

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

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

DECEMBER 31, 2022

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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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

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Ward Two Water District of Livingston Parish, as of December 31, 2022, 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 Opinion

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 opinion.

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 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, 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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 11 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 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) is 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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) is 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, 2023, 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 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 Ward Two Water District of Livingston Parish's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 20, 2023

Ward Two Water District of Livingston Parish
Denham Springs, Louisiana
Management's Discussion and Analysis
December 31, 2022

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)*, 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, 2022, total assets and deferred outflows of resources were \$42,558,029 and exceeded liabilities in the amount of \$26,753,114 (i.e., net position). Of the total net position, \$4,281,272 was unrestricted and available to support short-term operations; \$4,176,630 was restricted for capital projects and debt service, with the balance of \$18,295,212 as net investment in capital assets.
- For the year ended December 31, 2022, user fee revenues (water sales) increased 13.20% to \$6,966,364 as compared to \$6,154,188 for the fiscal year ended December 31, 2021.
- The District's expenses decreased 2.35% to \$5,983,086 as compared to \$6,127,336 in 2021.
- The District had assets and asset improvements placed in service of \$1,361,481 during the year ended December 31, 2022.

The reasons for the above changes, and for other changes in the financial position of the District, are discussed following the financial statement tables and presentations within the Management Discussion and Analysis.

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 Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet 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 Balance Sheet, 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.

Condensed Balance Sheets
As of December 31, 2022 and 2021

	2022	2021	Dollar Change	Percentage Change
Assets:				
Current Assets	\$ 11,223,582	\$ 10,326,104	\$ 897,478	8.69%
Noncurrent Assets:				
Other Assets	492	492	-	0.00%
Deferred Bond Issuance Costs	38,364	42,260	(3,896)	(9.22%)
Capital Assets	30,903,444	30,964,128	(60,684)	(0.20%)
Total Assets	<u>42,165,882</u>	<u>41,332,984</u>	<u>832,898</u>	2.02%
Deferred Outflows of Resources:				
Deferred Amount on Refunding of Debt	392,147	431,966	(39,819)	(9.22%)
Total Assets and Deferred Outflows of Resources	<u>42,558,029</u>	<u>41,764,950</u>	<u>793,079</u>	1.90%
Liabilities:				
Current Liabilities	5,271,190	5,080,282	190,908	3.76%
Long-Term Liabilities	10,533,725	12,124,899	(1,591,174)	(13.12%)
Total Liabilities	<u>15,804,915</u>	<u>17,205,181</u>	<u>(1,400,266)</u>	(8.14%)
Net Position:				
Net Investment in Capital Assets	18,295,212	17,030,780	1,264,432	7.42%
Restricted for Capital Activity and Debt Service	4,176,630	4,043,863	132,767	3.28%
Unrestricted	4,281,272	3,485,126	796,146	22.84%
Total Net Position	<u>\$ 26,753,114</u>	<u>\$ 24,559,769</u>	<u>\$ 2,193,345</u>	8.93%

The major components of the change in “Current Assets” were primarily increases in accounts receivable of \$127,881, increases in unbilled water sales of \$275,896, and increases in cash on hand of \$355,954. Additionally, there were increases in inventory of \$163,467.

“Capital Assets” decreased by a net of \$60,684 primarily from the additions of \$1,361,481 in utility systems and equipment less the subtraction of depreciation of \$1,310,520.

“Deferred Amount on Refunding of Debt” decreased by \$39,819 for amortization of the advanced refunding difference.

“Total Liabilities” decreased by \$1,400,266 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 \$1,730,000. In addition, Accounts Payable and Accrued Payables increased by a net of \$107,327. There was a decrease in Construction Payable by \$8,369. There was also an increase in Customer Deposits Payable of \$68,832.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022 and 2021

	2022	2021	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 7,826,618	\$ 6,984,811	\$ 841,807	12%
Nonoperating Revenues	254,636	137,829	116,807	85%
Total Revenues	<u>8,081,254</u>	<u>7,122,640</u>	<u>958,614</u>	13%
Expenses:				
Depreciation	1,310,520	1,278,325	32,195	3%
Other Operating Expenses	4,275,498	4,137,692	137,806	3%
Nonoperating Expenses	301,891	711,319	(409,428)	(58%)
Total Expenses	<u>5,887,909</u>	<u>6,127,336</u>	<u>(239,427)</u>	(4%)
Change in Net Position	2,193,345	995,304	1,198,041	120%
Beginning Net Position	<u>24,559,769</u>	<u>23,564,465</u>	<u>995,304</u>	4%
Ending Net Position	<u>\$26,753,114</u>	<u>\$24,559,769</u>	<u>\$ 2,193,345</u>	9%

While the Balance Sheet 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 24,164 at fiscal year-end compared to 23,474 in 2021, for an increase of 690.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by \$841,807 (12.05 %) for the fiscal year ended December 31, 2022 after a \$204,840 (2.85 %) decrease for the year ended December 31, 2021. The decrease in Operating Revenues for 2021 was due to Hurricane Ida's impact on billing cycles. The increase in 2022 reflected the return to normal billing cycles. The Non-operating Revenues also increased by \$116,807.

Total other operating expenses increased by \$137,806 from the prior year and non-operating expenses decreased by \$409,428. The non-operating expense decrease is primarily due to the \$270,275 debt issuance cost in the prior year due to re-finance activity that did not occur in the current year as well as the current year \$95,177 amortization of bond premium. Operation detail revealed that there was a net increase in other contractual expenses of \$9,967, decrease in repairs and maintenance of \$195,139, increase in supplies of \$12,155, increase in office expenses of \$39,769, increase in utilities of \$77,078, increase in personal services and benefits of \$130,379, increase of vehicle expense of \$68,474, as well as a decrease in insurance of \$23,007 (combination of all items resulting in more operating expenses in 2022 compared to 2021).

The above changes resulted in an increase in Net Position of \$2,193,345 for the year ended December 31, 2022, as compared to an increase in net position of \$995,304 for the year ended December 31, 2021.

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, 2022

	Final Budget December 31, 2022	Actual December 31, 2022	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 7,302,500	\$ 7,826,618	\$ 524,118
Nonoperating Revenues	153,500	254,636	101,136
Total Revenues	<u>7,456,000</u>	<u>8,081,254</u>	<u>625,254</u>
Expenses:			
Depreciation	1,310,000	1,310,520	(520)
Other Operating Expenses	4,834,700	4,275,498	559,202
Nonoperating Expenses	551,000	301,891	249,109
Total Expenses	<u>6,695,700</u>	<u>5,887,909</u>	<u>807,791</u>
Change in Net Position	760,300	2,193,345	1,433,045
Beginning Net Position	<u>24,559,769</u>	<u>24,559,769</u>	-
Ending Net Position	<u>\$25,320,069</u>	<u>\$26,753,114</u>	<u>\$ 1,433,045</u>

Actual Operating Revenues were more than budgeted Operating Revenues by a favorable variance of 7.18%. Actual Other Operating Expenses were less than budgeted amounts by \$559,202. Actual Nonoperating Expenses were less than budgeted amounts by \$249,109 comprised primarily of decreased interest expense. The major reasons for Actual Operating Expenses being under budget \$559,202 were the capitalization of expenses that were budgeted for repairs and maintenance regarding several line relocations of \$307,792, professional fees being under budget by \$27,241, and the capitalization of tie in units from supplies resulting in supplies being under budget by \$333,834 partially offset by salaries and benefits being over budget by \$35,211 and utilities being over budget by \$29,618.

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, 2022 and 2021, the District had the following number of customers:

	December 31, 2022	December 31, 2021	Increase (Decrease)
Customers			
Residential	22,552	21,892	660
Nonresidential	1,612	1,582	30
Total Customers	<u>24,164</u>	<u>23,474</u>	<u>690</u>

Revenue and Expense Data Per Customer Per Month

	December 31, 2022	December 31, 2021	Increase (Decrease)	Percentage Change
Water Sales	\$ 24.02	\$ 21.85	\$ 2.17	10%
Operating Revenues	26.99	24.80	2.19	9%
Total Revenues	27.87	25.29	2.58	10%
Operating Expenses	19.26	19.23	0.03	0%
Total Expenses	20.31	21.75	(1.44)	(7%)

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, 2022 and 2021.

	December 31, 2022	December 31, 2021	Increase (Decrease)
Accounts Receivable			
Current	\$ 745,941	\$ 630,805	\$ 115,136
31-60 Days Past Due	49,243	36,374	12,869
Over 60 Days Past Due	122,689	94,148	28,541
Subtotal	917,873	761,327	156,546
Allowance for Uncollectible Accounts	(122,814)	(94,149)	(28,665)
	<u>\$ 795,059</u>	<u>\$ 667,178</u>	<u>\$ 127,881</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ended December 31, 2022, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had \$30,903,444 (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, 2022	December 31, 2021	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 553,594	\$ 553,594	\$ -	0%
Construction in Progress	58,641	170,286	(111,645)	(66%)
Utility System	49,471,517	48,333,380	1,138,137	2%
Buildings	974,108	974,108	-	0%
Equipment	1,593,632	1,370,288	223,344	16%
Furniture and Fixtures	41,565	41,565	-	0%
Vehicles	555,064	555,064	-	0%
Subtotal	53,248,121	51,998,285	1,249,836	2%
Less: Accumulated Depreciation	(22,344,677)	(21,034,157)	(1,310,520)	6%
Net Capital Assets	\$ 30,903,444	\$ 30,964,128	\$ (60,684)	0%

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. Details including balances, payments, and interest rates are included in Note 6 - Long-Term Debt. A re-finance action was accomplished in 2021 which reduced overall interest expense.

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 8 – Long-Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 8, 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, 2022, 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 past 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 2021 and 2022. 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 is pursuing a major upgrade of electronic meter installations throughout the District in the next several years and has arranged financing to establish this large investment which will result in billing efficiency 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.

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

BALANCE SHEET

AS OF DECEMBER 31, 2022

(With Comparative Totals as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,831,482	\$ 3,475,528
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$122,814 and \$94,149, respectively)	795,059	667,178
Unbilled Water Sales	562,511	286,615
Due from Other Governments	208,468	205,443
Other	-	4,792
	<u>1,566,038</u>	<u>1,164,028</u>
Restricted Assets:		
Cash and Cash Equivalents -		
Cash for Customer Deposits	778,572	717,970
Bond Covenant Accounts	4,167,270	4,071,892
Construction Account	90,692	277,002
	<u>5,036,534</u>	<u>5,066,864</u>
Due from Other Governments	12,021	-
	<u>5,048,555</u>	<u>5,066,864</u>
Inventory	672,523	509,056
Prepaid Insurance	104,984	110,628
Total Current Assets	<u>11,223,582</u>	<u>10,326,104</u>
Noncurrent Assets:		
Prepaid Items	38,364	42,260
Deposits	492	492
Capital Assets:		
Land and Construction in Progress	612,235	723,880
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	30,291,209	30,240,248
Total Capital Assets	<u>30,903,444</u>	<u>30,964,128</u>
Total Noncurrent Assets	<u>30,942,300</u>	<u>31,006,880</u>
Total Assets	42,165,882	41,332,984
<u>Deferred Outflows of Resources</u>		
Deferred Amount on Refunding of Debt	392,147	431,966
Total Assets and Deferred Outflows of Resources	<u>\$ 42,558,029</u>	<u>\$ 41,764,950</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET (CONTINUED)

AS OF DECEMBER 31, 2022

(With Comparative Totals as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 849,445	\$ 753,795
Accrued Payables	66,319	54,642
Construction Payable	-	8,369
Due to Other Governments	68,671	66,519
Accumulated Unpaid Vacation	21,224	20,567
Customer Deposits	1,603,487	1,534,655
Bond Anticipation Note Payable	1,071,419	615,073
Bonds Payable - Current Portion	1,497,272	1,730,000
Accrued Interest on Bonds Payable	93,353	296,662
	<u>5,271,190</u>	<u>5,080,282</u>
Total Current Liabilities		
Noncurrent Liabilities:		
Bonds Payable	10,470,052	12,062,501
Accumulated Unpaid Vacation	63,673	62,398
	<u>10,533,725</u>	<u>12,124,899</u>
Total Long-Term Liabilities		
Total Liabilities	<u>15,804,915</u>	<u>17,205,181</u>
<u>Net Position</u>		
Net Investment in Capital Assets	18,295,212	17,030,780
Restricted for:		
Capital Projects and Debt Service	4,176,630	4,043,863
Unrestricted	4,281,272	3,485,126
	<u>26,753,114</u>	<u>24,559,769</u>
Total Net Position		
Total Liabilities and Net Position	<u>\$ 42,558,029</u>	<u>\$ 41,764,950</u>

The accompanying notes 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, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Water Sales	\$ 6,966,364	\$ 6,154,188
Water Tap Fees	280,755	357,280
Service Charges	105,755	107,430
Penalty Charges	76,633	54,995
Sewer Billing Fees	179,944	140,752
Other	217,167	170,166
Total Operating Revenues	<u>7,826,618</u>	<u>6,984,811</u>
Operating Expenses:		
Personal Services and Benefits	2,095,911	1,965,532
Bad Debts	45,830	54,407
Bank Fees	190,640	163,933
Contractual Services	414,568	404,601
Depreciation	1,310,520	1,278,325
Insurance	157,471	180,478
Office Expense	274,525	234,756
Repairs and Maintenance	259,208	454,347
Supplies	152,898	140,743
Utilities	534,618	457,540
Vehicle Expense	149,829	81,355
Total Operating Expenses	<u>5,586,018</u>	<u>5,416,017</u>
Operating Income	2,240,600	1,568,794
Nonoperating Revenues (Expenses):		
Interest Income	49,834	7,337
Interest Expense	(397,068)	(441,044)
Debt Issuance Cost	-	(270,275)
Other Income	204,802	130,492
Amortization of Bond Premium	95,177	-
Total Nonoperating Revenues (Expenses)	<u>(47,255)</u>	<u>(573,490)</u>
Change in Net Position	2,193,345	995,304
Net Position - Beginning of Year	<u>24,559,769</u>	<u>23,564,465</u>
Net Position - End of Year	<u>\$ 26,753,114</u>	<u>\$ 24,559,769</u>

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 7,378,778	\$ 6,898,555
Cash Payments to Suppliers for Goods and Services	(2,193,778)	(1,508,820)
Cash Payments to Employees for Services and Benefits	(2,082,302)	(1,972,994)
Other Receipts (Payments)	208,698	130,492
Net Cash Provided by Operating Activities	<u>3,311,396</u>	<u>3,547,233</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,258,205)	(600,391)
Interest Expense Paid on Bonds	(560,558)	(259,916)
Proceeds from Issuance of Debt	466,325	13,254,597
Principal Repayment on Debt	(1,752,000)	(14,805,000)
Debt Issuance Cost Paid	-	(270,275)
Deferred Bond Issuance Costs	-	(42,260)
Net Receipts from Customer Deposits	68,832	88,372
Net Cash Used in Capital and Related Financing Activities	<u>(3,035,606)</u>	<u>(2,634,873)</u>
Cash Flows from Investing Activities:		
Interest Income Received	49,834	7,337
Net Cash Provided by Investing Activities	<u>49,834</u>	<u>7,337</u>
Net Increase (Decrease) in Cash and Cash Equivalents	325,624	919,697
Cash and Cash Equivalents, Beginning of Year	<u>8,542,392</u>	<u>7,622,695</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,868,016</u>	<u>\$ 8,542,392</u>

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,240,600	\$ 1,568,794
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,310,520	1,278,325
Provision for Bad Debt	45,830	54,407
Miscellaneous Revenues Less Expenses	208,698	130,492
(Increase) Decrease in Accounts Receivable	(173,711)	(213,485)
(Increase) Decrease in Unbilled Receivable	(275,896)	122,403
(Increase) Decrease in Other Receivable	4,792	3,551
(Increase) Decrease in Due from Other Governments	(3,025)	1,275
(Increase) Decrease in Inventory	(163,467)	(42,845)
(Increase) Decrease in Prepaid Insurance	5,644	19,966
Increase (Decrease) in Accounts Payable	95,650	629,655
Increase (Decrease) in Compensated Absences	1,932	(6,105)
Increase (Decrease) in Accrued Expenses	11,677	(1,357)
Increase (Decrease) in Due to Other Governments	2,152	2,157
Net Cash Provided by Operating Activities	\$ 3,311,396	\$ 3,547,233
Schedule of Noncash Capital and Related Financing Activities:		
Amortization of Bond Premium	\$ 95,177	\$ -
Amortization of Advanced Refunding Difference	\$ 39,819	\$ -
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents, Unrestricted	\$ 3,831,482	\$ 3,475,528
Cash and Cash Equivalents, Restricted	5,036,534	5,066,864
Total Cash and Cash Equivalents	\$ 8,868,016	\$ 8,542,392

The accompanying notes are an integral part of this statement.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

(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, 2022 there were 24,164 metered customers, representing an increase in customers of 690 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.

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 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.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

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, 2022

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.

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, 2022.

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, 2022

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.

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. As a result, only the amount of unused vacation time is accrued in the District's basic financial statements.

GASB Statement Number 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In accordance with GASB-16, Accounting for Compensated Absences, no liability has been accrued for unused employee sick leave.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

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.

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. 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 is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

M. Summary Financial Information for 2021

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, 2021, from which the summarized information was derived.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

N. Current Year Adoption of New Accounting Standards

During the year, the District implemented GASB Statement No. 87 – *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The District had no operating or finance leases as of December 31, 2022 that required the capitalization of the assets and liabilities described above. Therefore, the adoption of this statement had no effect on the District’s financial statements.

During the year, the District also implemented GASB Statement No 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this statement had no 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, 2022:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 1,000	\$ -
Demand Deposits and Savings Accounts	4,699,746	4,690,074
Restricted Cash Held in Bank Trust Accounts	<u>4,167,270</u>	<u>4,167,270</u>
	<u>\$8,868,016</u>	<u>\$8,857,344</u>

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

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 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, 2022, the District has \$4,690,074 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 \$4,190,074 of demand deposits and savings accounts are secured by pledged securities. The \$4,190,074 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) Receivables -

The following is a summary of receivables at December 31, 2022:

Accounts Receivable:	
Current	\$ 745,941
31-60 Days Past Due	49,243
Over 60 Days Past Due	122,689
Subtotal	<u>917,873</u>
Less: Allowance for Uncollectible Accounts	<u>(122,814)</u>
Net Accounts Receivable	<u>\$ 795,059</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 \$45,830 for the year ended December 31, 2022.

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, 2022, accrued amounts were \$562,511.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

(4) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2022 is as follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Capital Assets not being Depreciated:				
Land	\$ 553,594	\$ -	\$ -	\$ 553,594
Construction in Progress	170,286	590,741	(702,386)	58,641
Total Capital Assets not being Depreciated	723,880	590,741	(702,386)	612,235
Capital Assets being Depreciated:				
Buildings and Improvements	974,108	-	-	974,108
Equipment	1,370,288	223,344	-	1,593,632
Furniture and Fixtures	41,565	-	-	41,565
Vehicles	555,064	-	-	555,064
Utility System	48,333,380	1,138,137	-	49,471,517
Total Capital Assets being Depreciated	51,274,405	1,361,481	-	52,635,886
Less Accumulated Depreciation for:				
Buildings and Improvements	343,862	25,250	-	369,112
Equipment	1,222,472	61,516	-	1,283,988
Furniture and Fixtures	38,310	2,014	-	40,324
Vehicles	483,686	28,661	-	512,347
Utility System	18,945,827	1,193,079	-	20,138,906
Total Accumulated Depreciation	21,034,157	1,310,520	-	22,344,677
Total Capital Assets being Depreciated, Net	30,240,248	50,961	-	30,291,209
Total Capital Assets, Net	\$ 30,964,128	\$ 641,702	\$ (702,386)	\$ 30,903,444

Depreciation expense for the year ended December 31, 2022 was \$1,310,520.

(5) Short-Term Debt -

On June 4, 2020, the District entered into a loan agreement with the DHH to borrow funds available in the Drinking Water Revolving Loan Fund up to the maximum sum of \$3,000,000. The funds will be used to finance improvements to the District's drinking water system. Once construction is finalized, the loan will be converted to a bond payable and referred to as Taxable Water Revenue Bonds, Series 2020 issued at 2.45% per annum (interest at 1.95% and a DHH Administrative Fee of 0.50%) maturing in 2042. The final bond payment schedule will be revised by LDH after final payment of the bonds to the District.

For the year ended December 31, 2022, the Series 2020 project is not complete, with total bond proceeds received reported as Bond Anticipation Note Payable with a balance of \$1,071,419.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

(6) Long-Term Debt -

The following is a summary of long-term obligation transactions for the year ended December 31, 2022:

	Balance			Balance		Due Within
	December 31, 2021	Additions	Deletions	December 31, 2022		One Year
Direct Placement Borrowings						
2012A Revenue Bonds	\$ 610,000	\$ -	\$ (610,000)	\$ -		\$ -
2021 Water Revenue Refunding Bonds	12,150,000	-	(1,120,000)	11,030,000		1,380,000
Total Debt	12,760,000	-	(1,730,000)	11,030,000		1,380,000
Less: Unamortized Premium	1,032,501	-	(95,177)	937,324		117,272
Total Long-Term Debt	<u>\$ 13,792,501</u>	<u>\$ -</u>	<u>\$ (1,825,177)</u>	<u>\$ 11,967,324</u>		<u>\$1,497,272</u>

2012A Water Revenue Refunding Bonds:

On June 29, 2012, the District issued \$5,355,000 Series 2012A, \$4,540,000 Series 2012B, and \$470,000 Series 2012C Water Revenue Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2000 Louisiana Department of Environmental Quality (DEQ) Revenue bonds and the Series 2005 DHH bonds, interest and administrative fees. The District refunded the Series 2000 and Series 2005 bonds to decrease total debt service payments over the next 14 years by \$728,956 and to obtain an economic gain of \$628,526.

The Series 2012A bonds had semi-annual payment installments including principal and interest at 2.285% through April 1, 2022.

The 2012A Water Revenue Refunding Bonds were paid off in the current year.

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.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,380,000	\$ 323,050	\$ 1,703,050
2024	1,410,000	281,200	1,691,200
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 to 2032	4,160,000	215,700	4,375,700
	<u>\$ 11,030,000</u>	<u>\$1,400,975</u>	<u>\$ 12,430,975</u>

Debt Service Requirements to Maturity:

The annual requirements to amortize all long-term debt outstanding as of December 31, 2022 including expected interest payments of \$1,400,975 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,380,000	\$ 323,050	\$ 1,703,050
2024	1,410,000	281,200	1,691,200
2026	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 to 2032	4,160,000	215,700	4,375,700
	<u>\$ 11,030,000</u>	<u>\$1,400,975</u>	<u>\$ 12,430,975</u>

(7) 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, 2022, the District had a deferred amount on refunding of debt of \$392,147 which is comprised of \$392,147 for the 2021 advanced refunding of debt.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

(8) 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, 2022. As of December 31, 2022, debt covenants relate to existing parity bonds, consisting of the Series 2021 Water Revenue Refunding Bonds and the Series 2020 Water Revenue Bonds. The District’s compliance with bond covenants as of December 31, 2022, 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	\$ 1,161,206	\$ 1,881,405	\$ 500,000	\$3,542,611
Current Reserved Amount	1,166,578	2,467,496	533,196	4,167,270
Amount Over (Under) Funded	\$ 5,372	\$ 586,091	\$ 33,196	\$ 624,659

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 and the Series 2020 Water Revenue Bonds.

At December 31, 2022, the District Sinking Fund bond deposits requirements were over funded by \$5,372 for the 2021 and 2020 bond issues. The District made the required installments for the year ended December 31, 2022.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

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, 2020 Water Revenue Bonds, and any additional Parity Obligations hereafter issued. At December 31, 2022, the District maintained a balance of \$2,467,496 which was \$586,091 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 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.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

For the year ended December 31, 2022, the Renewal and Replacement Fund was fully funded with a balance of \$533,196.

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 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 and Series 2020 bonds, exceeded the 125 percent ratio for the year ended December 31, 2022.

(9) Restricted and Designated Net Position -

At December 31, 2022, the District recorded \$4,176,630 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.

(10) 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.

(11) Litigation -

There is no outstanding litigation at December 31, 2022 for Ward Two Water District of Livingston Parish for which the District would expect an unfavorable outcome.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

(12) Compensated Absences and Retirement Plan -

At December 31, 2022, the employees of the District have accumulated and vested \$84,897 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 does not belong to a retirement system; however, 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 \$49,051 into the 457(b) plan during 2022. 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.

(13) Compensation Paid to Board Members -

Compensation paid to the board members for 2022 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	\$ 1,300
Shyrl Westmoreland (225) 664-2597	Vice-President	29709 Bickford Lane Denham Springs, LA 70726	1,100
Stanley Spillman (225) 665-2669	Secretary - Treasurer	33725 Louisiana Highway 16 Watson, LA 70786-0692	1,300
Jimmie McCoy (225) 665-3596	Board Member	37375 Louisiana Highway 16 Denham Springs, LA 70706	1,400
Shevis Ball (225) 938-1775	Board Member	39765 Louisiana Highway 16 Denham Springs, LA 70706	1,300
David Strickland (225) 933-7924	Board Member	7801 Denham Chase Ave Denham Springs, LA 70726	1,200
Jeffery Scott Martone (225) 305-8279	Board Member	19338 Gourdon Lane Port Vincent, LA 70726	<u>1,100</u>
			<u>\$ 8,700</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, 2022

(14) 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, 2022:

Agency Head Name: John Easterly, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - Health Insurance	8,282
Benefits - Retirement	-
Benefits - Life Insurance	34
Benefits - Vision Insurance	76
Per Diem	1,300
Reimbursements	-
	<u>\$ 9,692</u>

(15) Current Accounting Pronouncements -

In May 2020, the Governmental Accounting Standards Board GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

(16) Subsequent Events -

Subsequent to year-end on April 27, 2023, the District entered into a loan agreement with the Louisiana Department of Health (LDH) to borrow funds available in the Drinking Water Revolving Loan Fund up to the maximum 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

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

forgiveness of up to 49% of the total amount of draws on the loan not to exceed \$2,940,000. Once construction is finalized, the portion of the loan not forgiven will be converted to a bond payable and referred to as Taxable Water Revenue Bonds, Series 2023 issued at 2.45% per annum (interest at 1.95% and a LDH Administrative Fee of 0.50%) maturing in 2043. The final bond payment schedule will be revised by LDH after final payment of the bonds to the District.

Subsequent events have been evaluated by management through June 20, 2023, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date.

OTHER SUPPLEMENTAL 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, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Operating Revenues:				
Water Sales	\$ 6,775,000	\$ 6,400,000	\$ 6,966,364	\$ 566,364
Water Tap Fees	360,000	294,000	280,755	(13,245)
Service Charges	115,000	110,000	105,755	(4,245)
Penalty Charges	80,000	80,000	76,633	(3,367)
Sewer Billing Fees	164,000	215,500	179,944	(35,556)
Other	161,000	203,000	217,167	14,167
Total Operating Revenues	7,655,000	7,302,500	7,826,618	524,118
Operating Expenses:				
Personal Services and Benefits:				
Salaries and Wages	1,470,000	1,430,000	1,435,447	(5,447)
Director's Fees	8,400	7,700	8,700	(1,000)
Employee Benefits and Payroll Taxes	638,000	623,000	651,764	(28,764)
	2,116,400	2,060,700	2,095,911	(35,211)
Bad Debts	20,000	20,000	45,830	(25,830)
Bank Card Charges and Fees	170,000	181,000	190,640	(9,640)
Contractual Services:				
Meter Reading	245,000	240,000	247,809	(7,809)
Professional Fees	170,000	155,000	127,759	27,241
Telemetry	43,000	40,000	39,000	1,000
	458,000	435,000	414,568	20,432
Depreciation	1,295,000	1,310,000	1,310,520	(520)
Insurance	172,000	175,000	157,471	17,529
Office Expense:				
Advertising	4,000	2,000	2,240	(240)
Computer and Printer Supplies	87,000	132,000	129,508	2,492
Miscellaneous	27,000	21,000	17,461	3,539
Postage	130,000	127,000	125,316	1,684
	248,000	282,000	274,525	7,475
Repairs and Maintenance	566,000	567,000	259,208	307,792
Supplies:				
Chlorination	78,000	78,000	87,586	(9,586)
Miscellaneous	657,000	356,000	22,166	333,834
Supplies	45,000	37,000	43,146	(6,146)
	780,000	471,000	152,898	318,102

(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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Operating Expenses (Continued):				
Utilities:				
Utilities	395,000	470,000	488,821	(18,821)
Telephone	37,000	35,000	45,797	(10,797)
	<u>432,000</u>	<u>505,000</u>	<u>534,618</u>	<u>(29,618)</u>
Vehicle Expense	<u>117,000</u>	<u>138,000</u>	<u>149,829</u>	<u>(11,829)</u>
Total Operating Expenses	<u>6,374,400</u>	<u>6,144,700</u>	<u>5,586,018</u>	<u>558,682</u>
Operating Income	1,280,600	1,157,800	2,240,600	1,082,800
Nonoperating Revenues (Expenses):				
Interest Income	75,000	47,000	49,834	2,834
Interest Expense	(535,000)	(551,000)	(397,068)	153,932
Other Income	115,000	106,500	204,802	98,302
Amortization of Bond Premium	-	-	95,177	95,177
Total Nonoperating Revenues (Expenses)	<u>(345,000)</u>	<u>(397,500)</u>	<u>(47,255)</u>	<u>350,245</u>
Change in Net Position	935,600	760,300	2,193,345	1,433,045
Net Position - Beginning of Year	<u>24,559,769</u>	<u>24,559,769</u>	<u>24,559,769</u>	<u>-</u>
Net Position - End of Year	<u>\$ 25,495,369</u>	<u>\$ 25,320,069</u>	<u>\$ 26,753,114</u>	<u>\$ 1,433,045</u>

See independent auditor's report.

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2022

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Tokio Marine Specialty Ins Co. Policy Number PPK2481030	Commercial Package Policy:		10/31/2022 to 10/31/2023
	Property and Inland Marine Coverage		
	Real and Personal Property Blanket Limit	\$14,087,053	
	Coverage Extension Endt #P1-WDI-001D		
	Mobile Equipment (Scheduled - Per SOV On File with Company)	937,275	
	Mobile Equipment (Borrowed, Rented & Leased)	100,000	
	Policy Deductible	2,500	
	Mobile Equipment Deductible	1,000	
	Equipment Breakdown Deductible	2,500	
	General Liability		
	Bodily Injury and Property Damage		
	Per Occurrence	1,000,000	
	Aggregate	3,000,000	
	Personal Injury and Advertising Injury		
	Per Person or Organization	1,000,000	
	Damage to Premises Rented		
	Any One Premises	1,000,000	
	Wrongful Acts - Coverage A		
	Each Claim	1,000,000	
	All Coverages Aggregate Limit	3,000,000	
	Deductible per wrongful act	1,000	
	Employee Benefits Plans - Coverage A	1,000,000	
	Deductible per wrongful act	1,000	
	Medical Payments	10,000	
	Employment Practices Liability - Coverage A		
	Each Claim	1,000,000	
	All Coverages Aggregate Limit	3,000,000	
	Each Claim	1,000	
	Retroactive Date: 12-18-21		
	Crime Coverage		
	Employee Theft (\$1,000 Deductible)	1,000,000	
	Forgery and Alteration (\$1,000 Deductible)	250,000	

(CONTINUED)

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

Insurance Company / Policy Number	Coverage	Amount	Policy Period
	Theft Disappearance and Destruction		
	Inside (\$500 Deductible)	250,000	
	Outside (\$1,000 Deductible)	250,000	
	Robbery/Safe Burglary	n/a	
	Inside the Premises (\$1,000 Deductible)	n/a	
	Computer Fraud (\$1,000 Deductible)	100,000	
	Funds Transfer Fraud (\$1,000 Deductible)	100,000	
	Money Orders (\$1,000 Deductible)	n/a	
Travelers Casualty & Surety Company of America Policy Number 107531648	Cyber Liability:		10/31/22 to
	Privacy & Network Security Wrongful Acts Per Act (\$10,000 Deductible)	1,000,000	10/31/2023
	Breach Response Services Per Act (\$10,000 Deductible)	1,000,000	
	Cyber Crime/Computer Fraud	\$250,000	
	Funds Transfer Fraud	\$250,000	
	Social Engineering Fraud Per Act (\$10,000 Deductible)	\$250,000	
Tokio Marine Specialty Ins Co Ins Co (Continued) Policy Number PPK2481030	Automobile Coverage		10/31/2022 to
	Physical Damage	Per Schedule on File	10/31/2023
	Liability /Combined Single Limit	1,000,000	
	Uninsured Motorist	n/a	
Tokio Marine Specialty Ins Co Policy Number PUB83005	Excess Insurance Coverage		10/31/22 to
	Any One Occurrence Limit	4,000,000	10/31/2023
	Annual Aggregate Limit	4,000,000	
Evanston Insurance Company Compensation Corporation Policy Number 77205-S	Data Breach and Privacy Liability Coverage State of Louisiana Coverage Only		10/31/2018 to 10/31/2023
	Employers Liability Insurance		
	Bodily Injury by Accident - Each Accident	1,000,000	
	Bodily Injury by Disease - Policy Limit	1,000,000	
	Bodily Injury by Disease - Each Employee	1,000,000	
Wright National Flood Ins Co Policy Number 17 1151826581 03	Flood Insurance		6/13/2022 to
	Building (\$2,000 Deductible)	500,000	6/13/2023
	Contents (\$2,000 Deductible)	441,000	

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, 2022

	Water Fees	Tap Fees	
		Inch Tap	Fee
First 2,000 Gallons	\$ 13.50	3/4" Tap	\$ 385
Per Next 1,000 Gallons of Water up to 3,000 Gallons	2.52	1" Tap	\$ 560
Per Next 1,000 Gallons of Water up to 5,000 Gallons	2.12	1 1/2" Tap	\$ 650
Per Next 1,000 Gallons of Water over 10,000 Gallons	1.37	2" Tap	\$ 700
		Tap Greater Than 2"	\$ 2,000
Customers			
Residential	22,552		
Nonresidential	1,612		
Total Customers	<u>24,164</u>		

See independent auditor's report.

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

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, 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, 2022, 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, 2023.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; 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, 2023

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None Noted

Noncompliance material to financial statements noted? _____ Yes x No

B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

None

WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

None

WARD TWO WATER DISTRICT OF LIVINGSTON

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2022



Baton Rouge | Denham Springs | New Orleans | Hammond
www.htbcpa.com

Independent Accountant's Report
on Applying Agreed-Upon Procedures

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

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, 2022 through December 31, 2022. 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, 2022 through December 31, 2022. 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 exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget. – **No exceptions noted.**
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes. – **No exceptions noted.**
 - c) ***Disbursements***, including processing, reviewing, and approving. – **No exceptions noted.**

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation). – **No exceptions noted.**
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules. – **No exceptions noted.**
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process. – **No exceptions noted.**
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases). – **No exceptions noted.**
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No exceptions noted.**
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity’s ethics policy. – **No exceptions noted.**
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No exceptions noted.**
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. – **No exceptions noted.**
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting. – **No exceptions noted.**

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board’s enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, bylaws, or other equivalent document. – **No exceptions noted.**

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.* – **No exceptions noted.**
- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund. – **No exceptions noted.**
- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved. – **No audit findings in the prior year noted.**

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged); – **No exceptions noted.**
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and – **No exceptions noted.**
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No exceptions noted.**

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers. – **No exceptions noted.**
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit. – **No exceptions noted.**
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit. – **No exceptions noted.**
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation. – **No exceptions noted.**
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period. – **No exceptions noted.**
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered. – **No exceptions noted.**
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No exceptions noted.**
 - c) Trace the deposit slip total to the actual deposit per the bank statement. – **No exceptions noted.**
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Exception – One of the selections was not deposited within one business day of receiving the collections. The item was deposited on the second business day.
- e) Trace the actual deposit per the bank statement to the general ledger. – **No exceptions noted.**

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

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5). – **No exceptions noted.**
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. – **No exceptions noted.**
- b) At least two employees are involved in processing and approving payments to vendors. – **No exceptions noted.**
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files. – **No exceptions noted.**
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments. – **No exceptions noted.**

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.] – **No exceptions noted.**

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means. – **No exceptions noted.**

10. For each location selected under #8 above, obtain the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management’s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and: – **No exceptions noted.**

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity. – **No exceptions noted.**
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable. – **No exceptions noted.**

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete. – **No exceptions noted.**

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

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.] – **No exceptions noted.**
- b) Observe that finance charges and late fees were not assessed on the selected statements. – **No exceptions noted.**

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny. – **No exceptions noted.**

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov). – **No exceptions noted.**
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **No exceptions noted.**
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h). – **No exceptions noted.**
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **No exceptions noted.**

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **No exceptions noted.**
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter). – **No exceptions noted.**
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented). – **No exceptions noted.**
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract. – **No exceptions noted.**

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. – **No exceptions noted.**
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.) – **No exceptions noted.**
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials. – **No exceptions noted.**
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records. – **No exceptions noted.**
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file. – **No exceptions noted.**
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy. – **No exceptions noted.**
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines. – **No exceptions noted.**

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. – **No exceptions noted.**
 - b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable. – **No exceptions noted.**
21. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170. – **No exceptions noted.**

Debt Service

22. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued. – **No new debt was issued during the current fiscal period.**
23. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants). – **No exceptions noted.**

Fraud Notice

24. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled. – **There were no misappropriations of public funds or assets noted during the fiscal period.**
25. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. – **No exceptions noted.**

Information Technology Disaster Recovery/Business Continuity

26. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.. – **We performed the procedure and discussed the results with management.**
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months. – **We performed the procedure and discussed the results with management.**
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor. – **We performed the procedure and discussed the results with management.**

27. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network. – **We performed the procedure and discussed the results with management.**

Sexual Harassment

28. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Exception – One of the five selected employees/officials did not complete the required sexual harassment training during the calendar year

29. 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.**

30. 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:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Exception – The District was unable to provide an annual sexual harassment report for the current fiscal period; however, the District’s management stated there were zero sexual harassment complaints received by the agency during the current fiscal period

Management’s Response/Corrective Action to Exceptions

The District’s responses to the exceptions identified in our performance of the SAUPs are attached. The District’s responses were not subjected to any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

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 Authority 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, 2023

Ward Two Water District of Livingston Parish
P. O. Box 637
Denham Springs, LA. 70727-0637

June 12, 2023

Hannis T. Bourgeois, LLP, CPAs
Del Este Avenue, Suite
Denham Springs, Louisiana 70726

Re: Ward Two Water District of Livingston Parish
Response to 2022 Financial AUP Exceptions:

The District hereby agrees to refine current procedures or implement written procedures regarding the below noted AUP exceptions:

Collections (excluding electronic funds transfers)

- 1) Randomly select two deposit dates for each of the bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the deposits and:
 - a) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Exception – One of the selections was not deposited within one business day of receiving the collections. The item was deposited on the second business day after receipt.

Management Response/Corrective Action – In the past the District may have not made a deposit on the scheduled date due to balance of prior day work and short staff on this day. The District’s management will amend policy on holding deposits and will make sure a deposit is made daily, unless unavoidable or banks are closed.

Sexual Harassment

- 1) Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

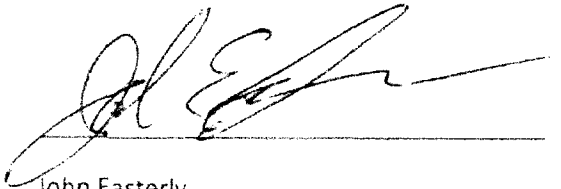
Exception – One of the five selected employees/officials did not complete the required sexual harassment training during the calendar year

Management's Response/Corrective Action – The District's management will amend the sexual harassment policy on new hire from annual training per calendar year to immediate training prior to starting their daily work activity.

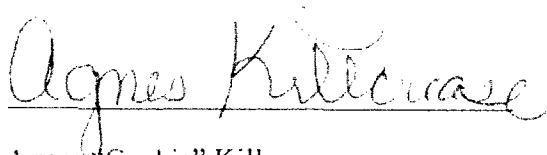
- 2) Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exception – The District was unable to provide an annual sexual harassment report for the current fiscal period; however, the District's management stated there were zero sexual harassment complaints received by the agency during the current fiscal period.

Management's Response/Corrective Action – The District's manage will amend the sexual harassment procedures to specifically address the annual sexual harassment report for the current fiscal period on an annual basis.

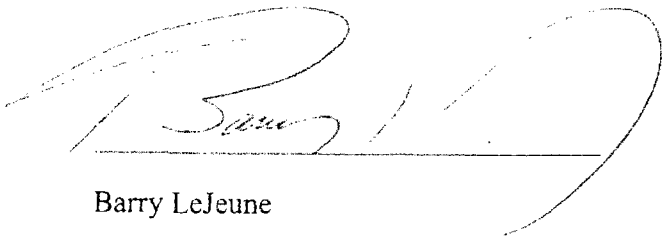


John Easterly
President of Board of Commissioners



Agnes "Cookie" Killcrease

Administrative Director



Barry LeJeune

General Manager