

BAYOU TECHE WATER WORKS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2025

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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, 2025 and 2024, 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 present fairly, in all material respects, the financial position of Bayou Teche Water Works, Inc. as of September 30, 2025 and 2024, 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 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 exist. 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

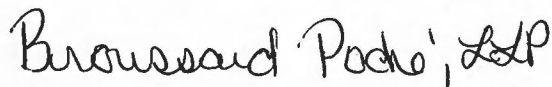
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the number of water customers, water rates, water produced and sold, schedule of insurance in force, and schedule of compensation, benefits and other payments to agency head are presented 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 26, 2026, 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.



Lafayette, Louisiana
January 26, 2026

FINANCIAL STATEMENTS

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 497,002	\$ 481,200
Certificates of deposit	751,653	730,721
Accounts receivables, net	143,848	180,833
Prepaid expenses	<u>48,609</u>	<u>40,546</u>
Total current assets	\$ 1,441,112	\$ 1,433,300
PROPERTY, PLANT AND EQUIPMENT, net	3,237,130	3,003,107
Right of use assets for financing leases, net	12,917	16,853
RESTRICTED ASSETS		
Certificate of deposit – debt service reserve	<u>249,175</u>	<u>260,889</u>
Total assets	<u>\$ 4,940,334</u>	<u>\$ 4,714,149</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 166,974	\$ 74,333
Financing lease liabilities	3,883	3,724
Notes payable	122,704	619,529
Sewer fees payable	15,138	14,277
Accrued interest payable	808	719
Payroll taxes payable	3,194	6,846
Due to Louisiana Department of Health	<u>9,623</u>	<u>9,611</u>
Total current liabilities	\$ 322,324	\$ 729,039
LONG-TERM LIABILITIES		
Meter deposits	\$ 50,653	\$ 50,588
Financing lease liabilities, less current portion	9,286	13,170
Notes payable, less current portion	<u>1,918,007</u>	<u>1,537,526</u>
Total long-term liabilities	\$ 1,977,946	\$ 1,601,284
Total liabilities	\$ 2,300,270	\$ 2,330,323
NET ASSETS		
Without donor restrictions	<u>\$ 2,640,064</u>	<u>\$ 2,383,826</u>
Total liabilities and net assets	<u>\$ 4,940,334</u>	<u>\$ 4,714,149</u>

See Notes to Financial Statements.

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF ACTIVITIES
 Years ended September 30, 2025 and 2024

	<u>Without Donor Restrictions</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Water sales	\$ 1,887,795	\$ 1,751,983
Connection charges	98,942	39,664
Grant income	170,000	-
Other income	<u>42,048</u>	<u>45,827</u>
Total revenues	<u>\$ 2,198,785</u>	<u>\$ 1,837,474</u>
Expenses:		
Program services	\$ 1,767,094	\$ 1,663,503
Supporting services	<u>128,342</u>	<u>106,521</u>
Total expenses	<u>\$ 1,895,436</u>	<u>\$ 1,770,024</u>
Operating income	<u>\$ 303,349</u>	<u>\$ 67,450</u>
Other income (expenses) in net assets:		
Interest income	\$ 30,598	\$ 30,550
Interest expense	(79,209)	(89,382)
Gain on sale of property, plant and equipment	<u>1,500</u>	<u>-</u>
Total other expenses	<u>\$ (47,111)</u>	<u>\$ (58,832)</u>
Change in net assets	\$ 256,238	\$ 8,618
Net assets, beginning of year	<u>2,383,826</u>	<u>2,375,208</u>
Net assets, end of year	<u>\$ 2,640,064</u>	<u>\$ 2,383,826</u>

See Notes to Financial Statements.

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
 Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Program services		
Auto and truck	\$ 15,350	\$ 13,832
Bad debts	7,388	5,710
Bank charges	2,670	2,535
Chemicals	578,397	517,447
Depreciation and amortization expense	316,309	290,463
Dottie fees	899	1,180
Insurance expense	107,236	97,405
Meter and reconnection costs	55,122	37,775
Miscellaneous expense	3,201	2,171
Office expense	12,387	14,102
Payroll taxes	23,953	21,784
Per diem – directors	6,860	6,960
Printing and postage	23,306	21,340
Professional fees	55,826	66,508
Repairs and maintenance	97,910	142,528
Retirement	9,073	8,200
Salaries	298,510	281,337
Small tools and supplies	8,753	8,794
Taxes and licenses	7	16
Travel	1,533	2,716
Uniforms	1,292	2,585
Utilities and telephone	129,162	108,813
Water quality	8,904	6,658
Water testing	3,046	2,644
Total program services	<u>\$ 1,767,094</u>	<u>\$ 1,663,503</u>
Supporting services		
Salaries	\$ 98,643	\$ 82,248
Insurance expense	18,786	15,507
Payroll taxes	7,915	6,369
Retirement	2,998	2,397
Total supporting services	<u>\$ 128,342</u>	<u>\$ 106,521</u>

See Notes to Financial Statements.

BAYOU TECHE WATER WORKS, INC.

STATEMENTS OF CASH FLOWS
Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 256,238	\$ 8,618
Adjustments to reconcile change is net assets to operating activities:		
Interest income earned on certificates of deposit	(28,995)	(29,760)
Gain from sale of property, plan and equipment	(1,500)	-
Depreciation and amortization	316,309	290,463
Bad debt expense	7,388	5,710
(Increases) decreases in operating assets		
Accounts receivable	29,597	3,207
Prepaid expenses	(8,063)	(8,161)
Increases (decreases) in operating liabilities:		
Accounts payable	92,641	10,806
Sewer fees payable	861	1,353
Accrued interest and other payables	(3,551)	3,926
Meter deposits	65	893
Net cash provided by operating activities	<u>\$ 660,990</u>	<u>\$ 287,055</u>
INVESTING ACTIVITIES		
Purchase of certificate of deposit	\$ (745,947)	\$ (200,000)
Redemptions of certificate of deposit	765,724	-
Proceeds from the sale of property, plant and equipment	1,500	-
Purchase of property, plant and equipment	(546,396)	(2,596)
Net cash used by investing activities	<u>\$ (525,119)</u>	<u>\$ (202,596)</u>
FINANCING ACTIVITIES		
Principal payments on debt and insurance premium financing	\$ (116,344)	\$ (138,032)
Payments on financing lease liabilities	(3,725)	(2,455)
Net cash used by financing activities	<u>\$ (120,069)</u>	<u>\$ (140,487)</u>
Net increase (decrease) in cash	\$ 15,802	\$ (56,028)
Cash and cash equivalents at the beginning of the period	<u>481,200</u>	<u>537,228</u>
Cash and cash equivalents at the end of the period	<u>\$ 497,002</u>	<u>\$ 481,200</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 79,120</u>	<u>\$ 89,756</u>
Financed insurance premiums	<u>\$ -</u>	<u>\$ 28,729</u>

See Notes to Financial Statements.

BAYOU TECHE WATER WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

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. If a restriction is fulfilled in the same reporting period in which the contribution is received, the entity reports the support as unrestricted.

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 net assets for the following purpose:

	<u>2025</u>	<u>2024</u>
Reserve for debt service	\$ 249,175	\$ 260,889
Reserve for maintenance	<u>234,665</u>	<u>225,718</u>
	<u>\$ 483,840</u>	<u>\$ 486,607</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.

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% as of September 30, 2025 and 2024 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 when earned. Water meters are read monthly and billed. Bills are due on the 10th day of the following month. All revenue is accrued in the month the revenue is earned

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 taken by the Water System, and has concluded that as of September 30, 2025 and 2024, 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.

NOTES TO FINANCIAL STATEMENTS

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. 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.

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.

The Water System relies on revenue from the sale of water to its customers. All customers are located in the Iberia and St. Martin parish area.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

NOTES TO FINANCIAL STATEMENTS

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. The Water System has set aside \$249,175 and \$260,889, respectively as of September 30, 2025 and 2024.

Note 3. Accounts Receivable

Accounts receivable consisted of the following as of September 30, 2025 and 2024:

	2025	2024
Accounts receivable	\$ 150,508	\$ 183,716
Less: allowance for credit losses	<u>(6,660)</u>	<u>(2,883)</u>
Accounts receivable, net	<u>\$ 143,848</u>	<u>\$ 180,833</u>

An allowance for credit losses is an estimate based upon historical account write-offs, trends, facts about the current financial conditions, and 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, 2025:

Allowance for doubtful accounts, beginning balance	\$ 2,883
Provision for expected credit loss	7,388
Recoveries	-
Write-offs	<u>(3,611)</u>
Allowance for credit losses, ending balance	<u>\$ 6,660</u>

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

	2025	2024
0-30 days	\$ 111,744	\$ 154,650
30-90 days	21,097	20,965
Over 90 days	<u>17,667</u>	<u>8,101</u>
Total accounts receivable	<u>\$ 150,508</u>	<u>\$ 183,716</u>

Note 4. Contract Balances

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

	September		
	2025	2024	2023
Accounts receivable	<u>\$ 150,508</u>	<u>\$ 183,716</u>	<u>\$ 189,750</u>
Meter deposits	<u>\$ 50,653</u>	<u>\$ 50,588</u>	<u>\$ 46,695</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Property, Plant and Equipment

Property, plant and equipment at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Land	\$ 42,616	\$ 42,616
Water tower	2,152,379	2,152,379
Office building	125,142	99,442
Water distribution system	6,428,928	6,010,362
Office furniture & equipment	26,579	26,579
Tools & equipment	91,404	81,137
Vehicle	115,823	45,277
Total property, plant and equipment	\$ 8,982,871	\$ 8,457,792
Less: accumulated depreciation	(5,745,741)	(5,454,685)
Net property, plant and equipment	\$ 3,237,130	\$ 3,003,107

Total depreciation expense for the years ended September 30, 2025 and 2024 was \$312,373 and \$287,967 respectively. All property, plant and equipment is pledged as collateral for notes payable.

Note 6. Notes Payable

The following is a summary of the outstanding notes payable at September 30, 2025 and 2024:

	2025	2024
\$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.	\$ 1,537,526	\$ 1,580,339
\$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.	-	576,716
\$529,085 Promissory note payable to JD Bank dated May 22, 2025, due in monthly installments of \$8,253, including interest at 4.25%, final maturity at May 22, 2028	503,185	-
Total notes payable	\$ 2,040,711	\$ 2,157,055
Less: current maturities	(122,704)	(619,529)
Notes payable, less current portion	\$ 1,918,007	\$ 1,537,526

The aggregate maturities of principal payments due on notes payable if not refinanced for each of the succeeding five years subsequent to September 30, 2025 are as follows:

2026	\$ 122,704
2027	128,048
2028	389,415
2029	48,748
2030	50,356
Thereafter	1,301,440
Total	\$2,040,711

NOTES TO FINANCIAL STATEMENTS

The note payable to JD Bank has a balloon payment due on May 22, 2028. 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 September 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.

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 years ended September 30, 2025 and 2024:

	2025	2024
Finance lease costs – amortization of right of use assets	\$ 3,936	\$ 2,496
Finance lease costs – interest on lease liabilities	623	513
	\$ 4,559	\$ 3,009

The ROU assets under finance leases as of September 30, 2025 and 2024 are as follows:

	2025	2024
Equipment	\$ 19,349	\$ 19,349
Accumulated amortization	(6,432)	(2,496)
Right of use assets, net	\$ 12,917	\$ 16,853

The weighted-average remaining lease term as of September 30, 2025 and 2024 is 3.29 and 4.29, respectively.

The weighted-average discount rate as of September 30, 2025 and 2024 is 4.20%.

NOTES TO FINANCIAL STATEMENTS

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, 2025:

	Finance Leases
Years ending September 30,	
2026	\$ 4,347
2027	4,347
2028	4,347
2029	<u>1,017</u>
Total lease payments	\$ 14,058
Less: imputed interest	<u>(889)</u>
Total present value of lease liabilities	<u>\$ 13,169</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 \$12,071 and \$10,597 at September 30, 2025 and 2024, respectively.

Note 10. Compensation of Board Members

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

	2025	2024
Melvin Bertrand, Jr.	\$ 1,920	\$ 1,920
Fred Foti	600	600
Patrick Dooley	600	600
Ted Habetz	500	600
Curry Oubre, Jr.	1,020	1,020
Randy Theriot	1,020	1,020
James Comeaux	600	600
Russell Louviere	<u>600</u>	<u>600</u>
Total per diem	<u>\$ 6,860</u>	<u>\$ 6,960</u>

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	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	2027	P. O. Box 450, Loreauville, LA 70552
James Comeaux	2026	P. O. Box 450, Loreauville, LA 70552
Patrick Dooley	2027	P. O. Box 450, Loreauville, LA 70552
Russell Louviere	2027	P. O. Box 450, Loreauville, LA 70552

NOTES TO FINANCIAL STATEMENTS

Note 11. Liquidity and Availability of Resources

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 497,002	\$ 430,612
Certificates of deposit	751,653	730,721
Accounts receivable	<u>150,508</u>	<u>183,716</u>
Total available for general expenditures	\$ 1,399,163	\$ 1,345,049
Less: certificate of deposit maturing after one year	(751,653)	-
Less: funds reserved for maintenance by the board	(234,665)	(225,718)
Less: funds designated for meter deposits	<u>(50,653)</u>	<u>(50,588)</u>
Total funds available for general expenditures within one year	<u>\$ 362,192</u>	<u>\$ 1,119,331</u>

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 or designated 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 12. Cooperative Endeavor Agreement

In October 2024, the Water System entered into a cooperative endeavor agreement with Iberia Parish Government. Per the agreement, the Water System received \$170,000 from a Community Water Enrichment Fund Grant to aid with the costs of a water expansion project.

Note 13. Subsequent Event Review

The Water System has evaluated subsequent events through January 26, 2026, the date which the financial statements were available to be issued.

Note 14. Reclassifications

Certain reclassifications have been made in the financial statements at September 30, 2024, 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.

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OTHER SUPPLEMENTARY INFORMATION

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BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF THE NUMBER OF WATER CUSTOMERS, WATER RATES,
AND WATER PRODUCED AND SOLD
Year Ended September 30, 2025
(Unaudited)

Records maintained by Bayou Teche Water Works, Inc. indicated the following number of customers were being serviced during the month of September 2025:

Water (residential)	3,271
Water (commercial)	<u>104</u>
Total	<u>3,375</u>

Water rates as of September 30, 2025 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, 2025	274,105,200
Gallons of water sold for year ended September 30, 2025	193,206,250

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF INSURANCE IN FORCE
 Year Ended September 30, 2025
 (Unaudited)

<u>Insurance Coverage</u>	<u>Insurance Agency</u>	<u>Amount of Coverage</u>	<u>Expiration of Policy</u>
Flood insurance			
Building	American Bankers Insurance Co.	\$ 122,000	10/20/2025
Contents	American Bankers Insurance Co	\$ 62,000	10/20/2025
Workmen's compensation employer's liability	LWCC	Statutory	1/1/2026
Commercial general liability	NUFIC	\$3,000,000	9/23/2026
Employee theft	NUFIC	\$ 500,000	9/23/2026
Forgery or alteration	NUFIC	\$ 250,000	9/23/2026
Theft inside building – robbery/safe burglary	NUFIC	\$ 100,000	9/23/2026
Owned, nonowned & hired automobile liability	NUFIC	\$1,000,000	9/23/2026
Property	NUFIC	\$3,088,484	9/23/2026
Inland marine	NUFIC	\$ 26,600	9/23/2026
Directors and officers	NUFIC	\$1,000,000	2/09/2028

BAYOU TECHE WATER WORKS, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
Year Ended September 30, 2025

There were no compensation, benefits and other payments paid in the year ended September 30, 2025 from public funds.

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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, 2025, 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 26, 2026.

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.

Our 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 findings and questioned costs, we identified certain deficiencies in internal control that we 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 of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2025-02 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item #2025-01 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 Poche, LLP

Lafayette, Louisiana
January 26, 2026

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2025

We have audited the financial statements of Bayou Teche Water Works, Inc as of and for the year ended September 30, 2025, and have issued our report thereon dated January 26, 2026. 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, 2025 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 X Yes No

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

Compliance

Compliance material to financial statements Yes X No

Section II - Financial Statement Findings

#2025-01 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 FINDINGS AND RESPONSES (CONTINUED)
Year Ended September 30, 2025

Section II - Financial Statement Findings (continued)

#2025-02 Capitalization of Capital Assets

Condition: The Water System did not properly apply capitalization policies for certain capital asset purchases.

Criteria: Accounting standards generally accepted in the United States required that expenditures that meet the definition of a capital asset purchase or improvement and exceed the Water System's capitalization threshold be capitalized and amortized over the useful life.

Cause: The Water System did not properly review the financial statements and failed to identify the miscoding of capital asset items.

Effect: Capitalized expenditures were misclassified.

Recommendation: We recommend that the Water System implement a review process to ensure proper accounting treatment for capitalized assets.

Management's Response: Management will implement a review process to ensure proper accounting treatment for capitalized assets.

BAYOU TECHE WATER WORKS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended September 30, 2025

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

#2024-01 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 #2025-01.

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.