	\$ (200,000)	\$ -
Purchase of property, plant and equipment	(2,596)	(16,151)
Net cash used by investing activities	<u>\$ (202,596)</u>	<u>\$ (16,151)</u>
FINANCING ACTIVITIES		
Principal payments on debt and insurance premium financing	\$ (138,032)	\$ (92,755)
Payments on financing lease liabilities	(2,455)	-
Net cash used by financing activities	<u>\$ (140,487)</u>	<u>\$ (92,755)</u>
Net decrease in cash	\$ (56,028)	\$ (11,609)
Cash and cash equivalents at the beginning of the period	<u>537,228</u>	<u>548,837</u>
Cash and cash equivalents at the end of the period	<u>\$ 481,200</u>	<u>\$ 537,228</u>

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF CASH FLOWS
Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of cash and cash equivalents per the statements of cash flows to the statements of financial positions		
Cash and cash equivalents, beginning of period		
Cash and cash equivalents - unrestricted	\$ 487,533	\$ 500,994
Cash and cash equivalents – restricted	<u>49,695</u>	<u>47,843</u>
Total cash and cash equivalents	<u>\$ 537,228</u>	<u>\$ 548,837</u>
Cash and cash equivalents, end of period		
Cash and cash equivalents - unrestricted	\$ 430,612	\$ 487,533
Cash and cash equivalents - restricted	<u>50,588</u>	<u>49,695</u>
Total cash and cash equivalents	<u>\$ 481,200</u>	<u>\$ 537,228</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 89,756</u>	<u>\$ 85,069</u>
Financed insurance premiums	<u>\$ 28,729</u>	<u>\$ -</u>
ROU assets obtained in exchange for finance lease liabilities	<u>\$ 19,349</u>	<u>\$ -</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

BAYOU TECHE WATER WORKS, INC.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Bayou Teche Water Works, Inc. (the Water System) is a nonprofit organization formed under laws of the State of Louisiana on March 17, 1972. The Water System provides water to the residents in the Iberia and St. Martin parish areas. The Water System is governed by a board of directors composed of seven members elected by the members of the Water System.

The financial statements of the Water System have been prepared on the accrual basis.

Significant Accounting Policies:

The Water System is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are subject to donor-imposed or grantor-imposed restrictions. Some restrictions may be temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted where resources are to be maintained in perpetuity. The Water System did not have any donor restricted net assets as of September 30, 2024 and 2023.

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. These net assets may be used at the discretion of the Water System's management and board of directors.

The Water System's board of directors has designated, from net assets without donor restrictions for the following purpose:

	<u>2024</u>	<u>2023</u>
Reserve for debt service	\$ 260,889	\$ 250,015
Reserve for maintenance	<u>225,718</u>	<u>174,819</u>
	<u>\$ 486,607</u>	<u>\$ 424,834</u>

Cash and Cash Equivalents

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

Certificates of Deposit

Certificates of deposit are classified separate from cash equivalents if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Certificates of deposit are stated at cost.

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable and Allowance for Credit Losses

Accounts receivables are stated at unpaid balances.

For the year ended September 30, 2023, the Water System provided for losses on accounts receivable using the direct write off method. Uncollectible amounts due for customer's water bills were recognized as bad debts at the time information became available which would indicate the uncollectibility of the particular receivable. Generally accepted accounting principles required the accrual of uncollectible receivables through an allowance account. No allowance for uncollectible receivables was recorded at September 30, 2024 due to insignificance of the amount.

For the year ended September 30, 2024, the Water System used historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of accounts receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Water System also took into account current economic conditions, such as unemployment and inflation rates and looked for trends. Based on this information, management increased the historical credit loss percentages in aging category by .50% to calculate the expected credit loss.

The Water System writes off receivables when there is information that indicates the customer is having financial difficulty and it is deemed there is little to no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery.

Prepaid Expenses

Expenses paid during the current fiscal year that benefit the next fiscal year are recorded as prepaid expenses.

Property, Plant and Equipment

Property, plant and equipment, are recorded at cost, less accumulated depreciation. Assets with costs over \$600 and considered to have future value are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water System	3-67 years
Furniture, fixtures & equipment and tools	3-10 years
Building	5-44 years

Revenue Recognition

Water sales are recorded or accrued when earned. Water meter's are read monthly and billed. Bills are due the on the 10th day of the following month. Substantially all other revenues are recorded when received.

Tax status

The Water System is a nonprofit organization exempt from federal tax as an organization described in Section 501(c)(12) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Water System and recognize a tax liability (or asset) if the Water System has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions

NOTES TO FINANCIAL STATEMENTS

taken by the Water System, and has concluded that as of September 30, 2024 and 2023, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Water System is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

Leases

The Water System determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Water System obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Water System also considers whether its service arrangements include the right to control the use of an asset.

The Water System made an accounting policy election available under Topic 842 not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Water System made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Vacation, Sick Leave, and Compensated Absences

Employees of the Water System earn ten (10) days of annual leave per year. Employees can choose to get paid for unused vacation time in December of each year or carry over up to 5 days of vacation time to the next year. It is recorded as an expense of the period in which paid.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to use estimates and make assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Concentration of Credit Risk

The Water System's cash is deposited in multiple sound financial institutions. However, at times, cash balances may exceed the Federal Deposit Insurance Corporation (FDIC) limits. As of the end of the fiscal year, the Water System did not anticipate any losses as it relates to these concentrations.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of

NOTES TO FINANCIAL STATEMENTS

conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Adopted accounting pronouncements

Effective October 1, 2023, the Water System adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”) and all subsequent amendments to the ASU (“CECL”). This standard replaces the previous incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to calculate credit loss estimates.

The Water System has applied the standard’s provisions using the modified retrospective approach. Under this approach, financial statements for prior periods presented have not been restated and continue to be reported in accordance with previously applicable GAAP. At adoption, a cumulative effect adjustment was not required. The adoption of the standard did not have a material impact on the Water System’s financial statements but did change how the allowance for credit losses is determined. The adoption of CECL also required the Water System to enhance their systems and processes for estimating credit losses, including the development of new forecasting models and incorporating a broader set of information to estimate expected credit losses.

Note 2. Restricted asset – debt service

As part of the loan agreements, the United States Department of Agriculture (USDA) – Rural Development requires that one annual debt service installment be set aside in a reserve account, which is equal to \$93,540. These funds may be used to pay monthly note payments if sufficient funds are not otherwise available but must be replenished whenever possible.

Note 3. Accounts Receivable

Accounts receivable consisted of the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 183,716	\$ 189,750
Less: allowance for doubtful accounts	n/a	-
Less: allowance for credit losses	<u>(2,883)</u>	<u>n/a</u>
Accounts receivable, net	<u>\$ 180,833</u>	<u>\$ 189,750</u>

An allowance for credit losses is an estimate based upon historical account write-offs trends, facts about the current financial conditions, forecasts of future economic conditions based upon current trends. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The Water System had the following activity for its allowance for credit losses for accounts receivable for the year ended September 30, 2024:

Allowance for doubtful accounts, beginning balance	\$ -
Provision for expected credit loss	5,710
Recoveries	-
Write-offs	<u>(2,827)</u>
Allowance for credit losses, ending balance	<u>\$ 2,883</u>

NOTES TO FINANCIAL STATEMENTS

The Water System considered accounts receivable to be fully collectible and accordingly, no allowance for doubtful accounts was recorded as of September 30, 2023. In addition, the Water System had write-offs of \$2,316 for the year ended September 30, 2023.

Accounts receivable is comprised of utility services that have been billed but not yet collected. An aging schedule of billed accounts receivable is as follows:

	<u>2024</u>	<u>2023</u>
0-30 days	\$ 154,650	\$ 179,623
30-90 days	20,965	10,127
Over 90 days	<u>8,101</u>	<u>-</u>
Total accounts receivable	<u>\$ 183,716</u>	<u>\$ 189,750</u>

Note 4. Contract Balances

The Water System requires customers' deposits resulting in contract liabilities. The beginning and ending contract balances are as follows:

	<u>September</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	<u>\$ 183,716</u>	<u>\$ 189,750</u>	<u>\$ 118,755</u>
Meter deposits	<u>\$ 50,588</u>	<u>\$ 46,695</u>	<u>\$ 47,843</u>

Note 5. Property, Plant and Equipment

Property, plant and equipment at September 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 42,616	\$ 42,616
Water tower	2,152,379	2,152,379
Office building	99,442	99,442
Water distribution system	6,010,362	6,010,984
Office furniture & equipment	26,579	30,016
Tools & equipment	81,137	82,446
Vehicle	<u>45,277</u>	<u>45,277</u>
Total property, plant and equipment	\$ 8,457,792	\$ 8,463,160
Less: accumulated depreciation	<u>(5,454,685)</u>	<u>(5,174,682)</u>
Net property, plant and equipment	<u>\$ 3,003,107</u>	<u>\$ 3,288,478</u>

Total depreciation expense for the years ended September 30, 2024 and 2023 was \$287,967 and \$290,845, respectively. All property, plant and equipment is pledged as collateral for notes payable.

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable

The following is a summary of the outstanding notes payable at September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
\$2,062,000 promissory note payable to USDA-Rural Development dated March 28, 2011, due in monthly installments of \$7,795, including interest at 3.25%, final maturity at April 28, 2049.	\$ 1,580,339	\$ 1,621,788
\$658,702 promissory note payable to b1Bank dated June 1, 2023 due in monthly installments of \$8,613, including interest at 5.69%, final maturity at May 22, 2025	<u>576,716</u>	<u>644,570</u>
Total notes payable	\$ 2,157,055	\$ 2,266,358
Less: current maturities	<u>(619,529)</u>	<u>(108,646)</u>
Notes payable, less current portion	<u>\$ 1,537,526</u>	<u>\$ 2,157,712</u>

The aggregate maturities of principal payments due on notes payable if not refinanced for each of the succeeding five years subsequent to September 30, 2024 are as follows:

2025	\$ 619,529
2026	44,225
2027	45,683
2028	47,191
2029	49,144
Thereafter	<u>1,351,283</u>
Total	<u>\$ 2,157,055</u>

The note payable to b1Bank has a balloon payment due on May 22, 2025. It is anticipated that the note will be refinanced under similar terms and conditions as the maturing obligations.

Note 7. Insurance Premium Financing

The Water System had a note payable to a premium finance company in the amount of \$28,729 with a due date of August 23, 2024, bearing interest at 11.32% per annum, payable in eleven monthly installments of \$2,762, secured by return of premiums, dividend payments and loss payments. This note was paid in full at September 30, 2024.

Interest paid on the above note for the fiscal year ending June 30, 2024 was \$1,652.

Note 8. Leases

The Water System leases equipment under finance lease agreements with 5 year terms and interest rates ranging from 3.99% to 4.25%. The Water System's financing leases generally do not contain any material restrictive covenants or residual value guarantees.

NOTES TO FINANCIAL STATEMENTS

Finance lease costs is recognized as a combination of the amortization expense for the ROU assets and interest for the outstanding lease liabilities. The components of lease expense are as follows for the year ended September 30, 2024:

Finance lease costs – amortization of right of use assets	\$ 2,496
Finance lease costs – interest on lease liabilities	<u>513</u>
	<u>\$ 3,009</u>

The ROU assets under finance leases as of June 30, 2024 are as follows:

	<u>Finance Leases</u>
Equipment	\$ 19,349
Accumulated amortization	<u>(2,496)</u>
Right of use assets, net	<u>\$ 16,853</u>

The weighted-average remaining lease term is 4.29.

The weighted-average discount rate is 4.20%.

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of September 30, 2024:

	<u>Finance Leases</u>
Years ending September 30,	
2025	\$ 4,347
2026	4,347
2027	4,347
2028	4,347
2029	<u>1,018</u>
Total lease payments	\$ 18,406
Less: imputed interest	<u>(1,512)</u>
Total present value of lease liabilities	<u>\$ 16,894</u>

Note 9. Employee Benefit Plan

The Water System contributes up to 3% of an employee's annual salary to an individual simple IRA in the employee's name. The amount contributed by the Water System was \$10,597 and \$9,593 at September 30, 2024 and 2023, respectively.

Note 10. Commitments and Contingencies

The Water System was involved in one lawsuit as of September 30, 2023. The lawsuit was resolved in the fiscal year ending September 30, 2024, with no monetary loss incurred.

NOTES TO FINANCIAL STATEMENTS

Note 11. Compensation of Board Members

A detail of the per diem paid to the President of the board and board members is as follows:

	<u>2024</u>	<u>2023</u>
Melvin Bertrand, Jr.	\$ 1,920	\$ 2,080
Fred Foti	600	600
Patrick Dooley	600	600
Ted Habetz	600	650
Curry Oubre, Jr.	1,020	1,020
Randy Theriot	1,020	1,020
James Comeaux	600	600
Russell Louviere	600	600
Total per diem	<u>\$ 6,960</u>	<u>\$ 7,170</u>

The Board of Directors and officers of the System indicating the expiration of their terms of office on the Board were as follows:

<u>Board Member</u>	<u>Term Expires</u>	<u>Address</u>
Melvin Bertrand, Jr. – President	2026	P. O. Box 450, Loreauville, LA 70552
Randy Theriot – Vice President	2026	P. O. Box 450, Loreauville, LA 70552
Curry Oubre, Jr – Secretary/Treasurer	2025	P. O. Box 450, Loreauville, LA 70552
Ted Habetz	2025	P. O. Box 450, Loreauville, LA 70552
Fred Foti	2024	P. O. Box 450, Loreauville, LA 70552
James Comeaux	2026	P. O. Box 450, Loreauville, LA 70552
Patrick Dooley	2024	P. O. Box 450, Loreauville, LA 70552
Russell Louviere	2024	P. O. Box 450, Loreauville, LA 70552

Note 12. Liquidity and Availability of Resources

Financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 430,612	\$ 487,533
Certificates of deposit	730,721	511,835
Accounts receivable	183,716	189,750
Total available for general expenditures within one year	<u>\$ 1,345,049</u>	<u>\$ 1,189,118</u>

Certain assets are restricted by lenders for specific purposes and, therefore, are not available for general expenditure. As part of the Water System's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Water System does not intend to spend from its restricted assets other than amounts appropriated for general expenditures as part of its annual appropriation process, amounts from its restricted assets could be made available if necessary.

Note 13. Subsequent Event Review

The Water System has evaluated subsequent events through January 10, 2025, the date which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 14. Reclassifications

Certain reclassifications have been made in the financial statements at September 30, 2023, in order to be consistent with reporting in the current year. These reclassifications had no effect on previously reported net assets or changes in net assets.

This page intentionally left blank.

OTHER SUPPLEMENTARY INFORMATION

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF THE NUMBER OF WATER CUSTOMERS, WATER RATES,
AND WATER PRODUCED AND SOLD

Year Ended September 30, 2024

(Unaudited)

Records maintained by Bayou Teche Water Works, Inc. indicated the following number of customers were being serviced during the month of September 2024:

Water (residential)	3,279
Water (commercial)	<u>94</u>
Total	<u>3,373</u>

Water rates as of September 30, 2024 are as follows:

Residential: \$22.50 for the first 2,000 gallons; \$7.60 per 1,000 gallons thereafter

Commercial: \$25.00 for the first 2,000 gallons, \$7.60 per 1,000 gallons thereafter

Gallons of water produced for year ended September 30, 2024	277,306,497
---	-------------

Gallons of water sold for year ended September 30, 2024	209,379,700
---	-------------

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF INSURANCE IN FORCE
Year Ended September 30, 2024
(Unaudited)

<u>Insurance Coverage</u>	<u>Insurance Agency</u>	<u>Amount of Coverage</u>	<u>Expiration of Policy</u>
Flood insurance			
Building	New Hampshire Ins.	\$ 121,000	10/20/2024
Contents	New Hampshire Ins.	\$ 59,000	10/20/2024
Workmen's compensation employer's liability	LUBA	Statutory	1/1/2025
Commercial general liability	NUFIC	\$3,000,000	9/23/2025
Employee theft	NUFIC	\$ 500,000	9/23/2025
Forgery or alteration, theft of money & securities, computer and funds transfer fraud, money orders, fraudulent impersonation	NUFIC	\$ 250,000	9/23/2025
Theft inside building – robbery/safe burglary	NUFIC	\$ 100,000	9/23/2025
Owned, nonowned & hired automobile liability	NUFIC	\$1,000,000	9/23/2025
Property	NUFIC	\$3,088,484	9/23/2025
Inland marine	NUFIC	\$ 26,600	9/23/2025
Directors and officers liability and employment practices liability	NUFIC	\$1,000,000	2/09/2025

BAYOU TECHE WATER WORKS, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
Year Ended September 30, 2024

There were no compensation, benefits and other payments paid in the year ended September 30, 2024 and 2023 from public funds.

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*

To the Board of Directors of
Bayou Teche Water Works, Inc.
Loreauville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bayou Teche Water Works, Inc. (a nonprofit organization) which comprise the statements of financial position as of September 30, 2024, and the related statements of activities, functional expenses and cash flows for year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bayou Teche Water Works, 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 Bayou Teche Water Works, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bayou Teche Water Works, Inc.'s 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item #2024-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Bayou Teche Water Works, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Bayou Teche Water Works, Inc.'s response to the finding identified in our engagement and described in the accompanying schedule of findings and responses. Bayou Teche Water Works, Inc.'s response was not subjected to the other auditing procedures applied in the engagement to audit 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Broussard Poché, LLP

Lafayette, Louisiana
January 10, 2025

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2024

We have audited the financial statements of Bayou Teche Water Works, Inc as of and for the year ended September 30, 2024, and have issued our report thereon dated January 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 September 30, 2024 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

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

Internal Control

Material weaknesses ☐ Yes ☒ No

Control deficiencies identified that are not considered to be material weaknesses ☒ Yes ☐ None Reported

Compliance

Compliance material to financial statements ☐ Yes ☒ No

Section II - Financial Statement Findings

#2024-01 Segregation of Duties

Condition: The Water System did not have adequate segregation of functions within the accounting and financial operations.

Criteria: An effective system of internal control procedures requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The Water System does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

Effect: Ineffective system of internal control within the accounting and financial functions.

Recommendation: Keeping in mind the limited number of employees to which duties can be assigned, the Water System should monitor assignment of duties to assure that as much segregation of duties and responsibility as possible.

Management's Response: We have determined that it is not cost effective to achieve complete segregation of duties within the accounting and financial operations. Management will attempt to use current staff to segregate accounting functions as much as possible.

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended September 30, 2024

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

#2023-01 Inadequate Segregation of Accounting Functions

Recommendation: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

Current status: Unresolved. Finding repeated at #2024-01.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable

Section III. Management Letter

The prior year's report did not include a management letter.