

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

**REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS**

DECEMBER 31, 2024

**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
DENHAM SPRINGS, LOUISIANA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

TABLE OF CONTENTS

	<u>Statement</u>	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report			1 - 4
Management's Discussion and Analysis			5 - 11
Basic Financial Statements:			
Statement of Net Position	A		12 - 13
Statement of Revenues, Expenses, and Changes in Net Position	B		14
Statement of Cash Flows	C		15 - 16
Notes to the Financial Statements			17 - 35
Other Supplementary Information:			
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (GAAP Basis) and Actual		1	36 - 37
Schedule of Insurance Coverage in Force		2	38 - 39
Schedule of Water Rates, Tap Fees and Number of Customers		3	40
Schedule of Expenditures of Federal Awards		4	41 - 42
Independent Auditor's Report on Internal Control [Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Component Unit Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>]			43 - 44
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance			45 - 47
Schedule of Findings and Questioned Costs			48 - 49
Summary Schedule of Prior Year Findings			50 - 52

INDEPENDENT AUDITOR'S REPORT

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Ward Two Water District of Livingston Parish, as of December 31, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 GAAS 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 District'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 District'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.

Report on Summarized Comparative Information

We have previously audited Ward Two Water District of Livingston Parish's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis-of-Matter - Change in Accounting Principle

As discussed in Note 16 to the financial statement, in 2024 the District adopted new accounting standard, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), and schedule of water rates, tap fees and number of customers (Schedule 3) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (Schedule 4), is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), schedule of water rates, tap fees and number of customers (Schedule 3), and the schedule of expenditures of federal awards (Schedule 4) are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in net position- budget (GAAP Basis) and actual (Schedule 1), schedule of insurance coverage in force (Schedule 2), schedule of water rates, tap fees and number of customers (Schedule 3), and the schedule of expenditures of federal awards (Schedule 4) are fairly stated, in all material respects, in relation to the basic 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 June 20, 2025, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2025

Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
Management's Discussion and Analysis
December 31, 2024

Introduction

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (GASB 34)*, as amended, and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

- At December 31, 2024, total assets and deferred outflows of resources were \$53,630,380 and exceeded liabilities in the amount of \$33,249,877 (i.e., net position). Of the total net position, \$5,618,021 was unrestricted and available to support short-term operations; \$4,289,556 was restricted for capital projects and debt service, with the balance of \$23,342,300 as net investment in capital assets.
- For the year ended December 31, 2024, user fee revenues (water sales) increased 18.46% to \$7,863,825 as compared to \$6,638,482 for the fiscal year ended December 31, 2023. Total Other Revenue categories however increased totaling \$3,275,450 for 2024 as compared to \$2,225,691 in 2023 (an increase of \$1,049,759).
- The District's expenses increased 5.04% to \$6,824,731 as compared to \$6,497,065 in 2023.
- The District had assets and asset improvements placed in service of \$920,733 during the year ended December 31, 2024 and an increase in Construction in Progress of \$3,859,303.

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

The major components of the change in "Current Assets" were primarily increases in cash and cash equivalents and investments of \$1,455,662. Additionally, there were increases in inventory of \$12,554 as well as increase in prepaid insurance of \$145,362.

"Capital Assets" increased by a net of \$2,989,118 primarily from the additions of \$3,511,518 in construction in progress (net of CIP placed in service) and \$920,733 in utility systems, equipment and building improvements less the subtraction of depreciation of \$1,344,411 and amortization of \$98,722 as well as disposals.

"Deferred Amount on Refunding of Debt" decreased by \$50,129 for amortization of the advanced refunding difference.

"Total Liabilities" increased by \$207,092 from changes in Short-Term, Long-Term Debt, and Bond Anticipation Note Payable. The repayment of regular scheduled principal payments on debt caused a decrease of \$1,661,821. The bond anticipation note payable increased \$1,652,625. In addition, Accounts Payable and Accrued Payables increased by a net of \$152,229. There was an increase in Construction Payable by \$109,421. There was also an increase in Customer Deposits Payable of \$69,064, while IT Subscription Liabilities decreased by \$76,375.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	2024	As Restated, 2023	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 8,721,924	\$ 7,346,835	\$ 1,375,089	19%
Nonoperating Revenues	2,417,351	1,517,338	900,013	59%
Total Revenues	<u>11,139,275</u>	<u>8,864,173</u>	<u>2,275,102</u>	26%
Expenses:				
Depreciation and Amortization	1,443,133	1,425,592	17,541	1%
Other Operating Expenses	4,966,707	4,578,308	388,399	8%
Nonoperating Expenses	414,891	493,165	(78,274)	(16%)
Total Expenses	<u>6,824,731</u>	<u>6,497,065</u>	<u>327,666</u>	5%
Change in Net Position, as Restated	4,314,544	2,367,108	1,947,436	82%
Beginning Net Position, as Restated	<u>28,935,333</u>	<u>26,568,225</u>	<u>2,367,108</u>	9%
Ending Net Position, as Restated	<u>\$33,249,877</u>	<u>\$28,935,333</u>	<u>\$ 4,314,544</u>	15%

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's is being conservatively managed in a time of consistent expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 25,337 at fiscal year-end compared to 24,786 in 2023, for an increase of 551.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by \$1,375,089 (19 %) for the fiscal year ended December 31, 2024 after a \$479,783 (6 %) decrease for the year ended December 31, 2023. The increase in Operating Revenues for 2024 was due to changes to the district's rate structure and more timely billings. The Non-operating Revenues increased by \$900,013 which includes an increase in loan forgiveness amount of \$586,484 and an increase in interest and other income of \$333,098.

Total other operating expenses increased by \$388,399 from the prior year and non-operating expenses decreased by \$78,274. The other operating expense increase is primarily due to the \$345,619 increase in repairs and maintenance, an increase in personal services and benefits of \$47,208, an increase in bank fees of \$55,495, utilities expense increase of \$51,221, office expense increase of \$47,064, insurance expense increase of \$33,935, and supplies expense increase of \$18,124 as compared to 2023. There were also decreases in bad debt expense of \$160,132, contractual services expense of \$48,300 and vehicle expense of \$1,835 as compared to 2023 that partially offset the above increases.

The above changes resulted in an increase in Net Position of \$4,314,544 for the year ended December 31, 2024, as compared to an increase in net position of \$2,367,108 for the year ended December 31, 2023.

Budgetary Highlights

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana adopts an annual operating budget and reviews budget-to-actual performance on a monthly basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in “Schedule 1 - Budgetary Comparison Schedule”, as supplementary information, following the footnotes to the financial statements.

Condensed Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2024

	Final Budget December 31, 2024	Actual December 31, 2024	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 7,938,000	\$ 8,721,924	\$ 783,924
Nonoperating Revenues	2,392,354	2,417,351	24,997
Total Revenues	10,330,354	11,139,275	808,921
Expenses:			
Depreciation and Amortization	1,474,000	1,443,133	30,867
Other Operating Expenses	5,153,000	4,966,707	186,293
Nonoperating Expenses	425,000	414,891	10,109
Total Expenses	7,052,000	6,824,731	227,269
Change in Net Position	3,278,354	4,314,544	1,036,190
Beginning Net Position	28,935,333	28,935,333	-
Ending Net Position	\$32,213,687	\$33,249,877	\$ 1,036,190

Actual Operating Revenues were greater than budgeted Operating Revenues by a favorable variance of 9.88%. Actual Non-Operating Revenues were a favorable variance of \$24,997 due to an increase in interest income, forgiveness of debt, and other income.

Actual Other Operating Expenses were less than budgeted amounts by \$186,293 favorable variance. Actual Non-operating Expenses were less than budgeted amounts by \$10,109 comprised primarily of decreased debt issuance cost. The major reasons for Actual Operating Expenses being under budget \$186,293 were expenses related to supplies having a \$276,677 favorable variance, insurance expense being under budget by \$97,536, and contractual services being under budget by \$69,732, partially offset by repairs and maintenance expenses being over budget by \$139,052, utilities being over budget by \$54,042 personal services and benefits being over budget by \$23,964, and office expenses being over budget by \$24,821.

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

As of December 31, 2024 and 2023, the District had the following number of customers:

	December 31, 2024	December 31, 2023	Increase (Decrease)
Customers			
Residential	23,652	23,158	494
Nonresidential	1,685	1,628	57
Total Customers	<u>25,337</u>	<u>24,786</u>	<u>551</u>

Revenue and Expense Data Per Customer Per Month

	December 31, 2024	December 31, 2023	Increase (Decrease)	Percentage Change
Water Sales	\$ 25.86	\$ 22.32	\$ 3.54	16%
Operating Revenues	28.69	24.70	3.99	16%
Total Revenues	36.64	29.80	6.84	23%
Operating Expenses	21.08	20.19	0.89	4%
Total Expenses	22.45	21.84	0.61	3%

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023	Increase (Decrease)
Accounts Receivable			
Current	\$ 810,164	\$ 829,520	\$ (19,356)
31-60 Days Past Due	45,427	75,146	(29,719)
Over 60 Days Past Due	194,292	288,603	(94,311)
Subtotal	1,049,883	1,193,269	(143,386)
Allowance for Uncollectible Accounts	(195,372)	(288,381)	93,009
	<u>\$ 854,511</u>	<u>\$ 904,888</u>	<u>\$ (50,377)</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ended December 31, 2024, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had \$37,499,744 (net of accumulated depreciation) recorded in capital assets. The District continues to make additions to its water system to meet the demands of its increasing customer base. The changes in capital assets are presented in the table below.

	December 31, 2024	December 31, 2023	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 553,594	\$ 553,594	\$ -	0%
Construction in Progress	7,656,648	4,145,130	3,511,518	85%
Utility System	50,893,462	50,127,229	766,233	2%
Buildings	1,058,048	974,108	83,940	9%
Equipment	1,628,887	1,615,979	12,908	1%
Furniture and Fixtures	41,565	41,565	-	0%
Vehicles	563,972	598,353	(34,381)	(6%)
Right-to-Use Asset - IT Subscription	197,445	197,445	-	0%
Subtotal	62,593,621	58,253,403	4,340,218	7%
Less: Accumulated Depreciation/Amortization	(25,093,877)	(23,742,777)	(1,351,100)	6%
Net Capital Assets	<u>\$37,499,744</u>	<u>\$ 34,510,626</u>	<u>\$ 2,989,118</u>	9%

Long-Term Debt

The primary source of long-term financing for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana are seven series of existing bonds financed by financial institutions and various government agencies. During 2012, the District refunded several series of bonds in order to reduce interest expense and fees over the life of the bonds. The refunding of the Series 2000 bonds and Series 2005 bonds resulted in a decrease of total debt service payments over the next 14 years by \$728,956 and resulted in an economic gain of \$628,526. The partial refunding of the Series 2004 bonds resulted in a decrease of total debt service payments over the next 17 years by \$585,966 and an economic gain of \$480,303. A re-finance action was accomplished in 2021 which reduced overall interest expense. A new 2020 Revenue Bond was finalized which added to long term debt in the amount of \$2,978,000 from Louisiana DHH via the Drinking Water Revolving Loan Fund. Details including balances, payments, and interest rates are included in Note 7 - Long-Term Debt.

Bonds financed for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana require a specific debt service to net income ratio, referred to as the "Bond Debt Coverage Ratio" in Footnote 9 – Long-Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 9, measures the extent to which revenues of the District are sufficient to cover the costs of operation and debt service including annual installments for debt service and required deposits to the Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The ratio of revenue to operating expenses, exclusive of non-cash flow items such as depreciation, and amortization, and the aforementioned debt requirements must equal at least 125%. For existing bonds at December 31, 2024, the Bond Debt Coverage Ratio exceeded the 125% requirement.

Future Economic Plans

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's management approach has been conservative when estimating revenues and expenses of operation but has been aggressive to meet the needs of a rapidly expanding water system. During 2010, the District, based on the District's consulting engineer's recommendation, approved resolutions authorizing additional loan proceeds from the Department of Health and Hospitals (DHH) to fund a maximum of Twelve Million (\$12,000,000) in construction improvements and expansions. Funds are to be repaid with a pledge of revenues by the District. During 2012, the District completed the construction and placed in service the improvement and expansions related to the \$4,000,000 Series 2010A Revenue Bonds. The District closed the loan on the \$8,000,000 Series 2011A Bonds during the fourth quarter of 2011 and began construction in the first quarter of 2012. At December 31, 2020, the District had received the full \$8,000,000 (\$1,125,000 which has been forgiven) in bond anticipation notes of an authorized \$8,000,000 Series 2011A Revenue Bond and the remaining projects were completed in 2020. During 2012, the District fully refunded the Series 2000 bonds and Series 2005 bonds and partially refunded the Series 2004 bonds in order to reduce interest expense and fees over the life of the bonds. The refunding bonds were classified as the 2012A, 2012B, 2012C and 2012D bonds. Since the refunding, the 2012C bonds have been paid off.

In 2017, the District had a slower numerical customer growth than experienced in the previous five years due mainly to the August 2016 federal disaster event, but in 2017 actually provided more water to the customer base of the District resulting in water related revenue increasing by 4% and overall operating expenses decreasing 3%, compared to 2016. The rebound from the federal disaster of 2016 experienced by customers is now showing signs of consistent growth again in both 2022 and 2023. Development plans are once again taking action which will again increase the customer base of the District in the years ahead as experienced since 2010. The District has expanded customer growth primarily in southern and southeastern portions of Livingston Parish via purchasing existing water systems such as the Port Vincent and French Settlement areas. Further expansion into southern areas will be explored in upcoming months. Expansionary plans and funding options are presently being considered.

The District has begun a major upgrade of electronic meter installations throughout the District over the next several years and has arranged financing to establish this large investment which will result in billing efficiencies and improved collections from water sales and services. A new billing system software was established in January 2023 which will coincide with the electronic meter system and continues to transition into more efficient billing process.

Contacting the District's Management

This financial report is designed to provide a general overview of the finances of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana, for all those interested in the District's finances. Questions regarding any of the information in this report or request for additional information should be addressed to Manager, Ward Two Water District of Livingston Parish, Post Office Box 637, Denham Springs, Louisiana 70727.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2024

(With Comparative Totals as of December 31, 2023)

	2024	As Restated, 2023
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,046,056	\$ 2,701,493
Investments	2,854,819	1,743,720
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$195,372 and \$288,381, respectively)	854,511	904,888
Unbilled Water Sales	405,094	311,504
Due from Other Governments	2,374	208,468
Other	-	31,112
	<u>1,261,979</u>	<u>1,455,972</u>
Restricted Assets:		
Cash and Cash Equivalents:		
Cash for Customer Deposits	60,426	19,903
Bond Covenant Accounts	4,686,817	4,426,965
Construction Account	90,158	191,501
	<u>4,837,401</u>	<u>4,638,369</u>
Restricted Investments	861,106	817,730
Due from Other Governments	1,954,947	2,029,388
	<u>7,653,454</u>	<u>7,485,487</u>
Inventory	721,915	709,361
Prepaid Insurance	270,306	124,944
Total Current Assets	<u>15,808,529</u>	<u>14,220,977</u>
Noncurrent Assets:		
Prepaid Items	28,660	33,565
Deposits	492	492
Capital Assets:		
Land and Construction in Progress	8,210,242	4,698,724
Other Capital Assets, at Cost (Net of Accumulated Depreciation/Amortization)	29,289,502	29,811,902
Total Capital Assets	<u>37,499,744</u>	<u>34,510,626</u>
Total Noncurrent Assets	<u>37,528,896</u>	<u>34,544,683</u>
Total Assets	<u>53,337,425</u>	<u>48,765,660</u>
<u>Deferred Outflows of Resources</u>		
Deferred Amount on Refunding of Debt	292,955	343,084
Total Assets and Deferred Outflows of Resources	<u>\$ 53,630,380</u>	<u>\$ 49,108,744</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF NET POSITION (CONTINUED)

AS OF DECEMBER 31, 2024
(With Comparative Totals as of December 31, 2023)

	<u>2024</u>	<u>As Restated, 2023</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 1,303,195	\$ 1,161,486
Accrued Payables	83,542	73,022
Construction Payable	2,353,337	2,243,916
Due to Other Governments	71,980	70,161
Compensated Absences Payable - Short-Term	60,219	68,504
Customer Deposits	1,759,484	1,690,420
Bond Anticipation Note Payable	2,737,828	1,085,203
Bonds Payable - Current Portion	1,713,645	1,661,821
IT Subscription Liability - Current Portion	-	76,375
Accrued Interest on Bonds Payable	89,029	95,761
Total Current Liabilities	<u>10,172,259</u>	<u>8,226,669</u>
Noncurrent Liabilities:		
Bonds Payable	10,027,586	11,741,231
Compensated Absences Payable - Long-Term	180,658	205,511
Total Long-Term Liabilities	<u>10,208,244</u>	<u>11,946,742</u>
Total Liabilities	<u>20,380,503</u>	<u>20,173,411</u>
<u>Net Position</u>		
Net Investment in Capital Assets	23,342,300	20,322,645
Restricted for:		
Capital Projects and Debt Service	4,289,556	4,308,177
Unrestricted	5,618,021	4,304,511
Total Net Position, as Restated	<u>33,249,877</u>	<u>28,935,333</u>
Total Liabilities and Net Position	<u><u>\$ 53,630,380</u></u>	<u><u>\$ 49,108,744</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Totals for the Year Ended December 31, 2023)

	2024	As Restated, 2023
Operating Revenues:		
Water Sales	\$ 7,863,825	\$ 6,638,482
Water Tap Fees	303,680	267,330
Service and Penalty Charges	134,744	81,468
Sewer Billing Fees	159,454	145,535
Other	260,221	214,020
Total Operating Revenues	8,721,924	7,346,835
Operating Expenses:		
Personal Services and Benefits	2,252,964	2,205,756
Bad Debts	34,328	194,460
Bank Fees	253,236	197,741
Contractual Services	405,268	453,568
Depreciation	1,344,411	1,335,097
Amortization - IT Subscription	98,722	90,495
Insurance	177,464	143,529
Office Expense	319,821	272,757
Repairs and Maintenance	672,052	326,433
Supplies	201,023	182,899
Utilities	538,042	486,821
Vehicle Expense	112,509	114,344
Total Operating Expenses	6,409,840	6,003,900
Operating Income	2,312,084	1,342,935
Nonoperating Revenues (Expenses):		
Interest Income	407,669	262,772
Interest Expense	(414,891)	(404,972)
Loan Forgiveness	1,629,130	1,042,646
Gain (Loss) on Disposal of Assets	8,045	30,163
Debt Issuance Cost	-	(88,193)
Other Income	252,686	64,485
Amortization of Bond Premium	119,821	117,272
Total Nonoperating Revenues (Expenses)	2,002,460	1,024,173
Change in Net Position	4,314,544	2,367,108
Net Position - Beginning of Year, As Restated	28,935,333	26,568,225
Net Position - End of Year	\$ 33,249,877	\$ 28,935,333

The accompanying notes to the financial statements are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Totals for the Year Ended December 31, 2023)

	2024	2023
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 8,881,589	\$ 7,262,441
Cash Payments to Suppliers for Goods and Services	(2,693,803)	(1,921,359)
Cash Payments to Employees for Services and Benefits	(2,275,582)	(2,194,824)
Other Receipts (Payments)	257,591	69,284
Net Cash Provided by Operating Activities	4,169,795	3,215,542
Cash Flows from Capital and Related Financing Activities:		
Payments for Acquisition and Construction of Capital Assets	(4,322,830)	(2,789,807)
Proceeds from Sale of Assets	8,045	31,112
Interest Expense Paid	(371,494)	(353,501)
Proceeds from Issuance of Debt	3,399,196	2,154,459
Principal Repayment on Debt	(1,661,375)	(1,486,021)
Debt Issuance Cost Paid	-	(88,193)
Net Receipts from Customer Deposits	69,064	86,933
Net Cash Used in Capital and Related Financing Activities	(2,879,394)	(2,445,018)
Cash Flows from Investing Activities:		
Interest Income Received	407,669	262,772
Net Purchase of Investments	(1,154,475)	(2,561,450)
Net Cash Used in Investing Activities	(746,806)	(2,298,678)
Net Increase (Decrease) in Cash and Cash Equivalents	543,595	(1,528,154)
Cash and Cash Equivalents, Beginning of Year	7,339,862	8,868,016
Cash and Cash Equivalents, End of Year	\$ 7,883,457	\$ 7,339,862

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Totals for the Year Ended December 31, 2023)

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,312,084	\$ 1,342,935
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,344,411	1,335,097
Amortization	98,722	90,495
Provision for Bad Debt	34,328	194,460
Miscellaneous Revenues Less Expenses	257,591	69,284
(Increase) Decrease in Accounts Receivable	16,049	(304,289)
(Increase) Decrease in Unbilled Receivable	(93,590)	251,007
(Increase) Decrease in Other Receivable	31,112	(31,112)
(Increase) Decrease in Due from Other Governments	206,094	-
(Increase) Decrease in Inventory	(12,554)	(36,838)
(Increase) Decrease in Prepaid Insurance	(145,362)	(19,960)
Increase (Decrease) in Accounts Payable	141,709	312,041
Increase (Decrease) in Compensated Absences	(33,138)	4,229
Increase (Decrease) in Accrued Expenses	10,520	6,703
Increase (Decrease) in Due to Other Governments	1,819	1,490
Net Cash Provided by Operating Activities	<u>\$ 4,169,795</u>	<u>\$ 3,215,542</u>
Schedule of Noncash Capital and Related Financing Activities:		
Amortization of Bond Premium	<u>\$ 119,821</u>	<u>\$ 117,272</u>
Amortization of Advanced Refunding Difference	<u>\$ 50,129</u>	<u>\$ 49,063</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents, Unrestricted	\$ 3,046,056	\$ 2,701,493
Cash and Cash Equivalents, Restricted	<u>4,837,401</u>	<u>4,638,369</u>
Total Cash and Cash Equivalents	<u>\$ 7,883,457</u>	<u>\$ 7,339,862</u>

The accompanying notes to the financial statements are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

(1) Organization, Nature of Operations, and Summary of Significant Accounting Policies -

A. Organization and Nature of Operations

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana was created by the Livingston Parish Council on August 23, 1975, pursuant to the provisions of R.S. 33:3811, et.seq., of the Louisiana Revised Statutes of 1950.

The District is located in rural Livingston Parish, Louisiana. The purpose of the District is to provide water to customers within the boundaries of the District. The District is composed of seven board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves approximately one third of Livingston Parish. The areas of service are in the western portion of the parish, north of Florida Boulevard and a small area south of Florida Boulevard between Denham Springs and Walker. The District has thirty-two full time employees. As of December 31, 2024 there were 25,337 metered customers, representing an increase in customers of 551 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

B. Financial Reporting Entity

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within the financial statements or separately reported as a discrete component unit.

The accompanying financial statements present information only on the activities and the fund maintained by the District and do not present information on the Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for Livingston Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Governmental Accounting Standards Board (GASB) Statement 61.

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements establish standards for

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used. The District follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The statement of revenues, expenses and changes in net position includes all charges for services and costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair value, except nonparticipating investment contracts which are reported at cost, if any.

E. Inventories

Inventory held primarily consists of supplies for system maintenance and is valued at cost using the first-in / first-out method. Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2024.

G. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, including receivables reported as due from other government, are classified as restricted assets because their use is limited by applicable bond covenants or to ongoing construction projects funded by the bonds. In addition, certain resources are set aside to reimburse customers their utility deposits upon discontinuance of service.

H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. In addition, the District capitalizes costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 40
Machinery and Equipment	5 to 10
Furniture and Fixtures	5 to 10
Vehicles	5
Utility System	40

I. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

J. Accumulated Unpaid Vacation and Sick Pay

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. At termination or retirement only unused vacation time can be paid to the employee with the exception of up to \$5,000 of sick time for a retiring employee with 30 consecutive years of full-time employment.

The cost of leave privileges is computed in accordance with GASB Codification Section C60. During the year ending December 31, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. In accordance with GASB 101 and the District's compensated absences policies, the District's compensated absences liabilities are recognized as earned for vacation and determined more likely than not to be used for time off for sick leave.

K. Long-Term Obligations

Long-term liabilities are recognized within the Proprietary Fund. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. Prepaid insurance costs related to debt issuance is reported as an asset and recognized over the life of the related debt.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

L. Net Position

GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net position, the difference between the District's assets, deferred outflows of resources, and liabilities, into three components, as described below:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets should also be included in this component of net position. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt or deferred inflows of resources is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to the restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints places on net position use are either: (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) Imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

M. Summary Financial Information for 2023

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

N. Current Year Adoption of New Accounting Standards

During the year, the District adopted GASB Statement No. 101, Compensated Absences. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Under this statement, a liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulated, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. See Note 16 for the effects of the adoption of this accounting standard.

During the year, the District adopted GASB Statement No. 99, *Omnibus 2022* – the portion that relates to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 and GASB Statement No. 100 – *Accounting Changes and Error Corrections – an amendment of GASB No. 62*. These new accounting standard had no material effect on the District’s financial statements.

(2) **Cash and Cash Equivalents -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with original maturity dates of 90 days or less. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Cash and cash equivalents and investments are stated at cost, which approximates market. The following is a summary of cash and cash equivalents and investments at December 31, 2024:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 1,000	\$ -
Demand Deposits and Savings Accounts	3,195,640	3,166,116
Restricted Cash Held in Bank Trust Accounts	<u>4,686,817</u>	<u>4,686,817</u>
	<u>\$7,883,457</u>	<u>\$7,852,933</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Even though the pledged securities may be considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds on demand. As of December 31, 2024, the District has \$3,166,116 in demand deposits and savings accounts (collected bank balances) for cash and cash equivalents, in one bank. \$500,000 of the demand deposits and savings are secured from risk by \$500,000 of federal deposit insurance and the remaining \$2,666,116 of demand deposits and savings accounts are secured by pledged securities. The \$2,666,116 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

(3) Investments -

All investments are stated on the balance sheet (carrying value) at market value. At December 31, 2024, all investments are in Louisiana Asset Management Pool (LAMP), a local government external investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- **Credit risk**: LAMP is rated AAAm by Standards and Poor's.
- **Custodial credit risk**: In the case of LAMP participants, investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- **Concentration of credit risk**: Pooled investments are excluded from the five percent disclosure requirement.
- **Interest rate risk**: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 68 days as of December 31, 2024.
- **Foreign currency risk**: Not applicable.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc., 650 Poydras Street, Suite 2220, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

At December 31, 2024, the District had the following investments:

	Carrying Amount	Market Value
Louisiana Asset Management Pool (LAMP):		
Investments	\$ 2,854,819	\$ 2,854,819
Restricted Investments	861,106	861,106
	<u>\$ 3,715,925</u>	<u>\$ 3,715,925</u>

(4) Receivables -

The following is a summary of receivables at December 31, 2024:

Accounts Receivable:	
Current	\$ 810,164
31-60 Days Past Due	45,427
Over 60 Days Past Due	194,292
Subtotal	1,049,883
Less: Allowance for Uncollectible Accounts	(195,372)
Net Accounts Receivable	<u>\$ 854,511</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for uncollectible accounts is adjusted to a reasonable estimate of collectability. Bad debt expense totaled \$34,328 for the year ended December 31, 2024.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the year. At December 31, 2024, accrued amounts were \$405,094.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

(5) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2024 is as follows:

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024
Capital Assets not being Depreciated:				
Land	\$ 553,594	\$ -	\$ -	\$ 553,594
Construction in Progress	4,145,130	3,859,303	(347,785)	7,656,648
Total Capital Assets not being Depreciated	4,698,724	3,859,303	(347,785)	8,210,242
Capital Assets being Depreciated:				
Buildings and Improvements	974,108	83,940	-	1,058,048
Equipment	1,615,979	12,908	-	1,628,887
Furniture and Fixtures	41,565	-	-	41,565
Vehicles	598,353	57,652	(92,033)	563,972
Utility System	50,127,229	766,233	-	50,893,462
Total Capital Assets being Depreciated	53,357,234	920,733	(92,033)	54,185,934
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	394,362	24,441	-	418,803
Equipment	1,344,927	46,902	-	1,391,829
Furniture and Fixtures	41,649	(84)	-	41,565
Vehicles	510,570	38,398	(92,033)	456,935
Utility System	21,360,774	1,234,754	-	22,595,528
Total Accumulated Depreciation	23,652,282	1,344,411	(92,033)	24,904,660
Total Capital Assets being Depreciated, Net	29,704,952	(423,678)	-	29,281,274
Capital Assets being Amortized:				
Right-to-Use Asset - IT Subscription	197,445	-	-	197,445
Less Accumulated Amortization for:				
Right-to-Use Asset - IT Subscription	90,495	98,722	-	189,217
Total Capital Assets being Amortized, Net	106,950	(98,722)	-	8,228
Total Capital Assets, Net	\$ 34,510,626	\$ 3,336,903	\$ (347,785)	\$ 37,499,744

For the year ended December 31, 2024, depreciation and IT subscription amortization expense was \$1,344,411 and \$98,722, respectively.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

A summary of commitments under construction contracts for the District at December 31, 2024 follows:

	Projection Authorization	Expended to December 31, 2024	Unexpended Commitment
Advanced Metering Infrastructure Project	\$ 15,350,743	\$ 7,624,326	\$ 7,726,417
Eden Church Well Replacement	8,505	8,505	-
Burgess Road Waterline Relocation	23,817	23,817	-
	<u>\$ 15,383,065</u>	<u>\$ 7,656,648</u>	<u>\$ 7,726,417</u>

(6) Short-Term Debt -

On April 27, 2023, the District entered into a loan agreement with the DHH to borrow funds available in the 2023 Drinking Water Revolving Loan Fund up to the maximum sum of \$6,000,000. The funds will be used to finance the acquisition, construction and installation of improvements, extensions, and replacements to the water system, including but not limited to installation of automatic meter infrastructure and automatic read meters throughout the system and paying the costs of issuing the bonds. The loan is entitled to principal forgiveness of up to 49% of the total amount of draws on the loan not to exceed \$2,940,000. The District received \$1,629,130 of forgiveness during 2024. Once construction is finalized, the portion of the loan not forgiven will be converted to a bond payable issued at 2.45% per annum, maturing in 2043.

For the year ended December 31, 2024, the Series 2023 project is not complete, with total bond proceeds received reported as Bond Anticipation Note Payable with a balance of \$2,737,828 (\$5,452,604 drawn less \$2,714,776 forgiveness/principal payments).

(7) Long-Term Obligations -

The following is a summary of long-term obligation transactions for the year ended December 31, 2024:

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024	Due Within One Year
Direct Placement Borrowings					
2021 Water Revenue					
Refunding Bonds	\$ 9,650,000	\$ -	\$(1,410,000)	\$ 8,240,000	\$1,455,000
2020 Water Revenue Bond	2,933,000	-	(132,000)	2,801,000	135,000
Total Debt	12,583,000	-	(1,542,000)	11,041,000	1,590,000
Less: Unamortized Premium	820,052	-	(119,821)	700,231	123,645
Total Direct Placement					
Borrowings	13,403,052	-	(1,661,821)	11,741,231	1,713,645
IT Subscription Liability	76,375	-	(76,375)	-	-
Compensated Absences	274,015	-	(33,138) *	240,877	60,219
Total Long-Term Obligations	<u>\$ 13,753,442</u>	<u>\$ -</u>	<u>\$(1,771,334)</u>	<u>\$ 11,982,108</u>	<u>\$1,773,864</u>

*Presented Net

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

2021 Water Revenue Refunding Bonds:

On April 14, 2021, the District issued \$12,150,000 Series 2021 Water Revenue Refunding Bonds for the purpose of refunding of \$2,119,000 of the outstanding balance of the Water Revenue Bonds Series 2010, \$4,937,000 of the outstanding balance of the Water Revenue Bonds Series 2011, \$1,975,000 of the outstanding balance of the Water Revenue Bonds Series 2012B, and \$3,815,000 of the Water Revenue Bonds Series 2012D (refunded bonds), and interest associated with the refunded bonds. The net proceeds of \$13,182,501 (after receipts of reoffering premium of \$1,032,501 less payment of \$321,645 in cost of issuance) were used to payoff the bonds. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$431,966, which was deferred and is being amortized over the life of the new bonds. The difference is reported in the accompanying financial statements as a deferred outflow of resources and is being charged to operations as a component of interest expense. This advance refunding was undertaken to decrease total debt service payments over the next 11 years by \$827,466 and resulted in an economic gain of \$788,666.

The Series 2021 bonds have semi-annual payment installments including principal and interest at 2.000-4.000% through April 1, 2032. The debt service requirements to maturity for the Series 2021 bonds including expected interest payments are as follows:

Series 2021 Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,455,000	\$ 238,225	\$ 1,693,225
2026	1,500,000	193,900	1,693,900
2027	1,125,000	148,900	1,273,900
2028	1,180,000	102,800	1,282,800
2029	1,220,000	60,900	1,280,900
2030 to 2032	1,760,000	52,000	1,812,000
	<u>\$ 8,240,000</u>	<u>\$ 796,725</u>	<u>\$ 9,036,725</u>

2020 Water Revenue Bond:

The \$3,000,000 bonds were issued on June 4, 2020, and are due to the Louisiana DHH at 2.45% per annum (interest at 1.95% and a DHH Administrative Fee of 0.50%) maturing in 2041. During the current year, these bonds were converted from a bond anticipation note to a bond payable as a result of construction being finalized in during 2023. Installments on interest are due on October 1 and April 1 each year, with principal installments due on April 1 of each year. The bonds were issued through the Louisiana DHH via the Drinking Water Revolving Loan Fund to fund water system projects. The debt service requirements to maturity for the 2020 Water Revenue Bonds are as follows:

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2024

Series 2020 Water Revenue Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin. Fee</u>	<u>Total</u>
2025	\$ 135,000	\$ 53,303	\$ 13,667	\$ 201,970
2026	138,000	50,642	12,985	201,627
2027	141,000	47,921	12,288	201,209
2028	145,000	45,133	11,572	201,705
2029	149,000	42,266	10,838	202,104
2030 to 2034	800,000	165,847	42,525	1,008,372
2035 to 2039	901,000	82,963	21,273	1,005,236
2040 to 2041	392,000	7,683	1,970	401,653
	<u>\$ 2,801,000</u>	<u>\$ 495,758</u>	<u>\$ 127,118</u>	<u>\$ 3,423,876</u>

Direct Borrowings Debt Service Requirements to Maturity:

The annual requirements to amortize all long-term debt outstanding as of December 31, 2024 including expected interest payments of \$1,292,483 and administrative fees of \$127,118 are as follows:

<u>Direct Borrowings for</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin. Fee</u>	<u>Total</u>
2025	\$ 1,590,000	\$ 291,528	\$ 13,667	\$ 1,895,195
2026	1,638,000	244,542	12,985	1,895,527
2027	1,266,000	196,821	12,288	1,475,109
2028	1,325,000	147,933	11,572	1,484,505
2029	1,369,000	103,166	10,838	1,483,004
2030 to 2034	2,560,000	217,847	42,525	2,820,372
2035 to 2039	901,000	82,963	21,273	1,005,236
2040 to 2041	392,000	7,683	1,970	401,653
	<u>\$ 11,041,000</u>	<u>\$ 1,292,483</u>	<u>\$ 127,118</u>	<u>\$ 12,460,601</u>

Subscription-Based Information Technology Arrangement (SBITA) – IT Subscription:

The District implemented GASB Statement No. 96 in fiscal year 2023 and now recognizes subscription-based information technology agreements (SBITAs) as right-to-use assets and related IT subscription liabilities. SBITA right-to-use assets and IT subscription liabilities are recorded as the present value of the lease payments over the term of the agreement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

The District entered into a SBITA with a term of two years and no options to renew. The 2 year daily treasury par yield curve rate of 4.6% was used to calculate the present value of lease payments at the commencement date of the contract. As of December 31, 2024, right-to-use IT subscription assets net of accumulated amortization was \$8,227 and IT subscription liability was \$-0-. For the year ended December 31, 2024, amortization expense related to this SBITA was \$98,722 and interest expense in the amount of \$1,624 was reported. There are no remaining principal or interest payments on the IT subscription liability.

(8) Deferred Outflows of Resources -

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* provide guidance on reporting the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refundings resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At December 31, 2024, the District had a deferred amount on refunding of debt of \$292,955, all of which is related to the 2021 advanced refunding of debt.

(9) Long-Term Debt Restricted Assets and Bond Covenant Requirements -

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2024. As of December 31, 2024, debt covenants relate to existing parity bonds, consisting of the Series 2021 Water Revenue Refunding Bonds and the Series 2020 and 2023 Water Revenue Bonds. The District's compliance with bond covenants as of December 31, 2024, related to required deposits, is detailed below and is followed first by a narrative description of the related bond deposit requirements, and secondly by a description of compliance to bond rate covenants, referenced as "Bond Debt Coverage Ratio", requiring that revenues of the District be sufficient to cover the operating and maintenance and debt service requirements of the outstanding bonds.

	Sinking Fund	Reserve Fund	Renewal and Replacement Fund	Total
Required Balance	\$ 1,356,573	\$ 2,278,082	\$ 500,000	\$4,134,655
Current Reserved Amount	1,373,162	2,724,848	588,807	4,686,817
Amount Over (Under) Funded	\$ 16,589	\$ 446,766	\$ 88,807	\$ 552,162

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

Sinking Fund Requirements

Bond covenants require the maintenance of a separately identifiable fund or account designated as the “Sinking Fund” into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the “Bonds and the Parity Obligations” as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20th day of each month of each year a sum equal to 1/6 of the interest and administrative fee falling due on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal falling due on the Bonds on any principal date within the next twelve months, together with any proportionate monthly sum as may be required to pay said principal, interest, and administrative fee as they become due. The bond covenants language and requirements apply to existing Parity obligations, including the Series 2021 Water Revenue Refunding Bonds, the Series 2020 Water Revenue Bonds, and the Series 2023 Water Revenue Bonds.

At December 31, 2024, the District Sinking Fund bond deposits requirements were adequately funded for the 2023, 2021, and 2020 bond issues. The District made the required installments for the year ended December 31, 2024.

Bond Reserve Fund

Bond Reserve Fund covenants require the maintenance of a separately identifiable account designated as the “Reserve Fund” into which is to be deposited monthly, on or before the 20th day of each month of each year, a sum at least equal to 25 percent of the amount required to be paid into the Sinking Fund for each month with respect to the Bonds, until such time as there has been accumulated therein a sum equal to the highest amount of principal and interest due in any given year on the Bonds (the “Reserve Fund Requirement”), the Series 2021 Water Revenue Refunding Bonds and 2020 and 2023 Water Revenue Bonds, and any additional Parity Obligations hereafter issued. At December 31, 2024, the District maintained a balance of \$2,724,848 which was \$446,766 more than the bond deposit requirements at year end. Bond covenants require that the monies in the Reserve Fund be retained solely for the purpose of paying the principal of and interest on the Bonds payable as to which there would otherwise be default.

Renewal and Replacement Fund

The Renewal and Replacement Fund is established pursuant to the 2004 Bond Resolution, and is restated in 2012 and 2020 Water Revenue Refunding bonds’ Revenue Bond Resolution to apply to any subsequent Outstanding Parity Bonds. The Fund is established to pay for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from the Revenue Fund to the Renewal and Replacement Fund monthly on or before the twentieth day of each month of each year, a sum equal to five percent of the Gross Revenues of the System for

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

the preceding month, provided that such sum is available after provisions are made for the payments required. Such payments to the Renewal and Replacement Fund shall continue until such time as there has been accumulated in said Fund the sum of \$500,000 (the "Renewal and Replacement Fund Requirement"), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the Renewal and Replacement Fund Requirement, in which event such payments shall be resumed and continue until said Renewal and Replacement is again accumulated.

In addition to caring for extensions, additions, improvements, renewal and replacements necessary to properly operate the System, the money in the Renewal and Replacement Fund may also be used to pay the principal of and the interest on the Bonds and the Outstanding Parity Bonds, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund and any Parity Obligations issued hereafter in the manner provided by the Bond Resolution for the payment of which there is not sufficient money in the Sinking fund and Reserve Fund, but the money in said Renewal and Replacement Fund shall not be used for the making of improvements and extensions to the System (other than emergency repairs or replacements) or for the payment of principal of or interest on the Bonds or the Outstanding Parity Bonds if the use of said money will leave in the said Renewal and Replacement Fund for the making of emergency repairs or replacement less than the sum of ten percent of the Renewal and Replacement Fund Requirement.

For the year ended December 31, 2024, the Renewal and Replacement Fund was fully funded with a balance of \$588,807.

Bond Debt Coverage Ratio -

Bond covenants of the outstanding parity obligations require the District to fix, establish, levy and collect, so long as any principal and interest is unpaid on the Bonds and any Parity Obligations, such rates, fees, rents, or other charges for services and facilities of the System and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to pay operations and maintenance expenses in each fiscal year and provide net revenues in each fiscal year in an amount equal to at least one hundred twenty-five percent of the required deposits to the Sinking Fund established in the Series 2023 Water Revenue Bond, Series 2021 Water Revenue Refunding Bonds Resolution, Series 2020 Water Revenue Bonds Resolution, and any resolution relating to additional Parity Obligations. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes.

The calculated bond debt coverage ratio for existing Parity Obligations, including Series 2021, Series 2020, and Series 2023 bonds, exceeded the 125 percent ratio for the year ended December 31, 2024.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

(10) Restricted Net Position -

At December 31, 2024, the District recorded \$4,289,556 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

(11) Risk Management -

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There have been no significant decreases in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

(12) Litigation -

There is no outstanding litigation at December 31, 2024 for Ward Two Water District of Livingston Parish warranting accrual.

(13) Compensated Absences and Retirement Plan -

At December 31, 2024, the employees of the District have accumulated and vested \$240,877 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post employment benefits.

The District contributes to the Social Security System as required by law. In September 2012, the District adopted a 457(b) deferred compensation plan and the District elected to match employee contributions up to a maximum of 5 percent. The District contributed \$55,492 into the 457(b) plan during 2024. Under the 457(b) plan, the District's contributions are vested based on an employee's years of service in accordance with the terms of the Adoption Agreement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

(14) Compensation Paid to Board Members -

Compensation paid to the board members for 2024 were as follows:

<u>Name / Contact Number</u>	<u>Title</u>	<u>Address</u>	<u>Compensation Received</u>
John Easterly (225) 665-9794	President	37917 Louisiana Highway 16 Denham Springs, LA 70706-0334	\$ 1,100
Chris Robert Taylor (225) 347-9806	Board Member	23682 Parkland Avenue Denham Springs, LA 70726	900
Steven McDaniel (225) 278-2003	Board Member	14370 Dallas Drive Denham Springs, LA 70726	1,000
Jimmie McCoy (225) 665-3596	Board Member	37375 Louisiana Highway 16 Denham Springs, LA 70706	500
Walley Avara (225) 964-5551	Board Member	14318 Brown Road Denham Springs, LA 70726	500
Melissa Bennett (225) 252-4677	Board Member	30731 Summer Run Ct Denham Springs, LA 70726	400
Shevis Ball (225) 938-1775	Vice - President	39765 Louisiana Highway 16 Denham Springs, LA 70706	1,100
David Strickland (225) 933-7924	Board Member	7801 Denham Chase Ave Denham Springs, LA 70726	300
Jeffery Scott Martone (225) 305-8279	Secretary - Treasurer	19338 Gourdon Lane Port Vincent, LA 70726	1,000
			<u>\$ 6,800</u>

Board members serve continuous terms per Livingston Parish Council appointment and approval.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

(15) Schedule of Compensation, Benefits and Other Payments to Agency Head -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by John Easterly, the District's Board President, who was the acting agency head for the year ended December 31, 2024:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - Health Insurance	8,763
Benefits - Retirement	-
Benefits - Life Insurance	61
Benefits - Vision & Dental Insurance	572
Per Diem	1,100
Reimbursements	-
	<u>\$ 10,496</u>

(16) Change in Accounting Principle -

For the fiscal year ended December 31, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. The following beginning balances have been restated in accordance with this Statement.

Compensated Absences Payable at December 31, 2023, as Previously Reported	\$ 87,116
To Adjust Compensated Absences Payable	<u>186,899</u>
Compensated Absences Payable at December 31, 2023, as Restated	<u>\$ 274,015</u>
Net Position at December 31, 2022, as Previously Reported	\$26,753,114
To Adjust Compensated Absences Payable	<u>(184,889)</u>
Net Position at December 31, 2022, as Restated	<u>\$26,568,225</u>
Net Position at December 31, 2023, as Previously Reported	\$29,122,232
To Adjust Compensated Absences Payable	<u>(186,899)</u>
Net Position at December 31, 2023, as Restated	<u>\$28,935,333</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

(17) Current Accounting Pronouncements -

The following statements of the Governmental Accounting Standards Board will be effective for years subsequent to the District's 2024 fiscal year.

1. Statement No. 102 – *Certain Risk Disclosures* (2025)
2. Statement No. 103 – *Financial Reporting Model Improvements* (2026)
3. Statement No. 104 – *Disclosure of Certain Capital Assets* (2026)

Management is currently evaluating the effects of the new GASB pronouncements.

(18) Subsequent Events -

Subsequent events have been evaluated by management through June 20, 2025, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date.

OTHER SUPPLEMENTARY INFORMATION

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Water Sales	\$ 6,795,000	\$ 7,160,000	\$ 7,863,825	\$ 703,825
Water Tap Fees	265,000	280,000	303,680	23,680
Service and Penalty Charges	95,000	89,000	134,744	45,744
Sewer Billing Fees	232,000	152,000	159,454	7,454
Other	213,000	257,000	260,221	3,221
Total Operating Revenues	7,600,000	7,938,000	8,721,924	783,924
Operating Expenses:				
Personal Services and Benefits:				
Salaries and Wages	1,595,000	1,525,000	1,526,791	(1,791)
Director's Fees	8,400	7,000	6,800	200
Employee Benefits and Payroll Taxes	698,000	697,000	719,373	(22,373)
	2,301,400	2,229,000	2,252,964	(23,964)
Bad Debts	20,000	34,000	34,328	(328)
Bank Card Charges and Fees	194,000	235,300	253,236	(17,936)
Contractual Services:				
Meter Reading	245,000	210,000	212,349	(2,349)
Professional Fees	260,000	225,000	157,171	67,829
Telemetry	43,000	40,000	35,748	4,252
	548,000	475,000	405,268	69,732
Depreciation	1,425,000	1,395,000	1,344,411	50,589
Amortization - IT Subscription	94,000	79,000	98,722	(19,722)
Insurance	196,000	275,000	177,464	97,536
Office Expense:				
Advertising	8,000	5,000	2,648	2,352
Computer and Printer Supplies	140,000	119,000	136,258	(17,258)
Miscellaneous	26,000	21,000	19,456	1,544
Postage	140,000	150,000	161,459	(11,459)
	314,000	295,000	319,821	(24,821)
Repairs and Maintenance	558,000	533,000	672,052	(139,052)
Supplies:				
Chlorination	120,000	136,000	128,929	7,071
Miscellaneous	745,000	295,700	21,950	273,750
Supplies	55,000	46,000	50,144	(4,144)
	920,000	477,700	201,023	276,677

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Expenses (Continued):				
Utilities:				
Utilities	500,000	440,000	492,924	(52,924)
Telephone	52,000	44,000	45,118	(1,118)
	552,000	484,000	538,042	(54,042)
Vehicle Expense	135,000	115,000	112,509	2,491
Total Operating Expenses	7,257,400	6,627,000	6,409,840	217,160
Operating Income	342,600	1,311,000	2,312,084	1,001,084
Nonoperating Revenues (Expenses):				
Interest Income	270,000	358,000	407,669	49,669
Interest Expense	(540,000)	(425,000)	(414,891)	10,109
Loan Forgiveness	-	1,897,354	1,629,130	(268,224)
Gain (Loss) on Disposal of Assets	-	8,000	8,045	45
Other Income	88,000	129,000	252,686	123,686
Amortization of Bond Premium	-	-	119,821	119,821
Total Nonoperating Revenues (Expenses)	(182,000)	1,967,354	2,002,460	35,106
Change in Net Position	160,600	3,278,354	4,314,544	1,036,190
Net Position - Beginning of Year, As Restated	28,935,333	28,935,333	28,935,333	-
Net Position - End of Year	\$ 29,095,933	\$ 32,213,687	\$ 33,249,877	\$ 1,036,190

See independent auditor's report.

FOR THE YEAR ENDED DECEMBER 31, 2024

38

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

Insurance Company / Policy Number	Coverage	Amount	Policy Period
American Alternative Ins Corp Policy Number T9A2CP0000824-00	Crime Coverage: Employee Theft Forgery and Alteration Inside the Premises/Theft of Money & Securities Inside the Premises/Robbery/Safe Burglary Outside the Premises Computer & Funds Transfer Fraud Money Orders or Fraudulent Impersonation (Deductible: \$1,000 Per Occurrence)	 1,000,000 500,000 250,000 100,000 250,000 n/a 500,000 250,000	10/31/24 to 10/31/2025
Travelers Casualty & Surety Company of America Policy Number 107531648	Cyber Liability: Privacy & Network Security Breach Response Services Cyber Crime/Computer Fraud Funds Transfer Fraud Cyber Crime/Computer Fraud Social Engineering Fraud Telecom Fraud Business Interruption (Retention \$10,000 Per Occurrence)	 1,000,000 1,000,000 250,000 250,000 \$250,000 \$100,000 \$100,000 \$1,000,000	10/31/24 to 10/31/2025
Houston Specialty Ins Co Policy Number HSLR180941600	Automobile Coverage: Physical Damage Liability /Combined Single Limit Uninsured Motorist	 Per Schedule on File 1,000,000 n/a	10/31/2024 to 10/31/2025
Louisiana Workers Compensation Corporation Policy Number 77205-S	Workers Compensation Insurance: State of Louisiana Coverage Only Employers Liability Insurance Bodily Injury by Accident - Each Accident Bodily Injury by Disease - Policy Limit Bodily Injury by Disease - Each Employee	 1,000,000 1,000,000 1,000,000	10/31/2024 to 10/31/2025
Wright National Flood Ins Co Policy Number 17 115182658105 (30772 Carter Dr. Denham Springs LA)	Flood Insurance: Building (\$2,000 Deductible) Contents (\$2,000 Deductible)	 500,000 488,000	6/13/2024 to 6/13/2025

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF WATER RATES, TAP FEES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2024

Water Fees		Tap Fees	
		Inch Tap	Fee
First 2,000 Gallons	\$ 13.50	3/4" Tap	\$ 385
All over 2,000 Gallons - Per Thousand	2.52	1" Tap	\$ 560
		1 1/4" Tap	\$ 640
		1 1/2" Tap	\$ 650
		2" Tap	\$ 700
		Tap Greater Than 2"	\$ 2,200
Customers			
Residential	23,652		
Nonresidential	1,685		
Total Customers	25,337		

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed-through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>United States Environmental Protection Agency:</u>				
Passed Through Louisiana Department of Health and Hospitals:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	\$ -	\$ 3,324,755
Total Environmental Protection Agency			-	3,324,755
<u>United States Department of Homeland Security</u>				
Passed Through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:				
Disaster Grant - Public Assistance - Hurricane Ida	97.036	N/A	-	2,650
Total Expenditures of Federal Awards			\$ -	\$ 3,327,405

See independent auditor's report

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2024

Note A - Significant Accounting Policies -

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ward Two Water District of Livingston Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note B - Indirect Cost Rate Election -

The District did not elect to use the 10% de minimis indirect cost rate during the year ended December 31, 2024.

INDEPENDENT AUDITOR'S REPORT [ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF THE COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*]



**HANNIS T.
BOURGEOIS**

CPAs + BUSINESS ADVISORS

1254 DEL ESTES AVE., SUITE 1101

DENHAM SPRINGS, LA 70726

TEL. 225.928.4770 | WWW.HTBCPA.COM

PROUDLY SERVING LOUISIANA SINCE 1924

INDEPENDENT AUDITOR'S REPORT

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, 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 (*Government Auditing Standards*), the financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2025

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

INDEPENDENT AUDITOR'S REPORT

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Ward Two Water District of Livingston Parish's (the District) 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 District's major federal programs for the year ended December 31, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Ward Two Water District of Livingston Parish complied, in all material respects, with compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

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 (*Government Auditing Standards*); 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 District 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 District'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 District'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 District'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 GAAS, *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 for 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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District'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 District'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 District'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.

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, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2025

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2024

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|--|---------------------|-----------------------------|
| • Material weaknesses identified? | <u> </u> Yes | <u> x </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> x </u> None Noted |

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> x </u> No
---	---------------------	---------------------

Federal Awards

Internal control over major programs:

- | | | |
|--|---------------------|-----------------------------|
| • Material weaknesses identified? | <u> </u> Yes | <u> x </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> x </u> None Noted |

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> x </u> No
--	---------------------	---------------------

The following program was tested as a major program:

<u>Name of Federal Programs or Cluster</u>	<u>Assistance Listing Number</u>
United States Environmental Protection Agency <i>Passed Through Louisiana Department of Health and Hospitals</i> Capitalization Grants for Drinking Water State Revolving Funds	66.468

- The dollar threshold for distinguishing Types A and B programs was \$750,000.

- Auditee qualified as a low risk auditee?	<u> </u> Yes	<u> x </u> No
--	---------------------	---------------------

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024

Section II: Financial Statement Findings

1. Internal control Over Financial Reporting

None.

2. Compliance and Other Matters

None.

Section III: Federal Awards Findings

1. Internal Control Over Compliance of Federal Awards

None.

2. Compliance

None.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2024

A. Findings - Financial Reporting

1. Findings - Internal Control Over Financial Reporting

Finding 2023-001 Timeliness of Utility Billings and Timeliness of Application of Cut-off Procedures for Utility Services (Significant Deficiency)

Criteria:

Effective operation of a utility system and related utility billing system requires the design and operation of standardized procedures for the billing, collecting, and adjusting of utility fees as well as for their input and reconciliation in the utility billing system and general ledger.

As part of these standardized procedures, the District's Ordinance Number 200-9 of 2016 outlines the timing of billing for water usage and also the timing of termination of water service (cut-off procedures) for failure to pay the full amount of the monthly water bill. Excerpts of the applicable portions of the ordinance are as follows:

"Section 1.B. Charges for water usage, calculated at the Rate provided in Subsection A, shall be billed on a monthly basis."

"Section 1.C. The failure to pay the full amount of the monthly bill within seven (7) days after the due date stated on the bill will result in the termination of water service, unless arrangements for an extension of time or deferred payment has been made with Ward Two Water prior to the due date."

Condition:

Monthly billings in accordance with the District's Ordinance yields 12 bills a year. During our 2023 audit procedures, it was noted that during 2023 the District only issued 11 bills to customers. The customers were billed for all their usage; however, it was done on 11 bills versus 12. Also, it was noted that the accounts receivables at year end aged over 60 days increased from the prior year end. In follow-up discussions with management, it was noted that cut-off procedures were not being performed and fees were not being charged during this time.

Cause:

The District switched billing software at the start of the fiscal year 2023 and there was a learning curve with the new software. Also, per discussion with management, it was noted that there have been issues with timely meter readings and inaccurate meter readings performed by a third-party contractor. Without complete and accurate meter readings, billing for a particular billing cycle cannot be completed until all is finished. Due to these delays, billing cycles may have included 5 or more weeks of consumption versus normally 4 weeks. Over the course of fiscal year 2023, this caused there to be only 11 bills during 2023 rather than 12 monthly billings.

Due to these delays in timely billings, normal cut-off procedures were not able to be completed on time and late fees were not being charged during this time. Additionally, due to the way cut-off procedures are required to be performed at the District, the actual process of performing the physical cut-off of services has to be done immediately. When the cut-off list is generated, it is based on the information in the system as of that day. If physical cut-off is performed several days

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

after the listing is generated, the customer may have made a payment. The availability of operating staff also affected the cut-off from being performed timely. Since cut-off's were not being performed on a timely basis, the aging of accounts receivable over 60 days grew.

Effect:

By only issuing 11 bills during 2023, the District was not able to charge their base fee of \$13.50 on customer accounts for 12 monthly billings. This caused an apparent loss of some revenue. All customers' consumption was billed; however, in the month of a billing cycle in excess of 4 weeks, some consumption was charged at a higher rate, partially offsetting this apparent loss of revenue.

By not performing timely cut-off procedures and not charging late fees for part of the year, the aging of receivables over 60 days increased \$165,567 from \$122,814 at December 13, 2022 to \$288,381 at December 31, 2023 and reduced late fee revenues. Customers were allowed to continue to receive services while still owing money.

Recommendation:

It was noted that in fiscal year 2024, management has made a concerted effort on timely billings and on timely cut-off procedures and have reduced the receivable aging balance over 60 days. We recommended that the District continue its efforts and should ensure adherence to its ordinance pertaining to billing and customer cut-offs.

Management's Response:

The District's management was in the process of trying to keep our contracted metering company on schedule with reading dates per cycle in order to keep the billing on a monthly schedule. However, the meter readers were saying they are having a lack of personnel issue as well. This was the reason for their late and longer reading dates. Ward 2 management will do their best to stay in close contact with the billing department and the meter reading company to stay on schedule. In addition, Ward 2 Water District is currently installing (AMI) Advanced Metering Infrastructure Meters. These meters will be read electronically from the administrative office. This will definitely help with staying on schedule with billing each cycle as scheduled every month

Corrective Action:

The District improved the timeliness of billing and also the timeliness of cut-off procedures. In doing so, the District reduced the aging of receivable over 60 days at December 31, 2024 by \$94,311 when compared to December 31, 2023.

2. Findings - Compliance and Other Matters

Finding 2023-002 Donation, Loan or Pledge of Public Credit (Noncompliance)

Criteria:

Article VII, Section 14(A) of the Louisiana constitution states that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public to private, unless exception is provided for in the constitution.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

Condition:

In fiscal year 2023, cut-off procedures were not being performed timely and customers continued receiving services with delinquent accounts which in turn caused the accounts receivable aging over 60 days to increase as noted in Finding 2003-001.

Cause:

Caused by several issues as noted in Finding 2023-001.

Effect:

By allowing the aging of receivables to increase and allowing customers to continue to receive service with past due balances, it appeared that the District was not in compliance with Article VII, Section 14(A) of the Louisiana constitution.

Recommendation:

Recommendations noted in Finding 2023-001.

Management's Response:

The District's management was working on trying to catch up on the cut offs for the past due delinquent accounts. Ward 2 Water District was in the process of hiring more personnel so we could catch up on the overdue cut offs and continue to stay on schedule with the upcoming past due balances on cut offs as scheduled.

Corrective Action:

The District resumed proper cut-off procedures in 2024 as evidenced by the large decrease in the accounts receivable aging over 60 days.

B. Findings - Federal Award Programs

1. Findings - Internal Control Over Compliance of Federal Awards

None

2. Findings - Compliance

None

WARD TWO WATER DISTRICT OF LIVINGSTON

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2024



**HANNIS T.
BOURGEOIS**

CPAs + BUSINESS ADVISORS

1254 DEL ESTES AVE., SUITE 1101

DENHAM SPRINGS, LA 70726

TEL. 225.928.4770 | WWW.HTBCPA.COM

PROUDLY SERVING LOUISIANA SINCE 1924

Independent Accountant's Report
on Applying Agreed-Upon Procedures
For the Year Ended December 30, 2024

Board Members of
Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
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) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2024 through December 31, 2024. The Ward Two Water District of Livingston Parish (District) management is responsible for those C/C areas identified in the SAUPs.

The District 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 January 1, 2024 through December 31, 2024. 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 and associated findings are as follows:

14) Sexual Harassment

- A. Obtain a listing of employees and officials employed during the fiscal year and management's representation that the listing is complete. Randomly select 5 employees/officials and obtain sexual harassment training documentation from management, and observe that 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. – **No exceptions noted.**
- 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). – **No exceptions noted.**

- 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:
– **No exceptions noted.**
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

We were engaged by the District 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, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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 District 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 SAUPs, 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.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2025