
BAYOU LIBERTY WATER ASSOCIATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2024



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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, 2024, and 2023, 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, 2024, and 2023, 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 21, 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of Bayou Liberty Water 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bayou Liberty Water 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 Bayou Liberty Water Association's internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
February 17, 2025

FINANCIAL STATEMENTS

BAYOU LIBERTY WATER ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 75,996	\$ 39,209
Cash and cash equivalents, restricted	38,573	54,648
Trade receivables, net	118,828	113,344
Investments	346,281	309,663
Investments, restricted	160,111	170,347
Prepaid insurance	76,556	63,581
Due from insurance	7,673	-
Total current assets	<u>824,018</u>	<u>750,792</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>2,322,072</u>	<u>2,020,879</u>
<u>OTHER LONG-TERM ASSETS</u>		
Cash and cash equivalents - board designated	1,597,402	1,087,237
Restricted cash, debt reserve	15,921	301
Debt issuance costs	185,859	168,325
Total other assets	<u>1,799,182</u>	<u>1,255,863</u>
<u>TOTAL ASSETS</u>	<u><u>\$ 4,945,272</u></u>	<u><u>\$ 4,027,534</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable - trade	\$ 176,628	\$ 125,778
Accrued liabilities	38,634	39,451
Accrued interest on meter deposits	4,230	4,230
Prepaid income	36,175	32,554
Current portion, note payable	9,000	1,000
Total current liabilities	<u>264,667</u>	<u>203,013</u>
<u>NON-CURRENT LIABILITIES</u>		
Customer deposits	210,790	201,530
Long-term portion, note payable	213,668	15,817
Total non-current liabilities	<u>424,458</u>	<u>217,347</u>
Total liabilities	<u><u>689,125</u></u>	<u><u>420,360</u></u>
<u>NET ASSETS</u>		
Without donor restrictions	4,256,147	3,607,174
With donor restrictions	-	-
Total net assets	<u>4,256,147</u>	<u>3,607,174</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$ 4,945,272</u></u>	<u><u>\$ 4,027,534</u></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, 2024 AND 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<u>REVENUES AND GAINS</u>						
Water sales	\$ 1,277,604	\$ -	\$ 1,277,604	\$ 1,184,835	\$ -	\$ 1,184,835
Gain on forgiveness of note payable	198,738	-	198,738	16,158	-	16,158
Investment return, net	61,478	-	61,478	20,615	-	20,615
New applications and membership fees	44,731	-	44,731	35,254	-	35,254
Reconnect fees	41,215	-	41,215	40,410	-	40,410
Rental income	27,376	-	27,376	27,376	-	27,376
Miscellaneous income	17,284	-	17,284	17,299	-	17,299
Late charges	15,737	-	15,737	15,322	-	15,322
Total revenues and gains	1,684,163	-	1,684,163	1,357,269	-	1,357,269
<u>EXPENSES</u>						
Program services:						
Water sales	718,753	-	718,753	688,291	-	688,291
Total program services	718,753	-	718,753	688,291	-	688,291
Supporting services:						
Management and general	316,437	-	316,437	337,540	-	337,540
Total supporting services	316,437	-	316,437	337,540	-	337,540
Total expenses	1,035,190	-	1,035,190	1,025,831	-	1,025,831
<u>CHANGE IN NET ASSETS</u>	648,973	-	648,973	331,438	-	331,438
<u>NET ASSETS, BEGINNING OF THE YEAR</u>	3,607,174	-	3,607,174	3,275,736	-	3,275,736
<u>NET ASSETS, END OF THE YEAR</u>	\$ 4,256,147	\$ -	\$ 4,256,147	\$ 3,607,174	\$ -	\$ 3,607,174

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, 2024 AND 2023

	2024			2023		
	Program Services	Supporting Services		Program Services	Supporting Services	
	Water Sales	Management and General	Total	Water Sales	Management and General	Total
Salaries and payroll	\$ 229,286	\$ 150,423	\$ 379,709	\$ 247,377	\$ 173,260	\$ 420,637
Depreciation	156,531	-	156,531	156,082	-	156,082
Insurance	73,898	18,475	92,373	60,894	15,223	76,117
Supplies	58,953	-	58,953	49,216	-	49,216
Health insurance	35,216	23,104	58,320	42,228	26,402	68,630
Utilities	35,447	12,365	47,812	39,662	13,719	53,381
Trucks	28,325	-	28,325	21,143	-	21,143
Bad debt expense	27,311	-	27,311	3,876	-	3,876
Directors' fee	-	23,100	23,100	-	25,450	25,450
Leak Insurance Protection	22,212	-	22,212	-	-	-
Postage and freight	304	20,618	20,922	162	21,092	21,254
Fees, dues, and subscriptions	13,895	6,948	20,843	14,911	7,455	22,366
Legal and audit fees	-	19,707	19,707	-	23,040	23,040
Retirement plan	9,105	6,925	16,030	7,267	4,072	11,339
Office supplies	-	11,373	11,373	-	6,754	6,754
Repairs and maintenance	7,199	3,621	10,820	22,147	5,508	27,655
Telephone	6,172	3,179	9,351	5,984	3,083	9,067
Interest paid on deposits	-	8,508	8,508	-	4,026	4,026
Miscellaneous	2,311	3,938	6,249	4,052	5,145	9,197
Janitorial service	2,232	2,231	4,463	2,223	2,222	4,445
Taxes and licenses	3,043	-	3,043	3,308	-	3,308
Property maintenance	2,322	-	2,322	3,761	-	3,761
Garbage pick-up	1,053	1,053	2,106	678	678	1,356
Uniforms	844	553	1,397	1,181	157	1,338
Loss on disposal of asset	1,359	-	1,359	-	-	-
Seminar and training	1,190	-	1,190	1,816	-	1,816
Exterminating	236	236	472	236	236	472
Loan interest	309	-	309	87	-	87
Bank charges	-	80	80	-	5	5
Travel	-	-	-	-	13	13
Total expenses	<u>\$ 718,753</u>	<u>\$ 316,437</u>	<u>\$ 1,035,190</u>	<u>\$ 688,291</u>	<u>\$ 337,540</u>	<u>\$ 1,025,831</u>

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 648,973	\$ 331,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	156,531	156,082
Loss on disposal of assets	1,359	
Unrealized gain on investments	(42,707)	(5,604)
Bad debt expense	27,311	3,876
Gain on forgiveness of note payable	(198,738)	(16,158)
Changes in operating assets and liabilities:		
Trade receivables	(32,795)	7,938
Interest income and dividends	16,325	-
Prepaid insurance	(12,975)	(13,745)
Due from insurance	(7,673)	-
Accounts payable - trade	(105,319)	(10,888)
Accrued liabilities	(817)	13,928
Accrued interest on meter deposits	-	(4,027)
Prepaid income	3,621	(11,213)
Customer deposits	9,260	18,935
Net cash provided by operating activities	<u>462,356</u>	<u>470,562</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(304,557)	(37,600)
Purchase of investments	-	(56,207)
Proceeds from sales or maturities of investments	-	20,566
Net cash provided by (used in) investing activities	<u>(304,557)</u>	<u>(73,241)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment of debt issuance cost	(15,891)	(45,666)
Proceeds from long-term debt	405,589	32,975
Payment from long-term debt	(1,000)	-
Net cash provided by (used in) financing activities	<u>388,698</u>	<u>(12,691)</u>
Net change in cash and cash equivalents	546,497	384,630
Cash and cash equivalents, beginning of year	<u>1,181,395</u>	<u>796,765</u>
Cash and cash equivalents, end of year	<u>\$ 1,727,892</u>	<u>\$ 1,181,395</u>
<u>SUPPLEMENTAL DISCLOSURE</u>		
Construction in progress and retainage in accounts payable	<u>\$ 156,169</u>	<u>\$ 115,988</u>
Cash paid for interest	<u>\$ 396</u>	<u>\$ -</u>
<u>RECONCILIATION OF CASH & CASH EQUIVALENTS AND RESTRICTED CASH</u>		
Cash and cash equivalents	\$ 75,996	\$ 39,209
Cash and cash equivalents, restricted cash	38,573	54,648
Cash and cash equivalents - board designated	1,597,402	1,087,237
Restricted cash, debt reserve	15,921	301
	<u>\$ 1,727,892</u>	<u>\$ 1,181,395</u>

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

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 75,996	\$ 39,209
Board designated cash and cash equivalents	1,597,402	1,087,237
Restricted cash, debt reserve	<u>15,921</u>	<u>301</u>
Total cash and cash equivalents	<u>\$ 1,689,319</u>	<u>\$ 1,126,747</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

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 \$1,597,402 and \$1,087,237 at November 30, 2024 and 2023, respectively, are categorized as "Other Long-Term Assets" on the Statements of Financial Position. As of November 30, 2024 and 2023, the Association maintained restricted cash balances of \$15,921 and \$301, 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, 2024 and 2023, the allowance for credit losses is \$17,462 and \$-, 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, 2024, and 2023, was \$27,311 and \$3,876, 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, 2024

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.

Debt Issuance Costs

During the years ended November 30, 2024, and 2023, the Association incurred professional fees related to a loan agreement that management will be executed in a subsequent fiscal year. These costs have been capitalized and classified as “Other Long-Term Assets” on the Statements of Financial Position. Upon full drawdown of the loan, the Association will begin amortizing the debt issuance costs over the remaining term of the loan using the straight-line method.

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.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

1. Summary of Significant Account Policies (continued)

Revenue Recognition (continued)

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 \$118,828 and \$113,344 as of November 30, 2024 and 2023, respectively. Customer deposits from contracts with customers totaled \$217,919 and \$209,184 as of November 30, 2024 and 2023, respectively. As of November 30, 2024 and 2023, Prepaid income from customers totaled \$36,175 and \$32,554, respectively.

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.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

1. Summary of Significant Account Policies (continued)

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, 2024, and 2023, 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.

Recent Accounting Pronouncements Adopted

The FASB originally issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326) as amended by ASU 2018-19, ASU 2019-04, and ASU 2019-05, in June 2016. This ASU, commonly referred to as the current expected credit loss methodology (“CECL”), replaces the incurred loss methodology for recognizing credit losses under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The expected loss model will apply to loans and leases, unfunded lending commitments, held-to-maturity debt securities and other debt instruments measured at amortized cost. The Association adopted this standard for the year ending November 30, 2023.

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, 2024

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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 75,996	\$ 39,209
Trade receivables, net	118,828	113,344
Investments	346,281	309,663
Prepaid insurance	76,556	63,581
Due from insurance	7,673	-
Less: Customer deposits	<u>(210,790)</u>	<u>(201,530)</u>

3. Investments

The cost and fair value of all investments as of November 30, 2024, and 2023 were as follows:

<u>November 30, 2024</u>	<u>Cost</u>	<u>Fair value</u>
Mutual funds	\$ 361,162	\$ 346,281
Municipal bonds	143,298	135,021
Corporate bonds	<u>28,389</u>	<u>25,090</u>
Total	<u>\$ 532,849</u>	<u>\$ 506,392</u>
<u>November 30, 2023</u>	<u>Cost</u>	<u>Fair value</u>
Mutual funds	\$ 346,735	\$ 309,663
Municipal bonds	155,663	145,619
Corporate bonds	<u>26,276</u>	<u>24,728</u>
Total	<u>\$ 528,674</u>	<u>\$ 480,010</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

4. Property and Equipment

Property and equipment consisted of the following on November 30, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Water, wells, and pumps	\$ 996,112	\$ 996,112
Overhead tanks and lines	125,869	125,869
Water meters	1,521,406	1,528,549
Property improvements	107,563	107,563
Equipment	227,291	225,427
Buildings	140,882	140,882
Trucks	129,765	129,765
Land	115,404	115,404
Furniture and office equipment	71,953	71,193
Fire hydrants	21,812	20,263
Parking lot	22,638	22,638
Fences	11,660	11,660
Subtotal	3,492,355	3,495,325
Less: Accumulated depreciation	<u>(1,777,573)</u>	<u>(1,628,035)</u>
	1,714,782	1,867,290
Construction in progress	468,511	153,589
Total	<u><u>\$ 2,183,293</u></u>	<u><u>\$ 2,020,879</u></u>

Depreciation expense for the years ended November 30, 2024 and 2023 was \$156,531 and \$156,082, respectively. During the years ended, November 30, 2024, and 2023, the Association recorded disposals of \$8,352 and \$120,728, with a net book value of \$1,359 and \$0, 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, 2024

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, 2024 and 2023, are as follows:

<u>November 30, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 346,281	\$ -	\$ -	\$ 346,281
Municipal bonds	-	135,021	-	135,021
Corporate bonds	-	25,090	-	25,090
Total	<u>\$ 346,281</u>	<u>\$ 160,111</u>	<u>\$ -</u>	<u>\$ 506,392</u>
<u>November 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 309,663	\$ -	\$ -	\$ 309,663
Municipal bonds	-	145,619	-	145,619
Corporate bonds	-	24,728	-	24,728
Total	<u>\$ 309,663</u>	<u>\$ 170,347</u>	<u>\$ -</u>	<u>\$ 480,010</u>

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

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, 2024 and 2023, the Association received \$405,589 and \$32,975, respectively, from the Louisiana Department of Health (LDH). As of November 30, 2024 and 2023, the Louisiana Department of Health (LDH) recorded income from forgiveness of note payable of \$198,738 and \$16,158, respectively. As of November 30, 2024 and 2023, the non-current liability, loan payable, on the statements of financial position amounts to \$222,668 and \$16,817, respectively.

Due to the forgiveness of half 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, 2024, the estimated current principal and long-term portion is as follows:

	<u>2024</u>
Current portion, note payable	\$ 9,000
Long-term portion, note payable	<u>213,668</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 in the financial statements of the balance sheet. Under the terms of the agreement, the Association is subject to compliance with certain provisions and covenants. As of November 30, 2024 and 2023, the Association is in compliance with all significant provisions and covenants.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

7. Rates and Fees

The Association served 3,695 and 3,693 customers and members as of November 30, 2024, and 2023, respectively. The water rate schedules used for the years ended November 30 are presented below:

Rates and Fees		
	2024	2023
Residential:		
First 2,000 Gallons	\$ 16.40	\$ 13.00
Over 2,000 Gallons/per 1,000	3.50	3.00
Commercial:		
First 2,000 Gallons	28.00	25.00
Over 2,000 Gallons/per 1,000	5.75	5.00
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, 2024, and 2023. The Association pays or credit 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, 2024 and 2023 totaled \$8,508 and \$4,230, respectively.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

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 2023. 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, 2024 and 2023, rental income under this lease was \$27,376, and \$27,376, respectively.

10. Principal Officers

The principal officers on November 30, 2024, were:

<u>Name</u>	<u>Position</u>
Cleveland J. Pichon	President
O'Neal Galloway	Vice President
Catherine Galatas	Secretary
Diane Reed	Treasurer

11. 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, 2024 and 2023 totaled \$16,030 and \$11,339, respectively.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

12. Concentrations

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 \$984,363 and \$506,304 as of November 30, 2024 and 2023, respectively. The Association has not experienced any losses in such accounts.

As of November 30, 2024, and 2023, water sales accounted for approximately 76% and 87% 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, 2024, and 2023, the Association holds customer deposits totaling \$210,790 and \$201,530, 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, 2024, and 2023, the balances in these accounts are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents, restricted	\$ 38,573	\$ 54,648
Investments, restricted:		
Municipal bonds	135,021	145,619
Corporate bonds	<u>25,090</u>	<u>24,728</u>
Total investments, restricted	160,111	170,347
 Total restricted cash and investments	 <u><u>\$ 198,684</u></u>	 <u><u>\$ 224,995</u></u>

As of November 30, 2024 and 2023, the customer deposits in excess of the restricted investment amounts was \$12,106 and \$0, respectively. The Association has not experience any losses in such accounts and does not anticipate that all deposits will be withdrawn simultaneously.

BAYOU LIBERTY WATER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2024

13. Related-Party Transactions

The Association pays stipends to the board members for time and travel expenses related to board meetings. The following summarizes the total paid to each board member during the years ended November 30, 2024 and 2023:

<u>Name</u>	<u>2024</u>	<u>2023</u>
Cleveland J. Pichon	\$ 6,000	\$ 6,200
O'Neal Galloway	4,300	4,550
Diane Reed	2,500	2,600
Catherine Galatas	2,500	2,600
Lonnie Garcia	1,200	1,400
Clyde L Favre	500	1,200
Earnest Jones	1,200	1,400
James Robert	1,200	1,400
Kevin Hansen	1,300	1,400
Gerald Sciacca	1,000	1,400
Marshall Loyacano	<u>1,400</u>	<u>1,300</u>
Total	<u>\$ 23,100</u>	<u>\$ 25,450</u>

For the years ended November 30, 2024 and 2023, the amounts of \$23,100 and \$25,450 are shown on the Statement of Functional Expenses as Directors' Fee, respectively.

14. 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, 2024, the total remaining value of the construction contract amounts to \$2,773,748.

15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 17, 2025, 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, 2024

Agency Head Name: Craig Sollberger, General Manager

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

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

OTHER REPORTS



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, 2024 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 February 17, 2025.

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 a certain deficiency in internal control that we consider to be a material weakness.

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*.

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
February 17, 2025

BAYOU LIBERTY WATER ASSOCIATION
SUMMARY SCHEDULE FINDINGS AND RESPONSES
FOR THE YEAR ENDED NOVEMBER 30, 2024

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified.</u>
Internal control over financial reporting	<u>None reported.</u>
<ul style="list-style-type: none">• Material weakness(es) identified:• Significant deficiency(ies) identified that are not considered to be material weakness	<u>Yes</u> <u>None reported.</u>
Noncompliance material to the financial statements	<u>No</u>
Other matter:	<u>No</u>

BAYOU LIBERTY WATER ASSOCIATION

SUMMARY SCHEDULE FINDINGS AND RESPONSES

FOR THE YEAR ENDED NOVEMBER 30, 2024

2. 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.

View of Responsible Official and Planned Correction Action

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).