

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Financial Report

Years Ended September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements above present fairly, in all material respects, the financial position of Bayou Teche Water Works, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 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.

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 generally accepted 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*, 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 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 judgment, 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 Information

Management is responsible for the other information included in the report. The other information as listed in the table of contents does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023, 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 the 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 Bayou Teche Water Works, Inc.'s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
January 9, 2023

FINANCIAL STATEMENTS

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 500,994	\$ 719,030
Certificates of deposit	505,888	504,624
Accounts receivable	118,755	123,294
Prepaid expenses	<u>5,680</u>	<u>28,020</u>
Total current assets	<u>1,131,317</u>	<u>1,374,968</u>
Restricted assets:		
Cash - meter deposits	47,843	47,789
Certificate of deposit - debt service reserve	<u>245,499</u>	<u>244,712</u>
Total restricted assets	<u>293,342</u>	<u>292,501</u>
Property, plant and equipment (net)	<u>3,563,172</u>	<u>3,590,608</u>
Total assets	<u>\$ 4,987,831</u>	<u>\$ 5,258,077</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 71,080	\$ 44,426
Notes payable-current	104,359	103,078
Sewer fees payable	24,454	27,709
Accrued interest payable	632	569
Payroll taxes payable	2,610	2,418
Retainage payable	-	34,258
Other	<u>9,565</u>	<u>9,408</u>
Total current liabilities	<u>212,700</u>	<u>221,866</u>
Long-term liability:		
Meter deposits	47,843	47,789
Notes payable	<u>2,254,754</u>	<u>2,358,584</u>
Total long-term liabilities	<u>2,302,597</u>	<u>2,406,373</u>
Total liabilities	<u>2,515,297</u>	<u>2,628,239</u>
Net assets:		
Without donor restrictions	<u>2,472,534</u>	<u>2,629,838</u>
Total liabilities and net assets	<u>\$ 4,987,831</u>	<u>\$ 5,258,077</u>

The accompanying notes are an integral part of these statements.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Statements of Activities
Years Ended September 30, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions -		
Revenues:		
Water sales	\$ 1,320,664	\$ 1,327,463
Connection charges	51,313	43,550
Other income	36,614	106,207
Garbage fee collections	-	335
Total revenues	1,408,591	1,477,555
Expenses:		
Program services	1,453,111	1,159,882
Supporting services	98,614	91,776
Total expenses	1,551,725	1,251,658
Operating income (loss)	(143,134)	225,897
Other increases (decreases) in net assets:		
Capital contributions	70,000	-
Interest income	2,153	3,347
Interest expense	(86,323)	(84,784)
Total other decrease in net assets	(14,170)	(81,437)
Change in net assets without donor restrictions	(157,304)	144,460
Net assets, beginning of year	2,629,838	2,485,378
Net assets, end of year	\$ 2,472,534	\$ 2,629,838

The accompanying notes are an integral part of these statements.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Statements of Functional Expenses
Years Ended September 30, 2022 and 2021

	2022	2021
PROGRAM SERVICES		
Auto and truck	\$ 16,301	\$ 15,803
Bad debts	6,977	7,659
Bank charges	2,319	2,032
Chemicals	352,455	244,342
Depreciation expense	279,525	268,136
Dottie fees	1,332	1,219
Insurance expense	85,429	74,892
Meter and reconnection costs	54,622	18,842
Meter readers	-	578
Miscellaneous expense	6,765	13,093
Office expense	11,745	13,973
Payroll taxes	18,264	13,561
Per diem - directors	6,565	6,360
Printing and postage	18,396	16,805
Professional fees	77,961	49,294
Repairs and maintenance	134,443	122,824
Retirement	6,702	4,880
Salaries	234,342	173,136
Small tools and supplies	7,171	3,592
Taxes and licenses	6	1
Uniforms	860	797
Utilities and telephone	130,931	108,063
TOTAL PROGRAM SERVICES	\$ 1,453,111	\$ 1,159,882
SUPPORTING SERVICES		
Insurance	\$ 15,130	\$ 15,255
Salaries	75,585	69,232
Taxes - payroll	5,782	5,296
Retirement	2,117	1,993
TOTAL SUPPORTING SERVICES	\$ 98,614	\$ 91,776

The accompanying notes are an integral part of these statements.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Operating income (loss)	\$ (143,134)	\$ 225,897
Adjustments to reconcile operating income (loss) to net cash flow from operating activities:		
Depreciation	279,525	268,136
(Increases) decreases in operating assets		
Accounts receivable	4,539	(4,915)
Other receivable	-	16,970
Prepaid expenses	22,340	(23,761)
Increases (decreases) in operating liabilities		
Sewer fees payable	(3,255)	7,516
Meter deposits	54	1,859
Accounts payable	26,654	593
Accrued expenses and other payables	349	599
Total adjustments	330,206	266,997
Net cash provided by operating activities	187,072	492,894
Cash flows from investing activities:		
Interest earned on certificates of deposit and interest-bearing accounts	2,138	2,878
Proceeds of interest-bearing deposits with maturity in excess of ninety days	705,500	702,708
Purchase of interest-bearing deposits with maturity in excess of ninety days	(707,535)	(705,500)
Purchase of property, plant and equipment	(216,348)	(240,600)
Net cash used by investing activities	(216,245)	(240,514)
Cash flows from financing activities:		
Repayments of debt	(102,549)	(51,679)
Proceeds from debt	-	285,942
Paycheck protection loan forgiveness	-	(60,725)
Interest paid on long-term debt	(86,260)	(85,925)
Net cash (used) provided by financing activities	(188,809)	87,613
Net change in cash and cash equivalents	(217,982)	339,993
Cash and cash equivalents, beginning of period	766,819	426,826
Cash and cash equivalents, end of period	\$ 548,837	\$ 766,819
Supplemental information:		
Cash paid during year for interest	\$ 86,260	\$ 85,925

The accompanying notes are an integral part of these statements.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Statements of Cash Flows (Continued)
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of financial position:		
Cash and cash equivalents, beginning of period -		
Cash and interest bearing deposits - unrestricted	\$ 719,030	\$ 380,896
Cash and interest bearing deposits - restricted	<u>47,789</u>	<u>45,930</u>
Total cash and cash equivalents	<u>766,819</u>	<u>426,826</u>
Cash and cash equivalents, end of period -		
Cash and interest bearing deposits - unrestricted	500,994	719,030
Cash and interest bearing deposits - restricted	<u>47,843</u>	<u>47,789</u>
Total cash and cash equivalents	<u>548,837</u>	<u>766,819</u>
Net change	<u>\$ (217,982)</u>	<u>\$ 339,993</u>

The accompanying notes are an integral part of these statements.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

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 Water System is exempt from federal income tax as an organization described in Section 501(c) (12) of the Internal Revenue Code.

The following is a summary of certain significant accounting policies:

A. Financial Statement Presentation

The Water System reports 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.

The financial statements of the Water System have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

B. 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.

C. Revenue Recognition

Water sales are recorded or accrued when earned. Substantially all other revenues are recorded when received.

D. Accounts Receivable and Allowance for Uncollectible

Accounts receivable are stated at unpaid balances. The Water System provides for losses on accounts receivable using the direct write off method. Uncollectible amounts due for customers' water bills are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Generally accepted accounting principles require the accrual of uncollectible receivables through an allowance account. No allowance for uncollectible receivables is recorded at September 30, 2022 and 2021 due to immateriality.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

E. Prepaid Expenses

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

F. 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.

G. Property, Plant and Equipment

Property, plant and equipment, which constitute assets of the Water System, are recorded at cost, less accumulated depreciation. Assets with costs over \$200 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	5-67 years
Furniture, fixtures & equipment	3-10 years
Building	10-44 years

H. Income Taxes

The Water System is a nonprofit organization exempt from Federal and State income taxes. 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 taken by the Water System, and has concluded that as of September 30, 2022 and 2021, 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.

I. 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.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

J. Vacation, Sick Leave, and Compensated Absences

Employees of the Water System earn ten (10) days of annual leave per year. Vacation time may not be carried over. It is recorded as an expense of the period in which paid.

K. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to use estimates and make assumptions regarding certain types of assets, liabilities, support, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

L. Net Assets

The net assets of the Water System and changes therein are classified and reported as follows:

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature. These restrictions will be satisfied by actions of the Water System or by the passage of time.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Water System. 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>2022</u>	<u>2021</u>
Designated for reserve	<u>\$ 245,499</u>	<u>\$ 244,712</u>

(2) Concentration of Credit Risk

The Water System’s cash is deposited in multiple financial institutions. Cash accounts at banks are insured by the FDIC for up to \$250,000. Amounts in excess of insured limits were approximately \$0 and \$72,411 at September 30, 2022 and 2021.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

(3) Restricted asset – debt service

As part of the loan agreements, the United States Department of Agriculture (USDA) – Rural Development requires that \$100,000 be set aside in a reserve account. These funds may be used to pay monthly note payments if sufficient funds are not otherwise available but must be replenished whenever possible.

(4) Accounts Receivable

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:

	2022	2021
0-30 days	\$ 107,121	\$ 107,441
30-90 days	11,634	14,597
over 90 days	-	1,256
Accounts receivable	\$ 118,755	\$ 123,294

(5) Contract Balances

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

	September		
	2022	2021	2020
Accounts Receivable	\$ 118,755	\$ 123,294	\$ 118,379
Customer Deposits	\$ 47,843	\$ 47,789	\$ 45,930

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

(6) Property, Plant and Equipment

A summary of property, plant and equipment is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 42,616	\$ 42,616
Water tower	2,152,379	2,152,379
Office building	99,442	83,610
Water distribution system	6,005,384	5,769,127
Office furniture & equipment	23,290	23,290
Tools & equipment	78,621	78,621
Vehicle	<u>45,277</u>	<u>45,277</u>
Total property, plant and equipment	8,447,009	8,194,920
Less: Accumulated depreciation	<u>(4,883,837)</u>	<u>(4,604,312)</u>
Net property, plant and equipment	<u>\$3,563,172</u>	<u>\$3,590,608</u>

Depreciation of property, plant and equipment is computed over the estimated useful lives of the respective assets on a straight-line basis. All property, plant and equipment is pledged as collateral for notes payable listed in Note 7.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

(7) Notes Payable

Notes payable is comprised of the following:

	2022	2021
\$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.	\$ 1,661,914	\$ 1,700,759
\$775,000 promissory note payable to b1Bank dated June 11, 2020, due in monthly installments of \$7,939, including interest at 4.25%, final maturity at June 10, 2024.	697,199	760,903
Total notes payable	2,359,113	2,461,662
Less: Current maturities	(104,359)	(103,078)
Notes payable long-term	\$ 2,254,754	\$ 2,358,584

Maturities of notes payable are as follows:

	Principal
2023	\$ 104,359
2024	674,407
2025	42,812
2025	44,225
2026	45,683
Thereafter	1,447,627
Total	\$ 2,359,113

(8) Retirement Commitments

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 \$8,819 and \$6,873 at September 30, 2022 and 2021, respectively.

(9) Commitments and Contingencies

The Water System is involved in one lawsuit, management, board members and counsel reasonably estimate there will be no monetary loss regarding any legal matters as of September 30, 2022.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

(10) Compensation of Board Members

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

	2022	2021
Melvin Bertrand Jr.	\$ 1,760	\$ 1,920
Fred Foti	600	600
Patrick Dooley	600	600
Ted Habetz	515	670
Curry Oubre, Jr.	1,020	1,020
Randy Theriot	1,020	950
James Comeaux	600	600
Russell Louviere	450	-
Total	\$ 6,565	\$ 6,360

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

Board Member	Term Expires	Address
Melvin Bertrand Jr.-President	2023	P.O. Box 450, Loreauville, LA 70552
Randy Theriot - Vice President	2023	P.O. Box 450, Loreauville, LA 70552
Curry Oubre, Jr. - Secretary/Treasurer	2022	P.O. Box 450, Loreauville, LA 70552
Ted Habetz	2022	P.O. Box 450, Loreauville, LA 70552
Fred Foti	2024	P.O. Box 450, Loreauville, LA 70552
James Comeaux	2023	P.O. Box 450, Loreauville, LA 70552
Patrick Dooley	2024	P.O. Box 450, Loreauville, LA 70552
Russell Louviere	2025	P.O. Box 450, Loreauville, LA 70552

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Notes to Financial Statements

(11) Liquidity and Availability of Resources

The Water System's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 500,994	\$ 719,030
Accounts receivable	118,755	123,294
Prepaid expense	<u>5,680</u>	<u>28,020</u>
Total current assets	<u>\$ 625,429</u>	<u>\$ 870,344</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.

(12) Subsequent Event Review

The Water System has evaluated subsequent events through January 9, 2023, the date which the financial statements were available to be issued.

(13) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organization that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Water System is evaluating the potential impact of the amendment on the Water System's financial statements.

OTHER INFORMATION

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Schedule of Number of Water Customers, Water Rates, and Water Produced and Sold
September 30, 2022

Records maintained by Bayou Teche Water Works, Inc. indicated the following number of customers were being serviced during the month of September 2022:

Water (residential)	3,208
Water (commercial)	<u>145</u>
Total	<u><u>3,353</u></u>

Water rates as September 30, 2022 are as follows:

\$16.00 for the first 2,000 gallon; \$4.80 per 1,000 gallons thereafter

Gallons of water produced for year ended September 30, 2022	292,565,135
Gallons of water sold for year ended September 30, 2022	212,742,100

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Schedule of Insurance in Force
September 30, 2022

<u>Insurance Coverage</u>	<u>Insurance Agency</u>	<u>Amount of Coverage</u>	<u>Expiration of Policy</u>
Flood insurance			
Building	New Hampshire Ins	\$ 82,500	10/20/2022
Contents	New Hampshire Ins	\$ 47,600	10/20/2022
Workmen's compensation			
Employer's liability	LUBA	Statutory	1/1/2023
Forgery, alteration, employee theft	NUFIC	\$ 250,000	9/23/2023
Theft inside buildings	NUFIC	\$ 500,000	9/23/2023
Commercial general liability	NUFIC	\$3,000,000	9/23/2023
Owned, nonowned & hired automobile liability	NUFIC	\$1,000,000	9/23/2023
Property	NUFIC	\$ 250,000	9/23/2023
Inland Marine	NUFIC	\$ 100,000	9/23/2023

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATERS**

KOLDER, SLAVEN & COMPANY, LLC

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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*

The Board of Directors
Bayou Teche Water Works, Inc.
Loreauville, 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 Bayou Teche Water Works, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 the 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. 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 current and prior year audit findings and management's corrective action plan as item 2022-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Bayou Tech 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 audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. Bayou Teche Water Works, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
January 9, 2023

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended September 30, 2022

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

CRITERIA: Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework and the Louisiana Legislative Auditor's Governmental Audit Guide.

CAUSE: The cause of the condition is the fact that 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: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

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.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Ricky Frederick, General Manager, has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. Management will attempt to use current staff to segregate accounting functions as much as possible.

BAYOU TECHE WATER WORKS, INC.
Loreauville, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended September 30, 2022

B. Compliance

There are no compliance findings to be reported.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2021-001 Inadequate Segregation of Accounting Functions

CONDITION: The Water System did not have adequate segregation of functions within the accounting system.

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. See item 2022-001.

B. Compliance

There were no compliance findings reported.