
BAYOU LIBERTY WATER ASSOCIATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2025

RICHARD  CPAS

BAYOU LIBERTY WATER ASSOCIATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2025

BAYOU LIBERTY WATER ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bayou Liberty Water Association

Opinion

We have audited the accompanying financial statements of Bayou Liberty Water Association (the Association), which comprise the statements of financial position as of November 30, 2025, and 2024, 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 referred to above present fairly, in all material respects, the financial position of Bayou Liberty Water Association as of November 30, 2025, and 2024, 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 Liberty Water Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Liberty Water Association'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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 20, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 26, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head and the Schedule of Expenditures of Federal Awards 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 March 26, 2026, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
March 26, 2026

FINANCIAL STATEMENTS

BAYOU LIBERTY WATER ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 127,437	\$ 75,996
Cash and cash equivalents, restricted	139,889	38,573
Trade receivables, net	120,925	118,828
Investments	368,021	346,280
Investments, restricted	94,153	160,111
Prepaid insurance	81,917	76,557
Other assets	-	7,673
Total current assets	<u>932,342</u>	<u>824,018</u>
<u>PROPERTY AND EQUIPMENT, NET</u>		
	<u>3,945,059</u>	<u>2,322,072</u>
<u>OTHER LONG-TERM ASSETS</u>		
Cash and cash equivalents - board designated	1,931,753	1,597,402
Restricted cash, debt reserve	171,650	15,921
Debt issuance costs	-	185,859
Total other assets	<u>2,103,403</u>	<u>1,799,182</u>
<u>TOTAL ASSETS</u>	<u>\$ 6,980,804</u>	<u>\$ 4,945,272</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 123,638	\$ 169,499
Accrued liabilities	41,209	42,864
Interest payable	4,596	-
Prepaid income	42,690	36,175
Current portion, note payable	50,000	50,000
Total current liabilities	<u>262,133</u>	<u>298,538</u>
<u>NON-CURRENT LIABILITIES</u>		
Customer deposits	220,031	217,919
Long-term portion, note payable, net of unamortized debt issuance cost	880,843	172,668
Total non-current liabilities	<u>1,100,874</u>	<u>390,587</u>
Total liabilities	<u>\$ 1,363,007</u>	<u>\$ 689,125</u>
<u>NET ASSETS</u>		
Without donor restrictions	\$ 5,617,797	\$ 4,256,147
With donor restrictions	-	-
Total net assets	<u>5,617,797</u>	<u>4,256,147</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,980,804</u>	<u>\$ 4,945,272</u>

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

BAYOU LIBERTY WATER ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED NOVEMBER 30, 2025 AND 2024

	<u>2025</u>			<u>2024</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<u>REVENUES AND GAINS</u>						
Water sales	\$ 1,386,800	\$ -	\$ 1,386,800	\$ 1,277,604	\$ -	\$ 1,277,604
Gain on forgiveness of note payable	920,990	-	920,990	198,738	-	198,738
Investment return, net	43,993	-	43,993	61,478	-	61,478
Reconnect fees	45,195	-	45,195	41,215	-	41,215
Rental income	27,376	-	27,376	27,376	-	27,376
New applications and membership fees	24,102	-	24,102	44,731	-	44,731
Late charges	17,476	-	17,476	15,737	-	15,737
Miscellaneous income	14,090	-	14,090	17,284	-	17,284
Total revenues and gains	<u>2,480,022</u>	<u>-</u>	<u>2,480,022</u>	<u>1,684,163</u>	<u>-</u>	<u>1,684,163</u>
<u>EXPENSES</u>						
Program services:						
Water sales	764,793	-	764,793	718,753	-	718,753
Total program services	<u>764,793</u>	<u>-</u>	<u>764,793</u>	<u>718,753</u>	<u>-</u>	<u>718,753</u>
Supporting services:						
Management and general	353,579	-	353,579	316,437	-	316,437
Total supporting services	<u>353,579</u>	<u>-</u>	<u>353,579</u>	<u>316,437</u>	<u>-</u>	<u>316,437</u>
Total expenses	<u>1,118,372</u>	<u>-</u>	<u>1,118,372</u>	<u>1,035,190</u>	<u>-</u>	<u>1,035,190</u>
<u>CHANGE IN NET ASSETS</u>	1,361,650	-	1,361,650	648,973	-	648,973
<u>NET ASSETS, BEGINNING OF THE YEAR</u>	<u>4,256,147</u>	<u>-</u>	<u>4,256,147</u>	<u>3,607,174</u>	<u>-</u>	<u>3,607,174</u>
<u>NET ASSETS, END OF THE YEAR</u>	<u>\$ 5,617,797</u>	<u>\$ -</u>	<u>\$ 5,617,797</u>	<u>\$ 4,256,147</u>	<u>\$ -</u>	<u>\$ 4,256,147</u>

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

BAYOU LIBERTY WATER ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED NOVEMBER 30, 2025 AND 2024

	2025			2024		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Water Sales	Management and General		Water Sales	Management and General	
Salaries and payroll	\$ 239,578	\$ 164,677	\$ 404,255	\$ 229,286	\$ 150,423	\$ 379,709
Depreciation	141,395	-	141,395	156,531	-	156,531
Insurance	87,453	21,863	109,316	73,898	18,475	92,373
Health insurance	43,415	29,816	73,231	35,216	23,104	58,320
Leak Insurance Protection	58,416	-	58,416	22,212	-	22,212
Supplies	55,331	-	55,331	58,953	-	58,953
Utilities	40,151	14,131	54,282	35,447	12,365	47,812
Legal and audit fees	-	25,211	25,211	-	19,707	19,707
Directors' fee	-	24,700	24,700	-	23,100	23,100
Postage and freight	105	22,474	22,579	304	20,618	20,922
Fees, dues, and subscriptions	14,199	7,099	21,298	13,895	6,948	20,843
Repairs and maintenance	15,519	3,911	19,430	7,199	3,621	10,820
Trucks	17,621	-	17,621	28,325	-	28,325
Loan interest	13,410	-	13,410	309	-	309
Office supplies	-	12,662	12,662	-	11,373	11,373
Retirement plan	7,632	5,078	12,710	9,105	6,925	16,030
Interest paid on deposits	-	9,272	9,272	-	8,508	8,508
Telephone	5,908	3,043	8,951	6,172	3,179	9,351
Property maintenance	8,113	-	8,113	2,322	-	2,322
Miscellaneous	1,851	5,486	7,337	2,311	3,938	6,249
Janitorial service	2,319	2,318	4,637	2,232	2,231	4,463
Taxes and licenses	3,750	-	3,750	3,043	-	3,043
Loan admin fee	3,451	-	3,451	-	-	-
Bad debt expense	3,027	-	3,027	27,311	-	27,311
Garbage pick-up	971	971	1,942	1,053	1,053	2,106
Uniforms	909	625	1,534	844	553	1,397
Exterminating	199	199	398	236	236	472
Seminar and training	70	-	70	1,190	-	1,190
Bank charges	-	43	43	-	80	80
Loss on disposal of asset	-	-	-	1,359	-	1,359
Total expenses	\$ 764,793	\$ 353,579	\$ 1,118,372	\$ 718,753	\$ 316,437	\$ 1,035,190

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

BAYOU LIBERTY WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2025 AND 2024

	2025	2024
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,361,650	\$ 648,973
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	141,395	156,531
Loss on disposal of assets	-	1,359
Unrealized gain on investments	(23,900)	(42,707)
Bad debt expense	3,027	27,311
Gain on forgiveness of note payable	(920,990)	(198,738)
Changes in operating assets and liabilities:		
Trade receivables	(5,123)	(32,795)
Interest income and dividends	10,165	16,325
Prepaid insurance	(5,360)	(12,975)
Other assets	7,673	(7,673)
Accounts payable	(129,861)	(105,319)
Accrued liabilities	(1,655)	(817)
Interest payable	4,596	-
Prepaid income	6,515	3,621
Customer deposits	2,112	9,260
Net cash provided by operating activities	450,244	462,356
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales or maturities of investments	57,952	-
Construction of well and purchase of equipment	(1,680,383)	(304,557)
Net cash used in investing activities	(1,622,431)	(304,557)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from long-term debt, net of debt issuance costs	1,865,024	389,698
Payments on long-term debt	(50,000)	(1,000)
Net cash provided by financing activities	1,815,024	388,698
Net change in cash and cash equivalents	642,837	546,497
Cash and cash equivalents, beginning of year	1,727,892	1,181,395
Cash and cash equivalents, end of year	\$ 2,370,729	\$ 1,727,892
<u>SUPPLEMENTAL DISCLOSURE</u>		
Debt issuance cost re-classified to long-term debt	\$ 185,859	\$ -
Construction in progress and retainage in accounts payable	\$ 84,000	\$ 156,169
Cash paid for interest	\$ 11,087	\$ 396
<u>RECONCILIATION OF CASH & CASH EQUIVALENTS AND RESTRICTED CASH</u>		
Cash and cash equivalents	\$ 127,437	\$ 75,996
Cash and cash equivalents, restricted cash	139,889	38,573
Cash and cash equivalents - board designated	1,931,753	1,597,402
Restricted cash, debt reserve	171,650	15,921
	\$ 2,370,729	\$ 1,727,892

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

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

1. Summary of Significant Account Policies

History and Organization

Bayou Liberty Water Association (the Association) was formed as a Louisiana nonprofit corporation domiciled in Slidell, Louisiana, on July 25, 1969. Under the terms of its charter, the Association provides water service to its members located in St. Tammany Parish. The Association grants credit to its members for the water used by them. Consequently, the Association's ability to collect the amounts due from members is affected by economic fluctuations in the area it serves. In the event the Association is ever dissolved, either voluntarily or involuntarily, all assets of the Association shall be distributed, transferred, or assigned to the Parish of St. Tammany or to an organization similar to this Association.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-For-Profit Entities. Accordingly, the Association 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. The Association has no net assets with donor restrictions.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The following table provides a reconciliation of cash and cash equivalents, board designated cash and cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the statements of cash flows.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 127,437	\$ 75,996
Cash and cash equivalents, restricted	139,889	38,573
Board designated cash and cash equivalents	1,931,753	1,597,402
Restricted cash, debt reserve	<u>171,650</u>	<u>15,921</u>
Total cash and cash equivalents	<u>\$ 2,370,729</u>	<u>\$ 1,727,892</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

1. Summary of Significant Account Policies (continued)

Cash and Cash Equivalents (continued)

The Association has certain accounts which are designated by the Board of Directors to provide funding for future capital improvements, future purchases of equipment, payment of the loan for the construction of the new well, and other short-lived assets. These accounts, which total \$1,931,753 and \$1,597,402 at November 30, 2025 and 2024, respectively, are categorized as “Other Long-Term Assets” on the Statements of Financial Position.

As of November 30, 2025 and 2024, the Association maintained restricted cash balances of \$171,650 and \$15,921, respectively, designated for debt reserve. These funds are held to ensure compliance with debt covenants and may be utilized if the Organization is unable to meet its payment obligations. The restricted cash is categorized as “Other Long-Term Assets” on the Statements of Financial Position.

Trade Receivables

Trade receivables consist primarily of water sales and represent amounts billed to customers in accordance with contractual arrangements. Trade receivables represent the Association's unconditional right, subject only to the passage of time, to receive consideration arising from the Association's performance under contracts with customers.

Allowance for Credit Losses

An allowance for credit losses is an estimate based upon historical account write-off trends, facts about the current financial condition of the debtor, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. At November 30, 2025 and 2024, the allowance for credit losses is \$17,462 and \$17,462, respectively. Bad debt expenses and any related recoveries are included in the Statement of Activities, as applicable. Bad debt expense for the years ended November 30, 2025, and 2024, was \$3,027 and \$27,311, respectively.

Prepaid Insurance

Premiums for hazard insurance coverage are recorded as an asset and charged to expense over the periods for which coverage is applicable.

Property and Equipment

Acquisitions and donations of buildings, equipment, and improvements in excess of \$300 with a useful life of at least one year, and expenditures for repairs, maintenance, and betterments in excess of \$300 that materially prolong the useful lives of assets are capitalized. Acquisitions of property and equipment are stated at cost. Material donations of property, and equipment are stated at estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property, and equipment, which range from 5 to 40 years.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

1. Summary of Significant Account Policies (continued)

Property and Equipment (continued)

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income or deferred, as appropriate. Buildings, equipment, and improvements are stated at cost, less accumulated depreciation.

The Association reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets.

Construction in Progress

Construction in Progress represents costs incurred in connection with assets that are being constructed and are not yet ready for their intended use. These amounts primarily include direct materials, labor, and externally contracted services directly related to the construction activities, as well as applicable construction-related overhead. Costs are accumulated in Construction in Progress until the project is substantially complete and the asset is placed in service, at which time the balance is reclassified to the appropriate property and equipment category and depreciated over its estimated useful life. As of November 30, 2025, the construction in progress amounts to \$2,361,203.

Debt Issuance Costs

During the years ended November 30, 2025, and 2024, the Association incurred professional fees related to a loan agreement that management will be executed in a subsequent fiscal year. The Association defers costs directly attributable to the issuance of its long-term debt (net of unamortized debt issuance cost) and presents these costs as "Non-Current Liabilities" on the Statements of Financial Position as a direct deduction from the carrying amount of the related debt obligation, consistent with *ASC 835-30, Interest-Imputation of Interest*. These costs are amortized over the expected term of the related debt using the straight-line method, and the resulting amortization is included in interest expense in the accompanying Statements of Activities. Upon full drawdown of the loan in July 2026, the Association will begin amortizing the debt issuance costs over the remaining term of the loan using the straight-line method.

During the year ended November 30, 2025, the Association reclassified debt issuance costs of \$185,859 from "Other Asset" on the Statements of Financial Position to a contra-liability account which nets with "long-term portion, note payable, net of unamortized debt issuance cost" as "Non-Current Liabilities" on the Statements of Financial Position.

During the year ended November 30, 2024, the Association incurred professional fees greater than the carrying amount of the related debt obligation. During the year ended November 30, 2024, the Association recorded debt issuance costs in the amount of \$185,859 in "Other-Long-term Assets" section of the Statement of Financial Position

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

1. Summary of Significant Account Policies (continued)

Investments

In accordance with FASS ASC Topic, Accounting for Certain Investments Held by Not-for-Profit Organizations, the Association carries all investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value. Investment purchases are recorded at cost. Net investment return reported in the statements of activities and change in net assets consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Customer Deposits

Customer deposits consist of amounts paid by customers to set up new accounts. The Association maintains customer deposits in a separate bank account and recognizes a contract liability until settled at completion of the contract.

Revenue Recognition

The Association recognizes revenue from contracts with customers when commercial substance exists, approvals have been obtained and commitment to perform exists, rights of both parties and payment terms are identifiable and collection is probable.

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. The Association assesses goods or services promised in a contract and identifies each promise as a performance obligation.

The transaction price is the amount of consideration (fixed or variable) the Association expects to receive in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. If the considerations promised in a contract include a variable amount, the Association estimates the amount to which it expects to be entitled using the most-likely-amount method. Estimated amounts are only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is received. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Association recognizes revenue from water sales during the year in which the related services are provided to customers. The performance obligation of delivering water services is simultaneously received and consumed by the customer; therefore, the revenue is recognized monthly when usage is determined through meter readings. Payments for water services are due monthly. Amounts received in excess of the amount billed or prior to water services being provided, including connection fees, are included in prepaid income and deferred to the applicable reporting period.

Net trade receivables from contracts with customers totaled \$120,925 and \$118,828 as of November 30, 2025 and 2024, respectively. Customer deposits from contracts with customers totaled \$220,031 and \$217,919 as of November 30, 2025 and 2024, respectively. As of November 30, 2025 and 2024, Prepaid income from customers totaled \$42,690 and \$36,175, respectively.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

1. Summary of Significant Account Policies (continued)

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the water sales program and supporting services. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits both program and supporting services. The salaries, payroll taxes, health insurance, uniforms, and retirement plan expenses are allocated based on time spent by specific employees as estimated by management. The utilities, fees, dues and subscriptions, and miscellaneous expenses are tracked dollar for dollar and then allocated to the water sales program and supporting services.

Income Taxes

The Internal Revenue Code 501(c)(12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or “like organizations.” During the years ended November 30, 2025, and 2024, the Association elected to file a stand-alone tax return in lieu of a consolidated tax return with the Bayou Liberty Water Association. The Association is exempt from income tax under IRC section 501 (c)(12), though it is subject to tax on income unrelated to its tax-exempt purpose, unless that income is otherwise excluded by the Code. The Association has processes presently in place to ensure the maintenance of its tax-exempt status: to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Association is not classified as a private foundation. The Association applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach allows the recognition of only those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Association has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities; therefore, the implementation of this standard has not had a material effect on the Association.

Use of Estimates

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

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

2. Liquidity and Availability

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Association manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets and sufficient reserves to provide reasonable assurance of sustainability.

Assets not available to meet general expenditures within one year of the statement of financial position date include amounts in nonspendable form and assets subject to internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

The Association's financial assets available to meet general expenditures within one year of the statements of financial position as of November 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 127,437	\$ 75,996
Trade receivables, net	120,925	118,828
Investments	368,021	346,280
Other assets	-	7,673
Less: customer deposits	<u>(220,031)</u>	<u>(217,919)</u>
Total financial assets available	<u>\$ 396,352</u>	<u>\$ 330,858</u>

3. Investments

The cost and fair value of all investments as of November 30, 2025, and 2024, were as follows:

<u>November 30, 2025</u>	<u>Cost</u>	<u>Fair value</u>
Mutual funds	\$ 381,185	\$ 368,021
Municipal bonds	103,298	94,153
Corporate bonds	<u>-</u>	<u>-</u>
Total	<u>\$ 484,483</u>	<u>\$ 462,174</u>

<u>November 30, 2024</u>	<u>Cost</u>	<u>Fair value</u>
Mutual funds	\$ 361,162	\$ 346,280
Municipal bonds	143,298	135,021
Corporate bonds	<u>28,389</u>	<u>25,090</u>
Total	<u>\$ 532,849</u>	<u>\$ 506,391</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

4. Property and Equipment

Property and equipment consisted of the following on November 30, 2025, and 2024:

	<u>2025</u>	<u>2024</u>
Water, wells, and pumps	\$ 996,412	\$ 996,112
Overhead tanks and lines	125,869	125,869
Water meters	1,521,406	1,521,406
Property improvements	107,563	107,563
Equipment	237,461	227,291
Buildings	140,882	140,882
Trucks	129,765	129,765
Land	115,404	115,404
Furniture and office equipment	71,953	71,953
Fire hydrants	21,812	21,812
Parking lot	22,638	22,638
Fences	<u>11,660</u>	<u>11,660</u>
Subtotal	3,502,825	3,492,355
Less: Accumulated depreciation	<u>(1,918,969)</u>	<u>(1,777,573)</u>
	1,583,856	1,714,782
Construction in progress	<u>2,361,203</u>	<u>607,290</u>
Total	<u>\$ 3,945,059</u>	<u>\$ 2,322,072</u>

Depreciation expense for the years ended November 30, 2025 and 2024 was \$141,395 and \$156,531, respectively. As of November 30, 2025 and 2024, the Association recorded \$1,753,913 and \$314,922 of additions for the construction in progress of the new well, respectively. During the years ended, November 30, 2025, and 2024, the Association recorded disposals of \$0 and \$8,352, with a net book value of \$0 and \$1,359, respectively.

5. Fair Value Measurements

The Association's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the Fair Value Measurement Topic of the FASB ASC. See Note 1 for a description of the Association's policies and valuation techniques.

Under the Fair Value Measurement Topic of the FASB ASC, a fair value hierarchy is established for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

5. Fair Value Measurements (continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3: Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Association's measurements of fair value are made on a recurring basis, and its valuation techniques for assets and liabilities recorded at fair value are as follows:

Mutual Funds: The fair value is the market value based on quoted market prices.

Municipal Bonds and Corporate Bonds: The fair value is determined by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The valuation of all the Association's assets (investments) measured at fair value on a recurring basis at November 30, 2025 and 2024, are as follows:

<u>November 30, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 368,021	\$ -	\$ -	\$ 368,021
Municipal bonds	-	94,153	-	94,153
Corporate bonds	-	-	-	-
Total	<u>\$ 368,021</u>	<u>\$ 94,153</u>	<u>\$ -</u>	<u>\$ 462,174</u>
<u>November 30, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 346,280	\$ -	\$ -	\$ 346,280
Municipal bonds	-	135,021	-	135,021
Corporate bonds	-	25,090	-	25,090
Total	<u>\$ 346,280</u>	<u>\$ 160,111</u>	<u>\$ -</u>	<u>\$ 506,391</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

6. Long-term obligation (Note Payable)

On September 15, 2023, the Association entered into an agreement with the Louisiana Department of Health (LDH) through the Drinking Water Revolving Loan Fund for \$3.5 million of financing to engineer and construct a new water well. The financing agreement includes a provision for LDH to forgive 49% of each reimbursement request not exceeding \$1,568,000 in total for the project. The principal payments begin upon completion of the project or two years after the loan date.

As of November 30, 2025 and 2024, the Association received \$1,859,572 and \$405,589, respectively, from the Louisiana Department of Health (LDH). As of November 30, 2025 and 2024, the Louisiana Department of Health (LDH) recorded income from forgiveness of note payable of \$920,990 and \$198,738, respectively.

Due to the forgiveness of 49% of the loan principal upon each drawdown, repayments are calculated based on the outstanding loan balance at the time of invoicing, multiplied by the percentage specified in the LDH agreement. As of November 30, 2025 and 2024, the estimated current principal and long-term portion is as follows:

	<u>2025</u>	<u>2024</u>
Current portion, note payable	\$ 50,000	\$ 50,000
Long-term portion, note payable, net of unamortized debt issuance cost	880,843	172,668
	<u>\$ 930,843</u>	<u>\$ 222,668</u>

Upon completion of the project, the actual amount borrowed will be determined by the Louisiana Department of Health (LDH). The loan will be payable over a 20-year period and will bear an interest rate of 1.95%. This amount is recorded as a non-current liability on the Statements of Financial Position. Under the terms of the agreement, the Association is subject to compliance with certain provisions and covenants. As of November 30, 2025 and 2024, the Association is in compliance with all significant provisions and covenants.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

7. Rates and Fees

The Association served 3,703 and 3,695 customers and members as of November 30, 2025, and 2024, respectively. The water rate schedules used for the years ended November 30 are presented below:

Rates and Fees				
	2025		2024	
Residential:				
First 2,000 Gallons	\$	16.40	\$	16.40
Over 2,000 Gallons/per 1,000		3.50		3.50
Commercial:				
First 2,000 Gallons		28.00		28.00
Over 2,000 Gallons/per 1,000		5.75		5.75
Non-Recurring Charges:				
Initial Collection Fee		50.00		50.00
Subsequent Connection Fee		50.00		50.00
Membership Fee		15.00		15.00
Meter Deposits:				
Homeowners (Refundable)		90.00		90.00
Renters (Refundable)		120.00		120.00
Commercial (Refundable)		200.00		200.00
Service charge during business hours, per hour		70.00		70.00
Service charge after hours, per hour		105.00		105.00
New Standard Service (3/4" x 5/8") - residential:				
Standard Residential		1,183.00		1,183.00
New Standard Service (3/4" x 5/8") - commercial:				
Standard Commercial		1,293.00		1,293.00

8. Interest on Customer Deposits

All interest accrued on customers deposits was paid or credited to customer accounts as of November 30, 2025, and 2024. The Association pays or credits customer accounts for interest due on their deposits on an annual basis as of June 30th of each year. Interest expense recognized by the Association for customer deposits for the years ended November 30, 2025 and 2024 totaled \$9,272 and \$8,508, respectively.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

9. Operating Lease

The Association leases a portion of land and use of a water tower to a tenant under an operating lease beginning in September 2007. This lease is subject to automatic renewal for five additional and successive five-year renewal terms beyond the initial five-year lease term. The lease was automatically renewed through September 2028. However, the lessee has the right to cancel any of the additional renewal terms. At each renewal, the rental payments shall increase by fifteen percent of the rental payments paid during the preceding term. For the years ended November 30, 2025 and 2024, rental income under this lease was \$27,376, and \$27,376, respectively.

10. Retirement Plan

The Association has a 401(k) plan that covers the employees of the Association. The Association matches 100% of employees' contributions, up to a maximum of six percent of employees' gross salary. Amounts paid to the plan for the years ended November 30, 2025 and 2024 totaled \$12,710 and \$16,030, respectively.

11. Concentrations and Credit Risk

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The amount in excess of the federally insured limits was \$1,364,069 and \$984,363 as of November 30, 2025 and 2024, respectively. The Association has not experienced any losses in such accounts.

As of November 30, 2025, and 2024, water sales accounted for approximately 56% and 76% of the Association's total revenues, respectively. Delays in payment or inaccuracies in billing related to water sales could adversely impact the Association's financial performance and operations. The credit risk associated with trade receivables is considered limited due to the broad customer base that constitutes the outstanding trade receivables balance at year-end.

As of November 30, 2025, and 2024, the Association holds customer deposits totaling \$220,031 and \$217,919, respectively. These deposits represent amounts refundable to customers should they choose to discontinue their participation in the water system. The Association maintains restricted investment accounts specifically designated for customer deposits. As of November 30, 2025, and 2024, the balances in these accounts are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents, restricted	\$ 139,889	\$ 38,573
Investments, restricted:		
Municipal bonds	94,153	135,021
Corporate bonds	-	25,090
Total investments, restricted	<u>94,153</u>	<u>160,111</u>
Total restricted cash and investments	<u>\$ 234,042</u>	<u>\$ 198,684</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2025

11. Concentrations (continued)

As of November 30, 2025 and 2024, the customer deposits in excess/(deficit) of the restricted cash and investment amounts is \$14,011 and \$-19,235, respectively. The Association has not experience any losses in such accounts and does not anticipate that all deposits will be withdrawn simultaneously.

12. Commitments

During the year ended November 30, 2023, the Association signed a commitment contract with a construction company in the amount of \$3,088,670 for the construction of the new water well that will be funded from the \$3,500,000 loan from the Louisiana Department of Health (LDH). As of November 30, 2025, the total remaining value of the construction contract amounts to \$1,181,886.

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 26, 2026, and determined that no additional events occurred that required disclosure. No events after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

BAYOU LIBERTY WATER ASSOCIATION
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED NOVEMBER 30, 2025

Agency Head Name: Craig Sollberger, General Manager

Purpose:	Amount
Salary	\$ -
Retirement	-
Benefits - insurance	-
Meals and Parking	-
Registration Fees	-
Conference fee	-
	\$ -

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

See independent auditor's report.



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*

To the Board of Directors of
Bayou Liberty Water Association
Slidell, 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 Liberty Water Association (the Association), which comprise the statements of financial position as of November 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bayou Liberty Water Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, 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 a material weakness, as item #2025-001 and #2025-002.

Report on Compliance and Other Matters

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

Association' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard CPAS

Metairie, Louisiana
March 26, 2026



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Bayou Liberty Water Association
Slidell, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bayou Liberty Water Association (the Association) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association’s major federal programs for the year ended November 30, 2025. The Association’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness, as item #2025-003.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richard CPAS

Metairie, Louisiana
March 26, 2026

BAYOU LIBERTY WATER ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED NOVEMBER 30, 2025

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditure</u>
<u>U.S. Environmental Protection Agency</u>			
Pass through Louisiana Department of Health Drinking Water State Revolving Fund	66.468	1103005-01	<u>\$ 1,727,233</u>
Total U.S. Environmental Protection Agency			<u>1,727,233</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 1,727,233</u></u>

See independent auditor's report and notes to the schedule of expenditures of federal awards.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOVEMBER 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bayou Liberty Water Association under programs of the federal government for the year ended November 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bayou Liberty Water Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bayou Liberty Water Association.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Association's financial statements for the year ended November 30, 2025. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

3. Loan Programs

The value of federal awards expended under loan programs includes the proceeds of new loans received during the audit period, plus the beginning of the audit period balance of loans from previous years, minus the forgiveness of principal loan. The balance of loans outstanding as of November 30, 2025, is as follows:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance, net of unamortized debt issuance cost</u>
66.468	Drinking Water State Revolving Loan	\$930,843

During the year ended November 30, 2025, the loan principal forgiveness income of \$920,990 is reported on the Statements of Activities.

4. Indirect Cost

The Association has elected to not use the 15% de minimis indirect cost rate as provided for in section 200.413 of the Uniform Guidance.

BAYOU LIBERTY WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NOVEMBER 30, 2025

1) Summary of Auditor's Results

Financial Statements

- (a) Type of auditor's report issued: **Unmodified**
- (b) Internal control over financial reporting: **None reported**
- Material weakness(es) identified: **Yes**
 - Significant deficiency(ies): **None reported**
- (c) Noncompliance which is material to the financial statements **None reported**

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified: **Yes**
 - Significant deficiency(ies) identified: **None reported**
- (e) Type of auditor's report issued on compliance for major programs: **Unmodified**
- (f) Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) **No**
- (g) Identification of Major Programs:
- | <u>Federal Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
|--|---|
| 66.468 | Drinking Water State Revolving Loan |
- (h) Dollar threshold to distinguish between Type A and Type B Programs: **\$1,000,000**
- (i) Auditees qualified as a low risk auditee: **No**

BAYOU LIBERTY WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NOVEMBER 30, 2025

2) **Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards***

#2025-001 Internal Control Over Financial Reporting

Criteria: Internal control processes for organizations should include processes and controls that allow management to detect and correct adjustments to financial statements in order for the financial statements to be presented in accordance with U.S. GAAP.

Condition: The Association had multiple deficiencies in financial reporting, including improper recording of loan payables, failure to properly derecognize accounts payable, inaccurate accrual of liabilities, and incorrect recording of debt issuance costs.

Cause: The Association lacks the necessary processes, controls, and accounting expertise to ensure that all transactions listed above are properly recorded in accordance with Generally Accepted Accounting Principles (GAAP)."

Effect: Audit adjustments were required to present the current year financial statements in accordance with U.S. GAAP.

Recommendation: We recommend that the Organization outsourced/hire a qualified Certified Public Accountant to assist with complex transactions and ensure the completeness and accuracy of financial reporting.

Management's Response: We agree with the finding regarding internal control deficiencies over financial accounting and acknowledge the need for improved controls and procedures to ensure transactions are properly recorded and financial information is complete.

To address this issue, we will engage an external Certified Public Accountant (CPA) to review our financial transactions for accuracy and completeness. The outsourced CPA will perform periodic reconciliations of our books to ensure proper recording of transactions and compliance with Generally Accepted Accounting Principles (GAAP).

BAYOU LIBERTY WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NOVEMBER 30, 2025

2) Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards* (continued)

#2025-002 Procedures over Preparation of the Schedule of Expenditures of Federal Awards

Criteria: The Association's internal accounting control over Federal Awards should ensure the accuracy and completeness of the schedule of expenditures of federal awards (SEFA) and the identification of major programs in accordance with Title I U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Condition: The Association did not perform the final reconciliations of the federal expenditures necessary to prepare an accurate and complete SEFA on a timely basis.

Cause: The Association lacks the necessary processes, controls, and accounting expertise to ensure that all federal expenditures listed above are properly recorded in the SEFA.

Effect: The original SEFA required adjustments necessary to correct the balance reported as federal expenditures.

Recommendation: The Association should strengthen its controls over the reconciliation of federal program expenditures and associated calculations to ensure the information and balances that are accumulated and reported on the SEFA are an accurate representation of federal expenditures and based on the reporting requirements provided in the federal award and the compliance supplement.

Management's Response: The Association concurs with the observation and will implement procedures in 2026 as recommended.

BAYOU LIBERTY WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NOVEMBER 30, 2025

3) Findings and questioned costs for federal awards

#2025-003 Procedures over Preparation of the Schedule of Expenditures of Federal Awards

Criteria: The Association's internal accounting control over Federal Awards should ensure the accuracy and completeness of the schedule of expenditures of federal awards (SEFA) and the identification of major programs in accordance with Title I U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Condition: The Association did not perform the final reconciliations of the federal expenditures necessary to prepare an accurate and complete SEFA on a timely basis.

Cause: The Association lacks the necessary processes, controls, and accounting expertise to ensure that all federal expenditures listed above are properly recorded in the SEFA.

Effect: The original SEFA required adjustments necessary to correct the balance reported as federal expenditures.

Recommendation: The Association should strengthen its controls over the reconciliation of federal program expenditures and associated calculations to ensure the information and balances that are accumulated and reported on the SEFA are an accurate representation of federal expenditures and based on the reporting requirements provided in the federal award and the compliance supplement.

Management's Response: The Association concurs with the observation and will implement procedures in 2026 as recommended.

BAYOU LIBERTY WATER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NOVEMBER 30, 2025

4) Prior Year Findings relating to the basic financial statements reported in accordance with Government Auditing Standards

#2024-001 Internal Control Over Financial Reporting

Criteria: Internal control processes for organizations should include processes and controls that allow management to detect and correct adjustments to financial statements in order for the financial statements to be presented in accordance with U.S. GAAP.

Condition: The Association had multiple deficiencies in financial reporting, including improper recording of loan payables, failure to properly derecognize accounts payable, inaccurate accrual of liabilities, and incorrect recording of debt issuance.

Cause: The Association lacks the necessary processes, controls, and accounting expertise to ensure that all transactions listed above are properly recorded in accordance with Generally Accepted Accounting Principles (GAAP)."

Effect: Audit adjustments were required to present the current year financial statements in accordance with U.S. GAAP.

Recommendation: We recommend that the Organization outsourced/hire a qualified Certified Public Accountant to assist with complex transactions and ensure the completeness and accuracy of financial reporting.

Management's Response: We agree with the finding regarding internal control deficiencies over financial accounting and acknowledge the need for improved controls and procedures to ensure transactions are properly recorded and financial information is complete.

To address this issue, we will engage an external Certified Public Accountant (CPA) to review our financial transactions for accuracy and completeness. The outsourced CPA will perform periodic reviews of our books to ensure proper recording of transactions and compliance with Generally Accepted Accounting Principles (GAAP).

Current Status: Not resolved. See finding 2025-001.

BAYOU LIBERTY WATER ASSOCIATION
LOUISIANA LEGISLATIVE AUDITOR
AGREED-UPON PROCEDURES REPORT

NOVEMBER 30, 2025

RICHARD  CPAS

BAYOU LIBERTY WATER ASSOCIATION

LOUISIANA LEGISLATIVE AUDITOR
AGREED-UPON PROCEDURES REPORT

NOVEMBER 30, 2025

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Bayou Liberty Water Association and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Agreed-Upon Procedures (AUPs) for the fiscal period December 1, 2024, through November 30, 2025. The Bayou Liberty Water Association's management is responsible for those C/C areas identified in the AUPs.

The Bayou Liberty Water Association (the Association) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period December 1, 2024, through November 30, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by the Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the AUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the AUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Richard CPAS

Metairie, Louisiana
March 26, 2026

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

PROCEDURES (SCHEDULE A)

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*No exception noted*” or for step 25 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

1) ***Written Policies and Procedures***

- A. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:

i. Budgeting, including preparing, adopting, monitoring, and amending the budget.

Exception noted. The Association does not have any Written Policies or Procedures.

ii. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

Exception noted. The Association does not have any Written Policies or Procedures.

iii. Disbursements, including processing, reviewing, and approving.

Exception noted. The Association does not have any Written Policies or Procedures.

iv. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Exception noted. The Association does not have any Written Policies or Procedures.

v. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Exception noted. The Association does not have any Written Policies or Procedures.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

vi. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Exception noted. The Association does not have any Written Policies or Procedures.

vii. Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Exception noted. The Association does not have any Written Policies or Procedures.

viii. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Exception noted. The Association does not have any Written Policies or Procedures.

ix. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

The Association is a non-for-profit entity. This procedure is non-applicable.

x. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exception noted. The Association does not have any Written Policies or Procedures.

xi. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exception noted. The Association does not have any Written Policies or Procedures.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

xii. Prevention of Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

The Association is a non-for-profit entity. This procedure is non-applicable.

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions were found as a result of this procedure.

iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

The Association is a non-profit entity. This procedure is non-applicable.

iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exception noted. No board meeting minutes included discussion to address written updates to the findings from the prior year.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

3) *Bank Reconciliations*

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions were found as a result of this procedure.

ii. Bank reconciliations include written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date of reconciliation was prepared (e.g., initialed and dated, electronically logged);

No exceptions were found as a result of this procedure.

iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were found as a result of this procedure.

4) *Collections (excluding electronic funds transfers)*

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

i. Employees responsible for cash collections do not share cash drawers/registers.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

ii. Each employee responsible for collecting cash is not also responsible for

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

- iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3A under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

iii. Trace the deposit slip total to the actual deposit per the bank statement.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

v. Trace the actual deposit per the bank statement to the general ledger.

This procedure is not applicable, as all cash collections related to public funds were received via ACH wire transfers.

5) Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions were found as a result of this procedure.

B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions were found as a result of this procedure.

ii. At least two employees are involved in processing and approving payments to vendors.

No exceptions were found as a result of this procedure.

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

Exception noted. The employee responsible for payments is able to add/modify vendor files.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Exception noted. The employee responsible for signing checks does not mail the payment. The checks are given to the bookkeeper who is involved in processing payment(s) for mailing.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions were found as a result of this procedure.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- i. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions were found as a result of this procedure.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

Exception noted. The employee responsible for signing checks does not mail the payment. The checks are given to the bookkeeper who is involved in processing payment(s) for mailing.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

No exceptions were found as a result of this procedure.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

6) *Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)*

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the person who maintained possession of the cards. Obtain management’s representation that the listing is complete.

The Association did not expend public funds using any Credit Cards/Debit Cards/Fuel Cards/Purchase Cards. This procedure is non-applicable.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The Association did not expend public funds using any Credit Cards/Debit Cards/Fuel Cards/Purchase Cards. This procedure is non-applicable.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

The Association did not expend public funds using any Credit Cards/Debit Cards/Fuel Cards/Purchase Cards. This procedure is non-applicable.

- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

The Association did not expend public funds using any Credit Cards/Debit Cards/Fuel Cards/Purchase Cards. This procedure is non-applicable.

- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

The Association did not expend public funds using any Credit Cards/Debit Cards/Fuel Cards/Purchase Cards. This procedure is non-applicable.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

The Association did not expend public funds on any Travel and Travel-Related Expense Reimbursements. This procedure is non-applicable.

ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

The Association did not expend public funds on any Travel and Travel-Related Expense Reimbursements. This procedure is non-applicable.

iii. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

The Association did not expend public funds on any Travel and Travel-Related Expense Reimbursements. This procedure is non-applicable.

iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The Association did not expend public funds on any Travel and Travel-Related Expense Reimbursements. This procedure is non-applicable.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

8) *Contracts*

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions were found as a result of this procedure.

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

No exceptions were found as a result of this procedure.

iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

No exceptions were found as result of this procedure.

iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were found as a result of this procedure.

9) *Payroll and Personnel*

A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:

i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

The Association did not expend any public funds on any Payroll and Personnel expenses. This procedure is non-applicable.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

10) *Ethics*

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain ethics documentation from management, and:

i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.

The Association is a non-for-profit entity. This procedure is non-applicable.

ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

The Association is a non-for-profit entity. This procedure is non-applicable.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

The Association is a non-for-profit entity. This procedure is non-applicable.

11) *Debt Service*

A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

No exceptions were found as a result of this procedure.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions were found as a result of this procedure.

BAYOU LIBERTY WATER ASSOCIATION

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

12) *Fraud Notice*

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

No exceptions were found as a result of this procedure.

- B. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exception noted. The Association does not have the notice required by R.S. 24:523.1 posted on their website.

13) *Information Technology Disaster Recovery/Business Continuity*

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- i.* Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii.* Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii.* Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED NOVEMBER 30, 2025

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 – completed the training; and
- Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

We performed the procedure and discussed the results with management.

14) *Prevention of Sexual Harassment*

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

The Association is a non-for-profit entity. This procedure is non-applicable.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

The Association is a non-for-profit entity. This procedure is non-applicable.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- i.* Number and percentage of public servants in the agency who have completed the training requirements;

The Association is a non-for-profit entity. This procedure is non-applicable.

- ii.* Number of sexual harassment complaints received by the agency;

The Association is a non-for-profit entity. This procedure is non-applicable.

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iii. Number of complaints which resulted in a finding that sexual harassment occurred;

The Association is a non-for-profit entity. This procedure is non-applicable.

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action;

The Association is a non-for-profit entity. This procedure is non-applicable.

v. Amount of time it took to resolve each complaint.

The Association is a non-for-profit entity. This procedure is non-applicable.

BAYOU LIBERTY WATER ASSOCIATION

MANAGEMENT'S RESPONSE AND CORRECTION ACTION

FOR THE YEAR ENDED NOVEMBER 30, 2025

(1) Written Policies and Procedures

The Association concurs with the findings and will develop documented policies and procedures, available either online or in print.

(2) Board or Finance Committee

The Association concurs with the findings. The Association will ensure that it addresses any findings related to the audit in the minutes of the board meetings.

(5) Non-payroll disbursements

The Association concurs with the findings. Due to limited staffing, hiring an additional employee solely to add or modify vendors is not feasible. The Association also believes it is inefficient for the individual who signs checks to be responsible for mailing them. The Association concludes that sufficient controls are in place, as only authorized signers can approve disbursements, and the bookkeeper does not have check-signing authority.

(12) Fraud Notice

The Association concurs with the finding and will ensure the required fraud notice is posted on its website.